INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Compiled Comments on Revisions related to the Holistic Framework for Systemic Risk in the Insurance Sector

14-Jun-19 to 16-Aug-19

Organisation	Jurisdiction	Confidential	Comment
Q1 General comments on the Revisions related to the Holistic Framework for Systemic Risk in the Insurance Sector			
1. Association of Bermuda Insurers and Reinsurers	Bermuda	No	In general, ABIR supports moving from an entity-based approach to an activity-based approach for assessing systemic risk. We also assert that traditional insurance is not systemically risky and the focus should be on the activities undertaken when assessing the potential for systemic risk.
2. Insurance Europe	Europe	No	- Insurance Europe has always argued that conventional insurance is not systemically risky, and that systemic risk can only originate from a very limited number of activities undertaken on a large scale in the wrong conditions. A greater focus on potentially systemic activities of the insurance sector as a whole is therefore warranted. - As with all IAIS work, it is important to ensure that comparable outcomes are achieved in every jurisdiction, so as to ensure a global level playing field. - A strict and consistent application of the principle of proportionality is crucial. Proportionality should not be limited to requiring all insurers or all IAIGs to apply a measure with different expectations of granularity. Proportionality also means questioning whether an insurer shall be subject to a certain measure at all. In general, Insurance Europe has always argued that conventional insurance and reinsurance are not systemically risky. The example of conventional reinsurance is particularly relevant: the IAIS itself has stated that reinsurance was not systemic and does not carry out a risk of contagion. Supervisors should demonstrate the proportionality principle in the application of the measures. - The data collection amendments in the ICPs go very far in terms of significantly increasing the burden both for insurers and supervisors.
3. EIOPA	EU	No	N/A
4. Gibraltar Financial Services Commission	Gibraltar	No	Our comments below relate solely to ICP 24.
5. Global Federation of Insurance Associations	Global	No	In general, GFIA is of the view that a risk-related, activities-based inquiry is the appropriate means for identifying potentially systemic risks in the insurance sector. GFIA appreciates the IAIS's intention to move away from an entity-based approach for assessing systemic risk. However, GFIA takes the view that a number of modifications are necessary in order to incorporate the Holistic Framework into the ICPs and ComFrame. GFIA has always argued that conventional insurance is not systemically risky, and that systemic risk can only originate from a very limited number of activities undertaken on a large scale in the wrong conditions. A greater focus on potentially systemic activities of the insurance sector as a whole is therefore warranted. A strict and consistent application of the

			principle of proportionality is crucial. Proportionality should not be limited to requiring all insurers or all IAIGs to apply a measure with different expectations of granularity. Proportionality also means questioning whether an insurer shall be subject to a certain measure at all. In general, GFIA has always argued that conventional insurance and reinsurance are not systemically risky. The example of conventional reinsurance is particularly relevant: the IAIS itself has stated that reinsurance was not systemic and does not carry out a risk of contagion. Supervisors should adhere to the proportionality principle in the application of measures. There is still substantial language that has been added in the consultation document relating to the Holistic Approach to systemic risk that focuses on the size of insurers or groups. As a result, more work is necessary to move away from an entity-based focus and toward an activities-based approach for addressing potentially systemic risk. GFIA is f the view that a narrow consideration of size alone is not constructive in addressing potential systemic risk. Additionally, the repeated references to proportionality are helpful but do not adequately address a pervasive concern about the manner in which the Holistic Framework has been incorporated into the ICPs and ComFrame. It is critical that guidance on proportionality such as that included in ICP 24.0.5 be strengthened and included in the Overarching Concepts section of the Introduction to the ICPs. While "proportionality" is referred to in the ICPs, systemic risk introduces a new dimension to proportionality than was previously considered in the ICPs' supervisory measures. For an assessment of systemic risk, it is necessary for a supervisor to consider particular activities or exposures from a macroprudential perspective. GFIA is also of the view that this concept of proportionality from a macroprudential perspective be included in the Overarching Concepts section of the Introduction to the ICPs. When applying the principle of proportionality, it would also be appropriate in view of the substantial additional work and costs to both supervisors and insurers resulting from the liquidity and macroprudential additions to be more specific about the lines of insurance and companies for which liquidity and macroprudential effects have not been an issue, especially for conventional insurance. Guidance to that effect would be a critically important addition. In turn, this will permit supervisors to focus on parts of the business most likely to present liquidity and macroprudential issues. Furthermore, inquiries into activities that could potentially pose systemic risk should be limited to particular risk exposures that can realistically have a negative impact on financial stability and the broader economy through an identified transmission channel. Accordingly, GFIA agrees with the definition of systemic risk provided in ICP 24.0.4, as the definition specifically references negative consequences to the broader economy through an identified transmission channel. The data collection amendments in the ICPs go very far in terms of significantly increasing the burden both for insurers and supervisors. Finally, just as it was helpful to the IAIS and stakeholders for the subject consultation of ComFrame and Other Supervisory

