9.1 GAAP with Adjustments

Q165 Section 9.1 Should all assets under GAAP Plus be restated to market value in order to maximise comparability or should assets be reported unadjusted, as per audited financial statements? Please provide any supporting comments including thoughts on valuation in the context of comparability, business strategy associated with an asset, symmetry in accounting between assets and insurance liabilities, and potential cost of implementation.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
European Insurance and Occupational Pensions Authority (EIOPA)	EIOPA	No	Restated to market value	The existence of different valuation methods for the same assets clearly introduces some inconsistencies within the ICS framework that will lead to unjustified differences when assessing the ICS risk charges of IAIGs depending on the jurisdiction they are settled in. Indeed, two identical IAIGs, one settled in Europe and the other in the USA would, under GAAP plus, valuate their assets differently and follow different risk charge calculations (spread risk being for instance not relevant for amortised cost assets). This situation would violate the ICS principle 1 that impose that “The amount of capital required to be held and the definition of capital resources are based on the characteristics of risks held by the IAIG irrespective of the location of its headquarters.” Therefore, to the best extent possible, only one valuation method should be allowed. Moreover, market valuation is the method that enables all material risks (spread risk, interest rate risk) to which an IAIG is exposed to be reflected in the ICS and should be then the one to follow.
Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	Restated to market value	The existence of different valuation methods for the same assets clearly introduces some inconsistencies within the ICS framework that will lead to unjustified differences when assessing the ICS risk charges of IAIGs depending on the jurisdiction they are settled in. Indeed, two identical IAIGs, one settled in Europe and the other in the USA would, under GAAP plus, valuate their assets differently and follow different risk charge calculations

				(spread risk being for instance not relevant for amortised cost assets). This situation would violate the ICS principle 1 that impose that "The amount of capital required to be held and the definition of capital resources are based on the characteristics of risks held by the IAIG irrespective of the location of its headquarters." Therefore, to the best extent possible, only one valuation method should be allowed. Moreover, market valuation is the method that enables all material risks (spread risk, interest rate risk) to which an IAIG is exposed to be reflected in the ICS and should be then the one to follow.
Global Federation of Insurance Associations	Global	No	Reported unadjusted, as per audited financial statements	
The Life Insurance Association of Japan	Japan	No	Restated to market value	The LIAJ selects "Reported unadjusted, as per audited financial statements" as it is impossibile to make following comments in the box. • It is very important to enhance the comparability, but the market-adjusted approach is not the only way to enhance the comparability. Given that there are jurisdictions that currently do not have economic value-based regulations, the LIAJ believes that the comparability of capital standards should be discussed, taking into account the robustness including reliability and verifiability. • From the perspective of robustness, the LIAJ believe that comprehensive consideration of assets, liabilities and capitals should be made. It should not only be focused on one aspect such as ensuring consistency in discount rates.
Legal & General	UK	No	Reported unadjusted, as per audited financial statements	

RAA	United States and many other jurisdicitons	No	Reported unadjusted, as per audited financial statements	
Prudential Financial, Inc.	United States of America	No	Others	
Property Casualty Insurers Association of America (PCI)	USA	No	Restated to market value	Please disregard the fact that we clicked the "Restated to market value" button - it was the only button that opened up the text box for us to include our comment. PCI opposes restatement to market value. Restating all assets under GAAP Plus to market value for the sake of consistency or otherwise defeats the very principles underlying the GAAP Plus approach and their intended benefits. Inherent benefits of GAAP Plus include the reliance on the work of accounting standard-setters; an annual independent audit including reporting on financial statements as well as internal controls; and ongoing and related work undertaken by internal auditors and supervisors through on- and off-site examination processes. While it is unfortunate that the convergence of accounting standards on a global basis is an ongoing effort with a timeline that has been unaligned with much of the ICS development process, much progress toward convergence of accounting standards has already been made, and more is foreseen. We continue to have concerns that the IAIS has an unrealistic view about comparability, a view that is unachievable through MAV as well. Moreover, by creating its own MAV construct, the IAIS is burdened with the responsibility of maintaining it is a current, relevant and viable methodology for many years to come. At the same time, it has burdened IAIGs with the need to maintain a new set of books. Thus, from a cost perspective, GAAP Plus has the additional benefit in that it's maintenance is "outsourced" to accounting standard setters, professionals who now are also clearly focused on global convergence where and when achievable. Moreover, all users of GAAP Plus – IAIGs and

				supervisors – benefit from a valuation basis that is grounded in an accounting methodology that they understand and thus can better interpret an IAIG's ICS result over time.
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Reported unadjusted, as per audited financial statements	

Q166 Section 9.1 Would the Japanese GAAP Held for Reserves ALM criteria be appropriate for use under GAAP Plus for portfolios included in the AOCI adjustment? Please include a rationale for the response. If 'no', please provide any suggestions for improvement or alternate language.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
The Life Insurance Association of Japan	Japan	No	Yes	
Property Casualty Insurers Association of America (PCI)	USA	No	No	PCI´s yes or no response was simply required in order to open the text box and file comments. We believe this question to be best addressed by field test volunteers who have the ability to do so with the benefit of actual data for support and context. The absence of a response by PCI should not be taken one way or the other with respect to the subject of the question.

Q167 Section 9.1 Would a mechanism adapted from the U.S. SAP Interest Maintenance Reserve or Japanese GAAP to defer gains on the sale of assets that were included under the AOCI adjustment be appropriate for ICS Version 2.0? Please provide a rationale to support the response. Also provide any additional design considerations or suggestions to improve the proposal.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
The Life Insurance Association of Japan	Japan	No	No	• In the current A-OCI adjustment approach of GAAP Plus, there is no such incentives as described in paragraph 521. • The impact on eligible capitals is considered to be limited as insurance liabilities will be increase along with decrease in the discount rate of insurance liabilities, while immediate profits are recognised through sales of asset.
Prudential Financial, Inc.	United States of America	No	No	
Property Casualty Insurers Association of America (PCI)	USA	No	No	PCI´s yes or no response was simply required in order to open the text box and file comments. We believe this question to be best addressed by field test volunteers who have the ability to do so with the benefit of actual data for support and context. The absence of a response by PCI should not be taken one way or the other with respect to the subject of the question.
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Yes	Yes. Deferring of gains helps to dis-incentivize capital generation through AOCI for assets held at amortized cost.