			Material and the consultation on the Holistic Framework to be handled separately with marked text in different colours delineating changes pertinent to each, it would also be desirable, if not necessary, for text in the ICPs to somehow be set apart or otherwise identifiable to the Holistic Framework. That is clearly the case for ComFrame, but is also necessary for all material related to the Holistic Framework because of the different dimension of proportionality that applies, as compared to micro-prudential supervision.
6. Institute of International Finance	Global	No	Introductory Comments As noted in our January 25, 2019 comment on the Holistic Framework, the IAIS brings an important insurance perspective to the cross-sectoral discussions of systemic risk at the Financial Stability Board (FSB) and we encourage the IAIS to continue and enhance its dialogue with the private sector, FSB members, members of the other financial services standard setting bodies, and with ministries of finance and other authorities responsible for financial sector systemic risk supervision and oversight. We also encourage the IAIS to continue its movement towards an activities-based approach to systemic risk (ABA) based on more absolute measures of risk and clear linkages among activities and the potential for the propagation of material levels of systemic risk to the global financial system or real economy through the transmission channels of asset liquidation and counterparty exposure. We believe that an ABA represents a more effective method of preventing insurance sector risk exposures and vulnerabilities from propagating systemic risk. We further believe that it serves as a more appropriate approach for jurisdictional supervisors to employ to gain insight into and to assess potential vulnerabilities and material sources of systemic risk within their respective markets. Additionally, we understand that while this consultative document covers a portion of the Holistic Framework, further work on other elements is continuing, including content regarding the role of the IAIS. Given the interconnections among these components, our comments should be reviewed in a comprehensive manner and considered in light of both the current material subject to consultation and the Holistic Framework as a whole. Comments on Draft Supervisory Material Related to the Holistic Framework ICP 24 (Macroprudential Supervision) (and related provisions of ICP 10 (Preventive Measures, Corrective Measures and Sanctions)) General Comments As noted above, the current material subject to consultation provides an incomplete view of the Holistic Framework that the IAIS intends to adopt in November, which makes it difficult to fully assess its appropriateness. In light of this point, we note the importance of distinguishing between the expected responsibilities of local supervisors and the anticipated role of the IAIS, particularly its Macroprudential Committee. We believe that local supervisors should be tasked with identifying activities that could be potential material sources of systemic risk in their respective markets. Local supervisors are best positioned to exercise judgement on how the proportionality principle should be applied in practice. In parallel, and by leveraging the work of jurisdictional supervisors to the greatest extent possible, the IAIS should focus on determining if