Q168 Section 9.1 To ensure that discounting falls within a range of practice that is not overly aggressive under GAAP Plus, guardrails and/or guidelines are being considered to narrow potential ranges of practice and put reasonable constraints on discounting methodologies under jurisdictional GAAP Plus approaches. Specifications would need to strike a balance between prudential concerns and being overly prescriptive. There would also be a need to maintain an alignment with current GAAP practices. Are guardrails and/or constraints necessary under GAAP Plus? Under what specific circumstances might guardrails or additional guidance be necessary? Are there elements of MAV that might be used as a starting point? Please support the answer with discussion and any examples on possible risks or wide range in practice that may exist and how guardrails may minimise those risks or narrow the range of practice appropriately.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
European Insurance and Occupational Pensions Authority (EIOPA)	EIOPA	No	As indicated in paragraph 523 of the Consultation Document, differences in the way that local GAAPs address discounting will lead to a lack of comparability between IAIGs applying different accounting rules. This situation clearly violates ICS principle 1 that should be the base to any well-designed global prudential standard. Therefore, any effort in decreasing the discounting method discrepancies between jurisdictions under GAAP Plus should be encouraged.	
Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	As indicated in paragraph 523 of the Consultation Document, differences in the way that local GAAPs address discounting will lead to a lack of comparability between IAIGs applying different accounting rules. This situation clearly violates ICS principle 1 that should be the base to any well-designed global prudential standard. Therefore, any effort in decreasing the discounting method discrepancies between jurisdictions under GAAP Plus should be encouraged.	
Global Federation of Insurance Associations	Global	No	These comments relate primarily to Q165 and are included here due to a technical issue with the submission. Restating all assets under GAAP Plus to market value for the sake of consistency or	

			otherwise defeats the very principles underlying the GAAP Plus approach and their intended benefits. Inherent benefits of GAAP Plus include reliance on the work of accounting standard-setters; an annual independent audit including reporting on financial statements as well as internal controls; and ongoing work undertaken by internal auditors and supervisors through on- and off-site examination processes. Thus, from a cost perspective, GAAP Plus has the additional benefit in that its maintenance is "outsourced" to accounting standard setters focused on global convergence where and when achievable. Moreover, users of GAAP Plus - IAIGs and supervisors - benefit from a valuation basis that is grounded in an accounting methodology that they understand; hence they will be able to better interpret an IAIG's ICS results over time.	
The Life Insurance Association of Japan	Japan	No	No - The appropriateness of discount rate for the GAAP Plus has already been verified by supervisors in each jurisdiction, so the LIAJ believes that no additional framework is needed. - It is very important to promote the comparability, but the market-adjusted approach is not the only way to promote the comparability. Given that there are jurisdictions that currently do not have economic value-based regulations, the LIAJ believes that the comparability of capital standards should be discussed, taking into account the robustness such as reliability and verifiability. - From the perspective of robustness, the LIAJ believe that comprehensive consideration of assets, liabilities and capitals should be made, instead of only focusing on one aspect such as ensuring consistency in discount rates.	
Legal & General	UK	No	Consistency with audited financial statements is our primary consideration in terms of a useful GAAP Plus methodology. This makes it difficult for us to support any methodology that moves numbers away from those appearing in audited financial statements, although we can appreciate the potential benefits of introducing guardrails.	
RAA	United States and	No	Yes, guardrails or constraints would be necessary to achieve more comparable results.	

	many other jurisdictions			
Prudential Financial, Inc.	United States of America	No	We do not believe additional guardrails and/or guidelines are necessary or appropriate for GAAP Plus. A key strength of GAAP Plus is that it is intended to leverage existing jurisdictional GAAP practices and processes to the greatest extent possible, which are subject to rigorous internal controls and audit - including assumptions underpinning liability valuation. Any adjustments applied to the underpinning GAAP processes should be aimed at ensuring the GAAP Plus approach provides meaningful measures of the risks an IAIG is exposed to and its loss absorbing capacity; they should not inject unwarranted conservatism into these measures and impose a burden on the insurer to create new processes.	
Northwestern Mutual	USA	No	Our response is limited to "FAS 120 "participating contracts [long-duration participating contracts that meet the criteria in ASC 944-20-15-3 (formerly SOP 95-1, paragraphs 4 and 5)] under U.S. GAAP. For these contracts, to arrive at an appropriate MAV valuation, and create symmetry with a largely MAV asset valuation, it is of paramount importance that the investment assumptions used in the modeling of dividends be consistent with the discount rate. This can be accomplished in either one of two ways: 1) The modelling of dividends must assume investment earnings consistent with a prescribed discount rate. An example of this methodology is reflected in paragraph 94 of the Instructions for the May 2018 Quantitative Data Collection Exercise of the Field Testing Project (the "Technical Specifications"), or 2) The discount rate must assume investment earnings consistent with the best estimate modeled dividends, to the extent the modeled dividends depend on the invested assets (or projected invested assets) of the insurer. An example of this methodology would be what was adopted by the IASB (i.e., the discount rate is the risk-free rate adjusted for illiquidity and investment risk shared with the policyholder). Each of these methodologies would arrive at substantially the same valuation (absent an inappropriately low prescribed discount rate on the long end of the yield curve that would	

			tend to overstate the value of any modest guarantees in such participating contracts). As such, for FAS 120 participating contracts, the focus should not be on guardrails but should be twofold: 1) Ensuring the investment assumptions used in the modeling of dividends are consistent with the discount rate, and 2) Ensuring the long-end of the yield curve, when the discount rate is prescribed, is not economically too low to ensure there is not an inappropriate over-valuation (perhaps materially) of any modest guarantees (i.e., typically below the risk-free rate upon issuance). Note that FAS 120 participating contracts are often in-force decades into the future and the long-end of the yield curve can have a significant and material impact on valuation. See also our response to Question 176.	
Property Casualty Insurers Association of America (PCI)	USA	No	We believe this question to be best addressed by field test volunteers who have the ability to do so with the benefit of actual data for support and context. The absence of a response by PCI should not be taken one way or the other with respect to the subject of the question.	
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Guardrails and/or constraints would be necessary under GAAP Plus in order to get more comparable outcomes.	