			potential sources of systemic risk are approaching aggregate levels that could threaten global financial stability. At both the jurisdictional and global levels, this work should include appropriate consideration of the insurance sector relative to other financial services sectors. A cross-sectoral perspective on systemic risk is of critical importance, as activities that may contribute to potential systemic risks often are not conducted by one sector alone and may be conducted by entities outside of the financial services regulatory perimeter. A broad view of activities across markets would help to identify all sources of potential systemic risk and assist in determining the materiality of insurance sector activities and their relative contribution to market-wide activities that are of concern to financial services supervisors. The IIF believes that for any activity to be systemically risky, there must be evidence of a connection via the transmission channels of asset liquidation or counterparty exposure and the magnitude of the risk transmitted must be material in terms of the potential impact on the financial system or real economy. We would propose revising ICP 24 to reflect the channels through which systemic risk can be transmitted to the broader financial markets or real economy, as follows: The supervisor identifies, monitors and analyzes market and financial developments and other environmental factors that may impact insurers and the insurance sector, uses this information to identify vulnerabilities that could be transmitted to the global financial system or real economy via the systemic risk transmission channels of asset liquidation or counterparty exposure and addresses, where necessary, the build up of those risks where they could materially impact the financial system or real economy. Similarly, we would revise the second sentence of ICP 24.0.2 to refer to the buildup of vulnerabilities in the sector as a whole that can be transmitted to the financial sector or real economy through the transmission channels of asset liquidation or counterparty exposure where they could materially impact the financial system or real economy. Throughout the standards and guidance in ICP 24, the reference to "the supervisor" should be clarified to refer to the group or lead supervisor in the case of insurance groups. This would clarify that the group or lead supervisor is responsible for coordinating an overall group-wide view of potential systemically important activities and avoid the possible perception that host supervisors should conduct an independent assessment of the systemic importance of insurance entities under their jurisdiction. Comments Related to Introductory Guidance The introductory guidance to ICP 24 diverges from the description of macroprudential surveillance contained in Paragraph 69 of the Holistic Framework released for public consultation on 4 November 2018, which reads as follows: Macroprudential surveillance can be considered the starting point for the supervisory process of mitigating systemic risk, providing a powerful diagnostic tool for risks that are building up either at a sector-wide level or at the level of an individual insurer. It also provides for a solid foundation for the use of policy measures based on a macroprudential concern. Finally, Macroprudential surveillance serves as a basis to assess the effectiveness of policy measures.

			The reference to size, complexity, lack of substitutability and/or interconnectedness of a distressed or failing insurer in the first sub-bullet under the second bullet of ICP 24.0.3 is inconsistent with the IAIS' decision to move away from a binary approach in which certain additional policy measures are only applied to a relatively small group of insurers". ICP 24 should reflect the IAIS proposal to adopt an approach "with a proportionate application of an enhanced set of policy measures to address activities and exposures that can lead to systemic risk targeted to a broader portion of the insurance sector." (See 3d Bullet, Paragraph 1, Executive Summary, IAIS Holistic Framework Consultation Document 4 November 2018). We therefore recommend the deletion of this sub-bullet, or the replacement of this language with the following: "a build up of vulnerabilities in the insurance sector that can transmit material levels of systemic risk to the broader financial system or real economy through the systemic risk transmission channels of asset liquidation or counterparty exposure." The second sub-bullet properly focuses on activities and should be retained. In addition to a focus on activities, ICP 24.0.3 should also focus on how the activity is managed and the extent to which mechanisms exist to mitigate the risks of the activity. As explained in Paragraph 59 of the 4 November 2018 IAIS consultation, it is not the size of an activity alone, but also how it is managed, that determines the level of risk. Comments Related to Data Collection In the absence of full information about contemplated data collections under the Holistic Framework, it is not possible to fully comment on the appropriateness of this section of the ICPs. That said, we believe the focus of the IAIS should be on providing broad guidance on the types of information that could be helpful to local supervisors and jurisdictions in achieving macroprudential objectives. The IAIS should encourage the use of publicly available data and/or information within existing supervisory tools or reports whenever practical and possible. Such an approach should also be employed for purposes of any data collection the IAIS performs as part of its efforts to identify, assess and mitigate potential aggregate sources of risk that could disrupt global financial stability. An overarching issue with respect to data collections is the sharing of data among the jurisdictional supervisors and with the IAIS. We believe that ICP 24 should focus on the sharing of aggregate industry data that could point to collective exposures that may give rise to systemic risk. We understand that the IAIS has initiatives underway to resolve impediments to data sharing and would encourage those efforts, along with appropriate measures to preserve the confidentiality of insurer data. We appreciate the language in ICP 24.1.1 regarding the efficiency of data collections. In designing data calls, supervisors should carefully consider what data is needed, from what source(s) and for what purpose. A primary focus should be on data that is likely to assist supervisors with the identification of vulnerabilities that could be transmitted to the broader financial markets and real economy through the asset liquidation and counterparty exposure transmission channels. Data points that are collected or available from public sources or from insurers' regulatory reports should not be overlooked and, when there is a need to gather data from insurers beyond what is already available, data calls should be carefully tailored to avoid undue burden and to protect confidential or commercially sensitive information or data that is subject to privacy rules. The overly broad language in ICP 24.1 (and, particularly, ICP 24.1.5) runs counter to the IAIS' stated goal of first surveying