Q169 Section 9.1 Should the IAIS consider harmonising the definitions of contract recognition and contract boundaries across all valuation approaches (jurisdictional GAAP Plus approaches) possibly in alignment with the IFRS accounting standard on Insurance Contracts (IFRS 17)? Please comment on how this would impact jurisdictional GAAP Plus approaches (such as Japanese GAAP Plus and U.S. GAAP Plus) in

terms of feasibility and cost and whether the IFRS 17 definitions are generally applicable in all jurisdictions. If no, please explain the difficulties and/or issues associated with conforming to one single definition.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
European Insurance and Occupational Pensions Authority (EIOPA)	EIOPA	No	Yes	
Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	Yes	
Global Federation of Insurance Associations	Global	No	No	Requiring all IAIGs to use common definitions for contract recognition and contract boundaries would impose on many the onus of maintaining duplicative systems and methodologies, one for their domestic supervisory and public/investor reporting, and one simply to accommodate the ICS. Moreover, it would require very fundamental changes to processes across any entity, business unit or location of an IAIG that has responsibilities for processing new and renewal business, as well as endorsements and other policy-related activities. The institutional costs to implement such changes would far outweigh any benefits. Contract boundaries should be determined based on economic realities. What is realistically achievable is an ICS that recognizes that, while some differences exist across jurisdictions and IAIGs, for a given IAIG the ICS produces a result that is comparably calculated for each respective IAIG over time. That will provide the IAIG and its group-wide supervisor with a stable ICS, and a resulting metric that they can analyse and understand.
International Actuarial Association	International	No	Yes	We acknowledge the IAIS previously published a “Second Liabilities Paper”, and the comment regarding “gain at issue” in the paper was as follows: “An exit model is preferable but profit on inception should be recognized only where an appropriate and sufficiently

				reliable risk margin has been provided for in the value of liabilities." The Insurance Regulation Committee of the IAA sees that the biggest issue with regard to harmonising contract recognition for non-life is to harmonise this item between MAV and GAAP Plus. We do not expect that the difference in recognition criteria for non-life contracts to be a material difference between US GAAP and IFRS 17. The cause of this concern is gain at issue allowed under ICS MAV but not under either US GAAP or IFRS 17. We recommend not allowing gain at issue under ICS, which would bring the ICS in line with current GAAP accounting issues (both US GAAP and IFRS). We also suggest that a pragmatic resolution is that if local reporting allows gain at issue that it can be considered either as Tier 2 capital or be considered by the relevant supervisory college as part of a franchise value assessment. The IAA previously published a "Second Liabilities Paper", and the comment regarding "gain at issue" in the paper was as follows: "An exit model is preferable but profit on inception should be recognized only where an appropriate and sufficiently reliable risk margin has been provided for in the value of liabilities."
Dai-ichi Life Holdings, Inc.	Japan	No	No	Regarding contract boundaries, we believe that only the economic realities should be reflected and that legal elements should not be reflected. In practical consideration in IFRS 17, the economic realities of insurance companies may be respected. However, contract boundaries are still determined by the legal elements, so that there remains a risk that contract boundaries deviates from the economic realities of the insurance company.
The Life Insurance Association of Japan	Japan	No	No	• Contracts boundaries under capital regulations should reflect only economic realities but not legal elements. The LIAJ disagrees with the definition of contract boundaries in IFRS since it does not reflect economic realities.
Legal & General	UK	No	No	We believe that GAAP Plus should remain as closely aligned as possible to Solvency II, at minimum until IFRS 17 is fully introduced. Otherwise the effort associated with generating GAAP Plus figures would be significantly increased, and this would move away from using audited information where available.
RAA	United States and	No	No	If the objective is strict comparability across jurisdictions, then a significant level of harmonization is necessary, since there are wide variations in GAAP treatment of

	many other jurisdicitons			fundamental issues such as contract boundaries, reinsurance risk transfer, etc. This question lies at the heart of the difficulty in developing a global comparative standard and is a reason that the concept of comparability across jurisdictions should be on a supervisory outcomes basis, rather than explicit comparability of the measure of capital. A single, explicit capital ratio is a meaningless number without the context in which it impacts supervisor´s actions or other requirements. What is realistically achievable is an ICS that recognizes that, while some differences exist across jurisdictions and IAIGs, for a given IAIG the ICS produces a result that is comparably calculated for each respective IAIG over time. That will provide the IAIG and its group-wide supervisor with a stable ICS, and a resulting metric that they can analyze and understand.
American Academy of Actuaries	United States of America	No	Yes	The biggest issue with regard to harmonizing contract recognition for non-life is harmonizing this item between MAV and GAAP Plus, as we do not expect that the difference in recognition criteria for non-life contracts to be a material difference between U.S. GAAP and IFRS 17. The cause of this concern is gain at issue allowed under ICS MAV but not under either U.S. GAAP or IFRS 17. We recommend not allowing gain at issue under ICS, which would bring the ICS in line with current GAAP accounting issues (both U.S. GAAP and IFRS).
Property Casualty Insurers Association of America (PCI)	USA	No	No	Requiring all IAIGs to use common definitions for contract recognition and contract boundaries would impose on many the onus of maintaining duplicative systems and methodologies, one for their domestic supervisory and public/investor reporting, and one simply to accommodate the ICS. Moreover, it would require very fundamental changes to processes across any entity, business unit or location of an IAIG that has responsibilities for processing new and renewal business, as well as endorsements and other policy-related activities. The institutional costs to implement such changes would far outweigh any benefits. We are concerned that the IAIS´ insatiable search for comparability is misguided with an unrealistic goal that will never be achievable. What is realistically achievable is an ICS that recognizes that, while some differences exist across jurisdictions and IAIGs, the ICS produces a result that is comparably calculated for each respective IAIG over time. That will provide the IAIG and its group-wide supervisor with a stable ICS that is both more relevant and more meaningful for each IAIG, a resulting metric that they can be analyzed and

				understood as to its relationship to the many other key financial indicators for that IAIG that are already available and used by the supervisor.
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Yes	Yes. Some level of harmonization may be necessary because of materiality and impact on outcomes. This would depend on the type of product since contract recognition and contract boundaries have a knock over effect on various aspects of valuation and capital requirements. However, the implementation of IFRS 17 has to be first clearly understood and evaluated before an IFRS 17 type approach could be considered to be applied under GAAP Plus.

Q170 Section 9.1 Should Japanese GAAP contracts that are measured under a book value approach in GAAP Plus include time value of options and guarantees (TVOG) or would this result in measurement inconsistencies, mixing book value and market value concepts? Please explain.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
The Life Insurance Association of Japan	Japan	No	No - Since the impact of TVOG is limited for most of insurance contracts in Japan, it would be no problem from the viewpoint of materiality that insurance liabilities are calculated without TVOG. - On the other hand, the treatment of insurance contracts that are heavily affected by TVOG may need to be discussed further.	
Legal & General	UK	No	No response provided as we are not familiar with Japanese GAAP.	

Property Casualty Insurers Association of America (PCI)	USA	No	We believe this question to be best addressed by field test volunteers who have the ability to do so with the benefit of actual data for support and context. The absence of a response by PCI should not be taken one way or the other with respect to the subject of the question.	

Q171 Section 9.1 Would a liability measured without TVOGs under GAAP Plus still conform to the definition of a current estimate as per ICP 14.11? Please provide rationale to support the answer.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
Dai-ichi Life Holdings, Inc.	Japan	No	Yes	Many insurance contracts in Japan have a relatively small TVOG. Even if insurance liability is calculated without TVOG, there is no problem from the viewpoint of importance. On the other hand, it may be necessary to consider insurance contracts that are greatly affected by TVOG.
The Life Insurance Association of Japan	Japan	No	Yes	• Since the impact of TVOG is limited for most of insurance contracts in Japan, it would be no problem from the viewpoint of materiality that insurance liabilities are calculated without TVOG. • On the other hand, the treatment of insurance contracts that are heavily affected by TVOG may need to be discussed further.
Property Casualty Insurers Association of America (PCI)	USA	No	No	PCI´s yes or no response was simply required in order to open the text box and file comments. We believe this question to be best addressed by field test volunteers who have the ability to do so with the benefit of actual data for support and context. The absence of a response by PCI should not be taken one way or the other with respect to the subject of the question.

Q172 Section 9.1 As a general practice of the Japanese GAAP statutory cash flow test, the LTFR is not taken into consideration for (re)investment assumptions. Should Japanese GAAP Plus (re)investment assumptions reflect the LTFR? If “yes”, please explain why Japanese GAAP Plus should differ from the practice of the Japanese GAAP statutory cash flow test.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
The Life Insurance Association of Japan	Japan	No	Yes	• The LIAJ believes that striking balance between comparability and robustness is very important for the ICS development. • If the impact of LTFR is excessively large, it should not be denied from the viewpoint of comparability.
Property Casualty Insurers Association of America (PCI)	USA	No	No	PCI´s yes or no response was simply required in order to open the text box and file comments. We believe this question to be best addressed by field test volunteers who have the ability to do so with the benefit of actual data for support and context. The absence of a response by PCI should not be taken one way or the other with respect to the subject of the question.

Q173 Section 9.1 Are there any other suggested refinements to the Japanese GAAP Plus specifications (eg discounting) where there may be judgment or interpretation that could lead to a wide range of practice or potential need for guardrails to restrict overly aggressive practices? If “yes”, please describe any suggested refinement and the concern that it is expected to address.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments

Property Casualty Insurers Association of America (PCI)	USA	No	No	PCI´s yes or no response was simply required in order to open the text box and file comments. We believe this question to be best addressed by field test volunteers who have the ability to do so with the benefit of actual data for support and context. The absence of a response by PCI should not be taken one way or the other with respect to the subject of the question.

Q174 Section 9.1 Are there elements of the MAV Three-Bucket Approach that could be considered in the further development of the Japanese GAAP Plus discounting methodology to improve the alignment of the two methodologies? Please explain.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
Dai-ichi Life Holdings, Inc.	Japan	No	No	Since the specification of 3 bucket approach is still under consideration, it is impossible to respond appropriately at this stage.
The Life Insurance Association of Japan	Japan	No	No	• The specification of the Three-Bucket Approach is still under consideration; therefore, an appropriate response is difficult to make at this stage.
Property Casualty Insurers Association of America (PCI)	USA	No	No	PCI´s yes or no response was simply required in order to open the text box and file comments. We believe this question to be best addressed by field test volunteers who have the ability to do so with the benefit of actual data for support and context. The absence of a response by PCI should not be taken one way or the other with respect to the subject of the question.

Q175 Section 9.1 Are there any other suggested refinements to the Japanese GAAP Plus approach or elements of the specifications that remain unclear that would need to be incorporated prior to the release of ICS Version 2.0? Please explain.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
The Life Insurance Association of Japan	Japan	No	No	
Property Casualty Insurers Association of America (PCI)	USA	No	No	PCI´s yes or no response was simply required in order to open the text box and file comments. We believe this question to be best addressed by field test volunteers who have the ability to do so with the benefit of actual data for support and context. The absence of a response by PCI should not be taken one way or the other with respect to the subject of the question.

Q176 Section 9.1 Should the IAIS develop additional guidelines and criteria for elements where there is significant judgment and potential for abuse in the calculation of a discount rate derived from a blend of book yield and a reinvestment assumption or dividend fund crediting rate?
• If ‘no’, please describe the mitigating controls that would serve to limit abuse or aggressive actions and ensure that valuation results are comparable across IAIGs.
• If ‘yes’, please describe the elements where there may be a need for additional guidelines or criteria. Include in the response whether there may be opportunity to align this criteria with the MAV approach or whether criteria should be specific to U.S. GAAP Plus and why.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
Canadian Institute of Actuaries	Canada	No	No	As long as financial statements are audited, the assumptions will be sufficiently documented and independently reviewed as part of the audit process.

European Insurance and Occupational Pensions Authority (EIOPA)	EIOPA	No	Yes	Please see our response to Q168.
Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	Yes	Please see our response to Q168.
Global Federation of Insurance Associations	Global	No	No	For non-life IAIGs that would apply GAAP Plus using U.S. GAAP, the issue is moot as claim reserve liabilities are not discounted.
RAA	United States and many other jurisdicitons	No	No	For non-life IAIGs that would apply GAAP Plus using U.S. GAAP, the issue is moot as claim reserve liabilities are not discounted.
Prudential Financial, Inc.	United States of America	No	No	Please see our response to question 168. Further, we believe the controls underpinning the GAAP reporting processes are sufficient for addressing potential abuse or aggressive actions. In addition, we do not believe a single approach applied globally as the IAIS is aiming to achieve through its MAV approach is appropriate or necessary.
MetLife, Inc	USA	No	Yes	Under the current GAAP Plus guidance differences in results can arise for two companies with similar liability and investment characteristics due to different expectations regarding the future levels of interest rates as well as the period of time that would be required to reach these future levels. By providing guidance regarding the future levels of interest rates as well as the period of time required to reach these future levels the comparability between companies would increase. In addition to these differences there are also likely different expectations regarding future spreads relative to risk free rates and defaults for various asset classes among each company. Providing guidance for the current and future spread and defaults for the different asset classes would also increase comparability.
Northwestern Mutual	USA	No	Yes	Our response is again limited to "FAS 120 "participating contracts [long-duration participating contracts that meet the criteria in ASC 944-20-15-3 (formerly SOP 95-1, paragraphs 4 and