			publicly available information before imposing burdensome data calls on the industry. The microeconomic information collection referenced in ICP 24.1.5 lacks a necessary forward-looking macroeconomic context for the assessment of systemic risk and does not link with the preceding sections that focus on liquidity risk, macroeconomic exposures and counterparty risk. The broad list of data is insurance-specific, historical and backward-looking, and does not include the full range of cross-sectoral, cross-market activities or exposures that could potentially contribute to systemic risk (e.g. excessive leverage). Moreover, the collection of this microeconomic data would not further the interests of the IAIS in collecting consistent information across jurisdictions for the purpose of assessing sources of potential insurance sector systemic risk. A better articulation of the types of information that would be useful to supervisors is contained in ICP 24.2.9. In this section, both inward and outward risks are considered, and a clearer macroeconomic link is established. These provisions could be augmented by a recognition of the need to consider activities across the broader market (including activities conducted by non-insurers). We encourage the IAIS to replace existing ICP 24.1.5 with the following language: The supervisor should consider forward-looking data on the activities of insurers, including data related to non-insurance activities, when assessing insurers' exposures to liquidity risk, interconnectedness (macroeconomic and counterparty exposure) and other risks, both inward and outward. The supervisor should also consider similar data on these activities across the financial services sector (e.g. activities conducted by banks and asset managers) in order to determine the materiality of the activities of insurers compared to other financial services sectors. The supervisor should only consider actions to limit the activities of insurers in cases where it is demonstrated clearly that (i) the activity has the clear potential to transmit systemic risk to the global financial system or real economy, and (ii) insurers are engaged in those activities to a significant and material extent. Comments Related to Insurance Sector Analysis While, in general, horizontal reviews can provide useful insights into sector-wide vulnerabilities and potential sources of systemic risk, supervisors should consider carefully the need for and benefits to be gained from large-scale industry horizontal reviews. ICP 24.2.4 should be reworded to state that, "the supervisor may consider horizontal reviews…" as one of many different methods of quantitative analysis (as noted in ICP 24.2.2). The language of ICP 24.3.4 regarding the need to consider carefully the composition of insurer peer groups is equally appropriate in the design of horizontal reviews and should be repeated in this section. ICP 24.2.4 raises the implication that an outlier firm should be targeted for a supervisory response, which may not necessarily be an appropriate conclusion. A firm may be an outlier for a number of reasons related to its business model or mix of activities or its focus on a niche market. Supervisors should be encouraged to first engage in a discussion with the identified firm to better understand the reasons for the outlier results, to assess whether the firm has measures in place to mitigate any risks arising from the outlier activities, and to determine whether a formal supervisory response is required.

			With respect to ICP 24.2.12, it is not clear why "macroeconomic exposure in insurance liabilities" would be a function of the "complexity of the underlying risk/legal environment." We encourage the IAIS to clarify this reference or delete the phrase. Comments Related to Assessing Systemic Importance The language of ICP 24.3 and the first sentence of ICP 24.3.1 are inconsistent with the IAIS proposal to abandon a binary approach for an approach "with a proportionate application of an enhanced set of policy measures to address activities and exposures that can lead to systemic risk targeted to a broader portion of the insurance sector" (See 3d Bullet, Paragraph 1, Executive Summary, IAIS Holistic Framework Consultation Document 4 November 2018). Therefore, consistent with our earlier comment, the language of ICP 24.3 and the first sentence of ICP 24.3.1 should be revised substantially to reflect this new direction. Moreover, use of the term "supervisor" implies that each jurisdictional supervisor should have a system in place to assess the systemic importance of individual insurers operating in its jurisdiction as well as to assess the systemic importance of the sector as a whole. This could have the knock-on effects of multiple designations of individual insurers, a lack of supervisory resources and, in some jurisdictions, a conflict where a non-insurance regulator or a committee of financial regulators has jurisdiction over systemic risk supervision. We would amend this reference to the supervisor to refer to "the group supervisor or other appropriate authority" and suggest the following revisions to 24.3 and 24.3.1: 24.3 The group or lead supervisor, or other appropriate authority, has an established process to assess the build-up of material risks and exposures from the activities of insurers and to demonstrate potential links to systemic risk transmission channels in the insurance sector. 24.3.1. The group or lead supervisor, or other appropriate authority should take a balance sheet approach when considering material risks and vulnerabilities from the activities of insurers and link these risks and vulnerabilities to identified and agreed systemic risk transmission channels and, consistent with Paragraph 59 of the 4 November 2018 Holistic Framework Consultation, the effective mitigation or management of such material risks or vulnerabilities. Supervisors may want to consider including derivatives trading and reliance on short-term funding and other banking-like market activity in assessing insurance sector risks and vulnerabilities. The supervisor should also consider the interconnectedness of insurers with other financial institutions, and the role of the insurance sector within the broader financial system. The concept of materiality should be incorporated into Standard 24.3 and the related guidance. Standard 24.3 should refer both to the potential systemic importance of the sector and the materiality of potentially systemic activities and exposures in light of the activities and exposures across the financial services market. The focus on derivatives activities in ICP 24.3.2 should distinguish between the activities of insurers as end-users of derivatives for appropriate asset/liability management and non-risk management purposes and other derivatives activity that could lead to excessive leverage or concerns regarding interconnected exposures. We welcome the focus on cross-sectoral coordination and encourage its reflection in other guidance under ICP 24, as noted

			above. We also agree with the focus on changes in economic conditions or technical changes that may affect the insurance sector's risk exposure. However, we believe ICP 24.3.3 should be amended as follows in order to place the emphasis properly on the materiality of the activities of one or more insurers: "As part of its assessment, the supervisor should consider recent developments, such as changes in economic conditions or technological changes that may affect the insurance sector's risk exposures. Additionally, the supervisor should cooperate and coordinate with other financial sector supervisors (such as banking, securities and pension supervisors, central banks and government ministries) to gain additional perspectives on the nature, scale and materiality of activities/exposures in the context of the size of the market as a whole in considering whether those activities/exposures have the potential to give rise to systemic risk, and on the potential change in the risk exposures of insurers stemming from evolutions of other markets." Comments Related to Supervisory Response In line with our comments above, ICP 24.4 does not reflect the Holistic Framework concept set out in the 4 November 2018 Holistic Framework Consultation. The ICP should be reworded to refer to the potential systemic importance of insurance activities, rather than to the potential systemic importance of individual insurers. As we noted in our January 25, 2019 comments on the Holistic Framework, supervisors should first assess the efficacy of microprudential supervisory tools before adopting new macroprudential measures. Moreover, the guidance in ICP 10.2.6 should emphasize that preventive measures should be proportionate and targeted to address the activities and risks that are of concern. Further, the IAIS and local supervisors and jurisdictions must be mindful of the need to appropriately balance the responsibilities of protecting policyholders and preserving financial stability when developing and implementing macroprudential policy measures or taking related supervisory actions. Measures that may seem fully justified from a macroprudential standpoint, such as counterparty limits or restrictions on business activities or products, may have negative impacts on policyholders and may impact the availability of socially necessary or desirable products. The ICPs should emphasize the protection of policyholders as a important supervisory objective and supervisors should be advised to adopt measures that minimize adverse impacts on policyholders. ICP 24.4.4 references ICP 10, which provides for an extensive list of preventive and corrective measures and sanctions. ICP 10.2 and ComFrame 10.2.a provide that a supervisor should require preventive measures if the insurer seems likely to operate in a manner that is inconsistent with regulatory requirements. In effect, the IAIS seems to be suggesting that supervisors should have extensive powers to restrict, manage and dictate to insurers even if no legal requirement has been violated. We submit that the standard in ICP 10.3 is the correct standard (i.e. the supervisor requires corrective measures if the insurer fails to operate in a manner that is consistent with regulatory requirements). ICP 10.2 and ComFrame 10.2.a should be rephrased to direct supervisors to require the insurer or the Head of the IAIG to take preventive measures if the insurer or group operates in a manner that is inconsistent with regulatory requirements. We submit that the first bullet of