				5)] under U.S. GAAP. The most important criteria that would prevent appropriate latitude of judgment from crossing the line toward potential abuse, and maybe more importantly prevent inappropriate valuation for FAS 120 participating contracts, is requiring the investment assumptions used in the modeling of dividends be consistent with the discount rate. See our response to Question 168. With the GAAP plus discount rate being prescribed as the Current Dividend Fund Crediting Rate (CDFCR) under GAAP Plus for FAS 120, it is of paramount importance that the investment assumptions in the projected dividend cash flows be consistent with this discount rate. Because the discount rate is prescribed, the concept articulated in paragraph 94 of the Technical Specifications should be applicable for the GAAP Plus Approach. For clarity, this concept should be formally incorporated into both paragraphs 255 and 272 of the Technical Specifications for FAS 120 participating contracts. Further, as the Technical Specifications require the CDFCR as the discount rate, which is essentially a "book yield", the valuation (with consistent investment assumptions in projected dividends) is no longer a MAV approach. As such, the AOCI adjustment should be applicable for FAS 120 reserves under GAAP Plus. This would ensure that assets and liabilities are both valued symmetrically at "book value." See also our response under Question 178.
Property Casualty Insurers Association of America (PCI)	USA	No	No	For non-life IAIGs that would apply GAAP Plus using U.S. GAAP, the issue is moot as claim reserve liabilities are not discounted. It reduces the potential for abuse in discounting, and eliminates the need for a MOCE. While that may create a concern to some as to comparability, we do not share that concern. Rather, we are concerned that the IAIS´ insatiable search for comparability is misguided with an unrealistic goal that will never be achievable. What is realistically achievable is an ICS that recognizes that, while some differences exist across jurisdictions and IAIGs, the ICS produces a result that is comparably calculated for each respective IAIG over time. That will provide the IAIG and its group-wide supervisor with a stable ICS that is both more relevant and more meaningful for each IAIG, a resulting metric that they can be analyzed and understood as to its relationship to the many

				other key financial indicators for that IAIG that are already available and used by the supervisor.
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Yes	Yes. However, we would need more experience on how the new US GAAP and IFRS 17 are implemented over the course of 2019 and 2020, before additional guidance can be developed.

Q177 Section 9.1 Short term, non-life liabilities under U.S. GAAP Plus are not adjusted and are reported undiscounted. This design is predicated on the assumption that the undiscounted liabilities would approximate a current estimate plus a MOCE and that the cost would outweigh the benefit of discounting these short term, non-life liabilities. With the understanding that there are still options being considered for the MOCE design, please provide any comments or observations regarding this design element under U.S. GAAP Plus.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
European Insurance and Occupational Pensions Authority (EIOPA)	EIOPA	No	Non-life liabilities should not be reported undiscounted. Indeed, ICP 14.7.4 states that the current estimate of insurance liabilities, irrespective of being life or non-life, should be the "probability-weighted average" of the "present value of the cash flows associated" with the insurance contract. Therefore, the discounting of the cash flows is an essential part of the methodology giving current estimates. Moreover, undiscounted cash flows would not approximate in any way a current estimate plus a MOCE. Indeed, a MOCE should not just be the difference between discounted and undiscounted figures and therefore only cover the time value of money. MOCE covers a different and broader scope as defined in ICP 14.7. : "[The] economic value of the technical provisions exceeds the current estimate of the cost of meeting the insurance obligations by an amount covering this uncertainty. This excess is the MOCE."	

Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	Non-life liabilities should not be reported undiscounted. Indeed, ICP 14.7.4 states that the current estimate of insurance liabilities, irrespective of being life or non-life, should be the "probability-weighted average" of the "present value of the cash flows associated" with the insurance contract. Therefore, the discounting of the cash flows is an essential part of the methodology giving current estimates. Moreover, undiscounted cash flows would not approximate in any way a current estimate plus a MOCE. Indeed, a MOCE should not just be the difference between discounted and undiscounted figures and therefore only cover the time value of money. MOCE covers a different and broader scope as defined in ICP 14.7. : "[The] economic value of the technical provisions exceeds the current estimate of the cost of meeting the insurance obligations by an amount covering this uncertainty. This excess is the MOCE."	
Global Federation of Insurance Associations	Global	No	The design element under U.S. GAAP Plus described above - reporting of undiscounted reserves - is entirely appropriate. It is consistent with the principles that the IAIS adopted for GAAP Plus.	
International Actuarial Association	International	No	The Insurance Regulation Committee of the IAA views that the use of undiscounted non-life liabilities needs to be reconciled with the approach under MAV with regard to interest rate risk and claims reserve risk. To the extent that interest rate risk is included in the ICS, it is inappropriate to look at the change in market value of assets due to an interest rate shock, but not the change in present value liabilities. The US GAAP Plus interest rate charge should either be based on amortized cost assets compared to undiscounted liabilities (as is current practice for US solvency regulation for non-life insurers), or be based on comparing market value assets to discounted liabilities. Note that we also believe that charge should reflect a desire for positive cash flows in the forecast period by applying some factor greater than 1 to the liability valuations, similar to the approach used for currency risk. With regard to claims reserve risk, a total balance sheet approach would indicate a lower factor should be applied to undiscounted liabities than for discounted liabilities. Hence the	

			factor applied to undiscounted US GAAP Plus non-life claim reserves should be lower than the factor applied to MAV (discounted) non-life claim reserves.	
Legal & General	UK	No	No comments provided	
RAA	United States and many other jurisdicitons	No	The design element under U.S. GAAP Plus described above - reporting of undiscounted reserves - is entirely appropriate. It is consistent with the principles that the IAIS adopted for GAAP Plus.	
American Academy of Actuaries	United States of America	No	The use of undiscounted non-life liabilities must be reconciled with the approach under MAV with regard to Interest Rate risk and in Claims Reserve risk. To the extent that Interest Rate risk is included in the ICS, it is invalid to look at the change in market value of assets due to an interest rate shock, but not the change in present value liabilities. The U.S. GAAP Plus interest rate charge should either be based on amortized cost assets compared to undiscounted liabilities (as is current practice for U.S. solvency regulation for non-life insurers), or comparing market value assets to discounted liabilities. Note that we also believe that charge should reflect a desire for positive cash flows in the forecast period by applying some factor greater than 1 to the liability valuations, similar to the approach used for Currency risk. With regard to Claims Reserve risk, a total balance sheet approach would indicate a lower factor should be applied to undiscounted liabilities than for discounted liabilities. Hence the factor applied to undiscounted U.S. GAAP Plus non-life claim reserves should be lower than the factor applied to MAV (discounted) non-life claims reserves.	
Property Casualty Insurers Association of America (PCI)	USA	No	The design element under U.S. GAAP Plus described in our response to Q176 - reporting of undiscounted reserves - is entirely appropriate. It is consistent with the principles that the IAIS adopted for GAAP Plus.	

Q178 Section 9.1 Are there any other suggested refinements to the U.S. GAAP Plus approach or elements of the specifications that remain unclear that would need to be incorporated prior to the release of ICS Version 2.0?