			ComFrame 10.2.a (a legal entity within the IAIG seems likely to operate in a manner that would have a material adverse effect on the IAIG as a whole) is unduly vague and subjective and should not form the basis for the imposition of such punitive measures. At a minimum, this bullet should be rephrased to refer to a legal entity that operates in a manner that has a material and quantifiable adverse impact on the IAIG as a whole. The broad supervisory powers in ICP 10.2 and, in particular, ICP 10.2.6, are at odds with the context of Principle 10.2, which is preventive measures. These sweeping powers could fundamentally disrupt an insurer's business based on a potentially faulty assumption that the company is likely to operate in a manner that does not meet regulatory requirements. Moreover, a perceived lack of supervisory confidence in a major insurer could also have contagion effects that would negatively impact the insurer's peers. It is true that, even in a typical "business as usual" situation, supervisors frequently act as gatekeepers in relation to an insurer's activities through review and approval mechanisms. However, that gatekeeper role is far from the role that supervisors could play if supervisors had the discretion to impose the far-reaching measures of ICP 10.2.6, which would enable supervisors to disrupt lawful business even absent a clear finding of a regulatory violation. For example, lifetime bans of key personnel or transfers of liabilities are inappropriate absent a clear violation of law or regulation. If a supervisor is concerned that an insurer seems likely to operate contrary to regulatory requirements, it should first engage in a discussion with senior management prior to taking potentially unwarranted action. The Introductory Guidance to ICP 10 emphasizes a proportionate, tailored and flexible approach to preventive and corrective actions and this approach should be carried through the subsequent ICPs and related guidance. ICP 10.2 should provide more appropriate differentiation between preventive and corrective measures and identify the appropriate use of each set of measures. Language should be added to ICP 10.2 that requires any preventive or corrective measure to be related to and proportionate to the underlying supervisory concern. As ICP 10.2 is currently drafted, supervisors could take actions that are not relevant to the underlying supervisory concern. For example, capital surcharges and buffers are blunt instruments of limited usefulness in addressing sources of insurance systemic risk. Capital measures can also be procyclical and distort level playing fields. The IAIS should describe how each measure in the supervisory toolkit can be responsive to potential sources of systemic risk; other measures could be described as possible measures that could be taken when they can demonstrably address a specific supervisory concern (e.g. the use of a capital surcharge to address concerns about excessive leverage). We fundamentally disagree with the view that individual insurers can pose systemic risk to the financial system or real economy and that jurisdictions should pursue designations of individual insurers. To this end, ICP 24.4.3 should be redrafted to align with the IAIS' view that an ABA negates the need for the designation of individual insurers. Supervisory measures within this guidance should focus on the activities of groups of insurers that collectively may have the potential to cause material levels of systemic risk. In particular, the final sentence should be amended to read, "The supervisor should extend certain requirements as necessary to address activities in the market that are of concern based on its assessment of the materiality of the potential systemic risk taking into consideration the nature, scale and complexity of the activities." Consistent with our past comments, supervisors should be advised to review existing supervisory measures and only impose new measures when existing measures are shown to be inadequate or ineffective. Supervisory measures,

			particularly emergency measures, should be time-limited and subject to regular review as to whether they continue to be needed and, if so, whether they are effective in meeting the objectives for which they were designed. The language in ICP 24.4.5 on "time-varying requirements" references cyclical measures, which could be rules-based or discretionary. We are concerned that ICP 24.4.5 introduces the concept that supervisors may develop requirements that are time varying in nature depending on the economic cycle. We believe supervisors should exercise extreme caution in considering such measures as they potentially risk creating incentives for procyclical behavior. The IAIS should consider deleting this guidance. Comments Related to Transparency Any publication of high-level aggregate and anonymized data and statistics on the insurance sector should protect confidential or commercially sensitive information. Anonymization of data related to IAIGs may not be sufficient to conceal the identity of the reporting company, given that there are a limited number of directly comparable IAIGs in a heterogeneous market. Other Comments on ICP 10 (Preventive Measures, Corrective Measures and Sanctions) As noted above, ICP 10 provides nearly unlimited discretionary powers to supervisors that could severely disrupt the business of individual companies and groups and impact negatively the insurance sector as a whole and, importantly, policyholders. The potential that the imposition of these measures and sanctions could have a direct and deleterious impact on policyholders and other stakeholders should not be overlooked (see e.g. ICP 10.2.7) and supervisors should be cautioned that many of these measures and sanctions should be considered only as a last resort when supervisory discussions have failed. ICP 10.2.6 provides for supervisory powers to restrict exposures to individual counterparties, sectors or asset classes. ICP 16.6 properly reflects that it is the duty of management to establish counterparty limits. Accordingly, the first sub-bullet under the second major bullet point of ICP 10.2.6, which refers to supervisors having the power to restrict exposures to a counterparty, should be recast to refer to directions to the insurer to review its counterparty exposures and limits in light of supervisory concerns. Measures and sanctions should be tied directly to the source of systemic risk that the measure is designed to address and/or to the underlying failure to meet supervisory requirements. Measures and sanctions should also be proportionate to the underlying concern. Flexibility and proportionality should be emphasized and consideration should be given to replacing the word "should" with the word "may" throughout this ICP (and others). The imposition of measures and sanctions should be based on objective criteria and supported by a written statement of the circumstances that have given rise to a material, identifiable and quantifiable systemic risk impact and/or the perceived serious failure of the company to adhere to supervisory standards. The written statement should be provided to the company

			in advance of the imposition of measures or sanctions and the company should have a reasonable period of time in which to respond in order to correct any misstatements or misperceptions or to take appropriate remedial action. Providing notice to the company would serve the two-fold purpose of avoiding severe unintended consequences or unwarranted action and providing appropriate due process to the affected company. We strongly encourage the IAIS to advise supervisors to focus first on preventive measures and rely on corrective measures or sanctions only in the case that preventive measures prove ineffective or in the case that a company continually fails to comply with supervisory requirements. The focus on less severe measures in ICP 10.0.6 is helpful guidance that can facilitate a proportionate and appropriate supervisory response in many cases and may avoid harmful public disclosures of relatively minor supervisory concerns and possible contagion effects across the industry if those supervisory concerns are misinterpreted as a sign of industry weakness. ICP 16 (Enterprise Risk Management for Solvency Purposes) Comments Related to Introductory Guidance ICP 16.0.3 should use the broader term "contingency planning," rather than "recovery planning," as one of the components of the ERM framework. Contingency planning can include recovery planning, contingency risk measures and liquidity risk measures. ICP 16.0.9 should note that contingency plans should provide a set of plausible options to a company to limit business disruption and losses resulting from an adverse financial event or operational event. The exact course of action to be taken under a contingency plan depends upon the nature, timing and impact of the event and cannot be determined in advance. Management should have the discretion and flexibility to take the course of action it deems most appropriate under the circumstances, coordinating with the insurer's primary or group supervisor. The foregoing comment is also relevant to, and should be reflected in, ComFrame 16.9.c.2, ICP 16.15 and ComFrame 16.15.a. Comments Related to Risk Identification We would encourage the IAIS to delete the reference to the "real economy" in ICP 16.1.4, as we believe it is beyond the realistic goals of macroprudential supervision to consider the impact of product options and guarantees on the real economy. (Our comments on this ICP should be considered in conjunction with our comments above on ICP 24.) Comments on ERM Framework - Quantitative Techniques to Measure Risk ICP 16 contains references to the "total balance sheet" which are unclear (e.g. ICPs 16.2 and 16.2.3). If these references are intended to reflect a consolidated, enterprise-wide view of the company or group, we encourage the IAIS to reflect a