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
Canadian Institute of Actuaries	Canada	No	No	
RAA	United States and many other jurisdicitons	No	Yes	Further to our response to Q165: Restating all assets under GAAP Plus to market value for the sake of consistency or otherwise defeats the very principles underlying the GAAP Plus approach and their intended benefits. Inherent benefits of GAAP Plus include reliance on the work of accounting standard-setters; an annual independent audit including reporting on financial statements as well as internal controls; and ongoing work undertaken by internal auditors and supervisors through on- and off-site examination processes. Thus, from a cost perspective, GAAP Plus has the additional benefit in that its maintenance is "outsourced" to accounting standard setters focused on global convergence where and when achievable. Moreover, users of GAAP Plus – IAIGs and supervisors – benefit from a valuation basis that is grounded in an accounting methodology that they understand; hence they will be able to better interpret an IAIG's ICS results over time
MetLife, Inc	USA	No	Yes	Within the industry there is a diversity of practice regarding which GMxB benefits fall within SOP 03-1 vs FAS 133. The implementation of the GAAP Long Duration Targeted Improvements will remove this inconsistency. For 2019 field testing an attempt to move towards the GAAP LDTI model would improve the consistency of the results among companies.
Northwestern Mutual	USA	No	Yes	Our response is again limited to "FAS 120 "participating contracts [long-duration participating contracts that meet the criteria in ASC 944-20-15-3 (formerly SOP 95-1, paragraphs 4 and 5)] under U.S. GAAP. Because the CDFCR discount rate is essentially a book yield, the Technical Specifications

				should be updated to specifically require the AOCI adjustment for FAS 120 reserves under GAAP Plus. This would ensure that assets and liabilities are both valued symmetrically at “book value.” An alternative approach would be to require the discount rate for FAS 120 participating contracts to follow that prescribed in paragraph 254a (i.e. a discount rate based on the yields of a representative portfolio of “upper medium quality” fixed income instruments). This alternative approach would also require formal incorporation of the concept in paragraph 94 of the Technical Specifications (i.e., to ensure the investment assumptions used in the modeling of dividends are consistent with the discount rate). This approach would then create a symmetrical balance sheet, if that were the desired outcome, under a MAV approach. Therefore, an AOCI adjustment would no longer be necessary. See also our responses to Questions 168 and 176.
Property Casualty Insurers Association of America (PCI)	USA	No	No	PCI´s yes or no response was simply required in order to open the text box and file comments. We believe this question to be best addressed by field test volunteers who have the ability to do so with the benefit of actual data for support and context. The absence of a response by PCI should not be taken one way or the other with respect to the subject of the question.

Q179 Section 9.1 If a wide range of practice is observed, in particular for discounting, should the IAIS seek to narrow that range? Why or why not?

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
Canadian Institute of Actuaries	Canada	No	No	We understand that with a wide range in practice, it will be difficult to compare capital positions among companies. However, we hope that disclosure required by accounting standards

				should reduce that range. If disclosure does not materialize as an effective deterrent to a wide range of practice, then reducing the range would make sense.
European Insurance and Occupational Pensions Authority (EIOPA)	EIOPA	No	Yes	
Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	Yes	Please see our response to Q168.
Dai-ichi Life Holdings, Inc.	Japan	No	No	IFRS aims for effective communication with investors and adopts principles-based approach from the viewpoint of appropriately representing the actual situation of individual companies. There are various options, but the IAIS should not excessively constrains the option. Otherwise, the original purpose of IFRS might not be achieved.
General Insurance Association of Japan	Japan	No	Yes	The valuation of insurance liability greatly depends on discounting. The IAIS should seek to narrow the range of discount rate in order to maintain comparability and consistency between groups and the ICS.
The Life Insurance Association of Japan	Japan	No	No	• IFRS adopts the principles-based approach for effective communication with investors from the perspective of representing individual companies appropriately. • The LIAJ is opposed to excessively limiting the use of various types of option by the IAIS, because it likely makes the original objectives of IFRS unachieved.
Legal & General	UK	No	No	Consistency with audited financial statements is our primary consideration in terms of a useful GAAP Plus methodology. This makes it difficult for us to support any methodology that moves numbers away from those appearing in audited financial statements, although we can appreciate the potential benefits of introducing guardrails.

Prudential Financial, Inc.	United States of America	No	No	Please refer to our responses to questions 168 and 176. We do not believe it is necessary to narrow the range. While there may appear to be a range of practices under U.S. GAAP, these practices follow the same principles and are all subject to rigorous internal controls and external audits.
Property Casualty Insurers Association of America (PCI)	USA	No	No	We understand that this question is posed in the context of IFRS GAAP Plus, but our response is broader than that, as we can easily foresee how the next logical question would be in evaluating the acceptability of differences in discussion across GAAP Pluses (IFRS-based v. GAAP-based) as well as in comparison to MAV. It depends on what is meant by “wide.” We continue to have concerns that the IAIS has an unrealistic view about comparability, a view that is unachievable through MAV as well. This was seen most recently in the “Kuala Lumpur Agreement” in which the IAIS asserted that it would hold the United States’ aggregation methodology to a “substantially the same” standard in comparison to MAV. The “substantially the same” language was taken from the Ultimate Goal, which was adopted in 2015 as an aspirational statement and with no set date for its achievement. As such, it is inappropriate to use that same language as the basis of a standard for which a specific jurisdiction’s implementation of the ICS by a date certain will be assessed. Aside from being an inappropriate standard, the ”substantially the same” view is not consistent with how comparability is likely to be viewed in the context of other aspects of the ICS, for example, regarding internal models. It is virtually certain that ICS specifications permitting the use of internal models will eventually be adopted. The use of such models will give rise to ICS results that are not “substantially the same” to MAV; indeed, if the results were so identical, IAIGs would not have invested the resources to develop the models. Nonetheless, we expect that the IAIS will allow internal models, thus creating a wide chasm between the way it looks at MAV and internal models on the one hand, and any other method (GAAP Plus, aggregation method, etc.) on the other hand. That would be an unacceptable outcome, and one that can only be avoided with the IAIS finally recognizing that comparability cannot be so narrowly construed, particularly in respect of a complex ICS construct and in the context of its application to a population of very large, complex and diverse IAIGs.

National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Yes	Yes.

Q180 Section 9.1 Should gain at issue be recognised or deferred? This question can be thought about in the context of whether the contractual service margin should be reversed or not.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
International Actuarial Association	International	No	Others	The Insurance Regulation Committee of the IAA recommends that the ICS should not recognize gain at issue, consistent with both IFRS 17 and US GAAP. An entity does not have the capital resource of a gain until the service has been provided. The expectation of a gain lessens the solvency risk, but does not create additional (reliable) capital resources at the balance sheet date.
Dai-ichi Life Holdings, Inc.	Japan	No	Recognised	In economic value evaluation, recognizing the contract value as capital at the time of acquisition is an essential principle. The treatment of CSM in IFRS 17 does not follow the principle of economic value evaluation, and it is extremely unreasonable treatment. Therefore, as a matter of course the CSM should be "revesed" and be recognized as a capital.
General Insurance Association of Japan	Japan	No	Recognised	It should be recognized in terms of capital adequacy.
The Life Insurance Association of Japan	Japan	No	Recognised	• It is a principle to recognise future unearned return as capital in the economic valuation. IFRS recognises CSM as liabilities to avoid recognition of Day -1 profit, but it deviates from the principle of economic valuation.

				• Therefore, the CSM should be "reverse" and recognised as capital as a matter of course.
Legal & General	UK	No	Recognised	Our priority would be for ICS to be consistent with Solvency II as opposed to IFRS. It also seems more market consistent for gain at issue to be recognised.
American Academy of Actuaries	United States of America	No	Others	The ICS should not recognize gain at issue at all, consistent with both IFRS 17 and U.S. GAAP. An entity does not have the capital resource of a gain until the service has been provided. The expectation of a gain lessens the solvency risk, but does not create additional (reliable) capital resources at the balance sheet date.
Property Casualty Insurers Association of America (PCI)	USA	No	Others	We believe this question to be best addressed by field test volunteers who have the ability to do so with the benefit of actual data for support and context. The absence of a response by PCI should not be taken one way or the other with respect to the subject of the question.

Q181 Section 9.1 Are there elements of MAV that would not be aligned with IFRS 17 (for example, MOCE or Three-Bucket Approach)? If “yes”, please describe the rationale for why these elements would not be aligned with IFRS 17.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
General Insurance Association of Japan	Japan	No	Yes	The elements of MAV listed below do not align with IFRS 17. Regarding these elements, audited IFRS 17 figures should be allowed in the ICS, except those which are important in assessing capital adequacy, and improve the confidence of the ICS. - contract boundaries - recognition/derecognition of insurance liabilities - future management actions - simplification with regard to non-life insurance premium reserves - contract service margins

				With regard to discount rate and MOCE (risk margin), the IFRS allows a wide range of practices. The IAIS and the IASB should work together to ensure that what is used by the ICS will be recognized within the scope of IFRS practices.
The Life Insurance Association of Japan	Japan	No	Yes	
Legal & General	UK	No	Yes	We do not have sufficient certainty on either MAV or IFRS17 to be able to say with confidence what the areas of difference will be, but it seems likely based on information available to date that there will be significant differences between the two metrics. MOCE and Three-Bucket approach are the two most obvious examples.
Property Casualty Insurers Association of America (PCI)	USA	No	Yes	PCI´s yes or no response was simply required in order to open the text box and file comments. We believe this question to be best addressed by field test volunteers who have the ability to do so with the benefit of actual data for support and context. The absence of a response by PCI should not be taken one way or the other with respect to the subject of the question.

Q182 Section 9.1 Should the IAIS do more to align discounting under jurisdictional GAAP Plus approaches? If “yes”, please provide a rationale and any suggestions for how this might be achieved. If “no”, please provide context and support for the response.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
CLHIA	Canada	No	Yes	Consistent with our answer to Question 38, as new accounting rules come into effect, the IAIS should allow IFRS 17 practices to be used with as few adjustments as possible (i.e. no change to discount rates). An additional benefit of using IFRS17 practices, is financials are audited and hence there is not a need for third party validation.

European Insurance and Occupational Pensions Authority (EIOPA)	EIOPA	No	Yes	
Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	Yes	Please see our response to Q168.
The Life Insurance Association of Japan	Japan	No	No	• The appropriateness of discount rate for the GAAP Plus has already been verified by supervisors in each jurisdiction, so the LIAJ believes that no additional framework is needed. • It is very important to promote the comparability, but the market-adjusted approach is not the only way to promote the comparability. Given that there are jurisdictions that currently do not have economic value-based regulations, the LIAJ believes that the comparability of capital standards should be discussed, taking into account robustness such as reliability and verifiability. • From the perspective of robustness, the LIAJ believe that comprehensive consideration of assets, liabilities and capitals should be made, instead of only focusing on one aspect such as ensuring consistency in discount rates.
Legal & General	UK	No	No	Whilst we believe that it is important for there to be alignment of discounting under the MAV framework, we think that there is less reason to impose this on GAAP Plus. By the nature of GAAP Plus there are likely to be more local variants of calculation, and in some cases having a more aligned MAV basis but diverse GAAP Plus might provide useful information to a regulator.
Prudential Financial, Inc.	United States of America	No	No	Please refer to our responses to questions 168 and 176.
Property Casualty Insurers Association of America (PCI)	USA	No	No	The only way that discounting under jurisdictional GAAP Plus approaches can be aligned is by sacrificing the bedrock principle of GAAP Plus which is to base the ICS on audited jurisdictional GAAPs. In respect of U.S. GAAP, alignment of approaches would mean that U.S.

				firms would have to discount reserves in contravention of U.S. GAAP, or other firms using IFRS GAAP Plus or Japan GAAP Plus would have to report reserves on an undiscounted basis (in contravention of their own domestic reporting but to match the U.S. approach). Either option is inappropriate, as well as unnecessary. We continue to have concerns that the IAIS has an unrealistic view about comparability, a view that is unachievable through MAV as well. This was seen most recently in the "Kuala Lumpur Agreement" in which the IAIS asserted that it would hold the United States' aggregation methodology to a "substantially the same" standard in comparison to MAV. The "substantially the same" language was taken from the Ultimate Goal, which was adopted in 2015 as an aspirational statement and with no set date for its achievement. As such, it is inappropriate to use that same language as the basis of a standard for which a specific jurisdiction's implementation of the ICS by a date certain will be assessed. Aside from being an inappropriate standard, the "substantially the same" view is not consistent with how comparability is likely to be viewed in the context of other aspects of the ICS, for example, regarding internal models. It is virtually certain that ICS specifications permitting the use of internal models will eventually be adopted. The use of such models will give rise to ICS results that are not "substantially the same" to MAV; indeed, if the results were so identical, IAIGs would not have invested the resources to develop the models. Nonetheless, we expect that the IAIS will allow internal models, thus creating a wide chasm between the way it looks at MAV and internal models on the one hand, and any other method (GAAP Plus, aggregation method, etc.) on the other hand. That would be an unacceptable outcome, and one that can only be avoided with the IAIS finally recognizing that comparability cannot be so narrowly construed, particularly in respect of a complex ICS construct and in the context of its application to a population of very large, complex and diverse IAIGs.
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Yes	Yes.

Q183 Section 9.1 Under certain jurisdictional GAAP Plus approaches, some risk charge calculations depend on whether balances are measured on a market or book value basis. This is particularly relevant for the Interest Rate risk and Non-Default Spread risk calculations. Thus, the capital requirement result can depend on the accounting regime applied by a Group. Should the IAIS seek to reduce or eliminate these jurisdictional differences in risk charge calculations? If "yes", please provide any suggestions for revising the noted risk charge calculations. Please also provide context and support for the answer provided.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
European Insurance and Occupational Pensions Authority (EIOPA)	EIOPA	No	Yes	Please see our response to Q165 concerning the benefits of restating assets under GAAP Plus to market value.
Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	Yes	Please see our response to Q165 concerning the benefits of restating assets under GAAP Plus to market value.
International Actuarial Association	International	No	Yes	The Insurance Regulation Committee of the IAA believes that a Total Balance Sheet approach should lead to consistent views of capital strength under either a MAV or a GAAP Plus approach. To the extent that the Interest Rate risk and Non-Default Spread risk components lead to different views of capital strength the calculation of those risk components should be changed. This may necessitate different adjustments and/or calculations for different jurisdictional GAAPs and/or MAV.
The Life Insurance Association of Japan	Japan	No	No	• Whether the balances are measured on the market value or the book value basis, risk charges will be measured appropriately given that the risk factors are appropriately set; therefore, the LIAJ does not have concerns on the consistency.
Legal & General	UK	No	No	No comment provided

American Academy of Actuaries	United States of America	No	Yes	We believe that a Total Balance Sheet approach should lead to consistent views of capital strength under either a MAV or a GAAP Plus approach. To the extent that the Interest Rate risk and Non-Default Spread risk components lead to different views of capital strength the calculation of those risk components should be changed. This may necessitate different adjustments and/or calculations for different jurisdictional GAAPs and/or MAV. Note that we have significant concerns with these two risk charges from a non-life perspective, as discussed in our responses to the questions concerning those items.
Prudential Financial, Inc.	United States of America	No	No	Please refer to our responses to questions 168 and 176.
Property Casualty Insurers Association of America (PCI)	USA	No	Yes	PCI´s yes or no response was simply required in order to open the text box and file comments. We believe this question to be best addressed by field test volunteers who have the ability to do so with the benefit of actual data for support and context. The absence of a response by PCI should not be taken one way or the other with respect to the subject of the question.
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Yes	Yes.

Q184 Section 9.1 Are there any further comments on GAAP Plus that the IAIS should consider in the development of ICS Version 2.0? If “yes”, please explain with sufficient detail and rationale.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
German Insurance Association	Germany	No	Yes	We support a purely market-adjusted valuation in order to maximize the comparability of IAIGs across jurisdictions.

General Insurance Association of Japan	Japan	No	No	
The Life Insurance Association of Japan	Japan	No	Yes	• It is necessary to develop continuously GAAP Plus. When the ICS is used as the supervisory intervention standard, it is necessary to have robustness such as reliability and verifiability. Also, it may be effective to adopt an approach that is consistent with existing accounting standards and regulations in each jurisdiction.
American Council of Life Insurers	Office of General Counsel	No	Yes	The GAAP Plus approach relies on audited consolidated financial statements which, in turn, benefit from the work of accounting standard-setters; an annual independent audit including (at least in the U.S.) reporting on internal controls as well as financial statements; ongoing and related work undertaken by internal auditors; supervisory involvement through on- and/or off-site examination and analysis processes; and oversight and enforcement by securities and accounting regulators. Firms, as the preparers of financial statements, as well as supervisors, rating agencies, and many investors and other stakeholders, also benefit from their knowledge of GAAP, through formal training in academia, ongoing continuing education, and general knowledge through day-to-day usage involving a multitude of areas – not just involving supervisory capital measures. While more time is required for implementation of IFRS 17, once done, much of the world will be on a much more common basis for accounting for insurance contracts than has previously been possible. While practices in the U.S. will continue to be subject to FASB rules, the targeted improvements to U.S. GAAP are directionally aligned with IFRS 17. A GAAP Plus approach may also lower compliance costs by firms who would use the same valuation basis for financial reporting as for group capital measures required by supervisors, and reduced maintenance costs of the ICS because it would not be necessary for the IAIS to maintain a separate valuation basis of its own over time. The Aggregation Method will likely to offer similar benefits. Thus, we encourage the IAIS to continue to develop the GAAP Plus during the monitoring period, to allow time for IFRS 17 development to occur, and ultimately to consider it as an option for valuation within the ICS.

				AGGREGATION METHOD Similarly to our view on GAAP Plus, the ACLI sees inherent advantages in assessment of the Aggregation Method proposed by the United States as an outcome-equivalent approach to the market-adjusted approach to an ICS. As our comments point out, the ICS in its current form could inhibit insurers from offering sound economically viable insurance products, including long term guarantee products that will be critical to jurisdictions where the private sector is the major source of retirement solutions products. An AM approach would allow insurers to continue to make this critical social and economic contribution to markets. As importantly, the ACLI believes that an appropriately designed AM approach can achieve more transparent and reasonably comparable results to the market adjusted ICS and would minimize disruption to markets, regulatory and business models and product offerings triggered by establishment of a different capital regime. Last but not least, an appropriately designed aggregation method could address competitive issues IAIGs will face in local markets. IAIGs compete less among themselves and more with local players and requiring IAIG's to comply with a more onerous group capital standard that does not recognize local capital, accounting and solvency regimes, means they must manage not to one but several standards. This could place IAIGs and their local operating entities at a competitive disadvantage vis-à-vis local market participants subject only to local rules. The ACLI believes the proposed aggregation method is an alternative, outcomes-equivalent approach to the ICS and encourages the IAIS to give it its full attention
Legal & General	UK	No	No	We have no further comments
Prudential Financial, Inc.	United States of America	No	Yes	When we selected "other" for our response to question 165 the online comment collection tool did not subsequently provide a box to input further feedback. Below is the additional feedback for our answer to question 165:

				Prudential Financial is less concerned with whether assets are restated to market value, reported unadjusted, or restated to book value (either directly on the balance sheet or through an AOCI adjustment to capital resources and relevant standard method stresses). Ultimately what matters most is that there is symmetry in the approach to valuing insurance liabilities and assets. For the U.S. version of GAAP Plus a mixed approach for the treatment of assets will be necessary as certain insurance liabilities will be valued using a discount rate based on a current book yield while others will be valued at market value. As such, for the assets that support book-value based liabilities, adjusting the asset valuation (which is generally market value under U.S GAAP) to book value via AOCI adjustment is needed.
Property Casualty Insurers Association of America (PCI)	USA	No	Yes	PCI´s yes or no response was simply required in order to open the text box and file comments. We believe this question to be best addressed by field test volunteers who have the ability to do so with the benefit of actual data for support and context. The absence of a response by PCI should not be taken one way or the other with respect to the subject of the question.

End of Section 9.1