			proportionate focus on those activities that are material to the operations of the company or group and that have the potential to give rise to material levels of systemic risk, taking into account any risk mitigants. ICP 16.2.23 and ComFrame 16.2.b.2 enumerate specific activities that can give rise to accumulated macroeconomic exposure in the insurance sector. As we noted in our January 25, 2019 response to the IAIS consultation on the Holistic Framework, we acknowledge the need for careful risk management of these exposures but would caution against an overly reductive and product-driven macroprudential treatment of long-term products and investments that does not recognize differences in product characteristics and the ability of firms to mitigate risks through sound risk management policies, practices and controls. Focusing on one type of exposure or activity could result in a disproportionate emphasis on that exposure or activity, to the exclusion of other exposures or activities (particularly those that may be new to the market). Macroeconomic exposure is not simply linked to a particular liability or activity but, rather, is dependent on the asset/liability management (ALM) strategies used to mitigate the risk. A simple liability with a poorly managed ALM strategy can give rise to as much macroeconomic exposure as a well-hedged complex liability. The proper focus should be on the management of the risk on both sides of the balance sheet and the resulting impact on capital and liquidity. We would propose deleting ICP 16.2.24 as we believe stress testing is part of a firm's internal ERM framework. It should be up to the insurer to decide what frequency, scope and type of stress testing is appropriate for the firm. Comments on Asset-liability management, investment, underwriting policies and liquidity risk management ICP 16.6 provides that the supervisor should require the insurer to include in its ERM framework an explicit investment policy that, as necessary, includes a counterparty risk appetite statement. We believe that insurers should have the flexibility to document their risk appetites in the manner that best fits their ERM framework, for example, by documenting the counterparty risk appetite alongside the capital and liquidity risk appetite in the ERM framework. Counterparty risk limits, which are appropriately included in an investment policy, are referenced in ICP 16.6.4. ICP 16.6.4 should note that counterparty risk limits should take into consideration counterparty collateral requirements. Exposure to a counterparty that is in a stressed financial position with robust collateral in place is very different than exposure to a stressed counterparty without those collateral arrangements. ComFrame 16.7.d.4 should replace the term "base assumptions" with "key or material assumptions," as assessing the consistency of each assumption used to derive technical provisions with each assumption used to derive capital requirements, economic capital models, or the forward-looking view in the ORSA would be unduly burdensome and unlikely to produce meaningful insights. In addressing the nature and amount of risks to be underwritten, the underwriting policy should also cover the analysis of market risks, including unexpected rate changes, and this should be reflected in ICP 16.7.4. With respect to ICP 16.8.1, we note that the assumptions used in an insurer's liquidity analysis are expansive, reflect the

			unique characteristics of the insurer's liability mix, and involve a high degree of judgment based on extensive management experience. We would therefore recommend that this ICP be reworded to focus supervisory attention on the internal framework and practices used in developing these assumptions, rather than on the assumptions themselves. ICP 16.9.1 outlines examples of activities that could generate unexpected liquidity needs and then states that these activities may contribute to systemic risk. We note, firstly, that the actual liquidity risk of these activities will vary greatly based upon a variety of factors, including the specific attributes of insurance products with cash value. Secondly, while these activities do need to be managed carefully, the magnitude and impact of these activities across the sector would have to be considerable in order to damage the broader financial system or real economy. We would emphasize the need for careful management of these activities and delete the reference to these activities contributing to systemic risk. The reference to "unencumbered high-quality liquid assets" in the second bullet point under ICP 16.9 and ComFrame 16.9.b is unduly subjective and the reference to "high quality" should be removed. Whether or not a particular asset is acceptable should be determined in accordance with the insurer's liquidity risk appetite, which is set by senior management with board approval and oversight, and subject to supervisory review and discussion between management of the insurer and the supervisor. An insurer's liquidity risk appetite could, for example, permit the inclusion of certain assets subject to appropriate haircuts and stresses, depending on the time horizon over which the insurer's particular liquidity needs are forecasted. The use of the term "high quality" could also incent undue reliance on credit ratings, which have been shown to be unreliable under certain market conditions. Given that setting the company's liquidity risk appetite is a matter for senior management with board approval and oversight, the final sentence of ICP 16.9.5 should be deleted. ComFrame 16.9.a.4 should include the likelihood of a stress or scenario materializing among the considerations for an IAIG in designing stresses. This consideration is important in the design of plausible scenario analyses and in prioritizing and allocating resources to stress testing and scenario analyses. A consideration of likelihood is consistent with ICP 16.2.1, which notes that the level of risk is a combination of the impact of the risk and the probability of the risk materializing. ComFrame 16.9.a.4 should also clarify the scope of stress testing and scenario analysis and the purposes for which those tests and analyses should be conducted. In line with our comment about the time horizon over which the insurer's particular liquidity needs are forecasted, ComFrame 16.9.b.4 should state that assets that the IAIG relies on for short-term liquidity should be unencumbered. Longer-term liquidity needs could be matched with encumbered assets under appropriate circumstances and with suitable review, controls and monitoring. The second bullet point under ICP 16.9 should include the words "in appropriate locations" at the end of the sentence for consistency with ComFrame 16.9.b. ICP 16.12 calls for the supervisor to require the insurer's ORSA to, as necessary, assess aggregate counterparty exposures and analyse the effect of stress events on material counterparty exposures through scenario analysis or stress testing. While

			we acknowledge the need to assess aggregate counterparty exposures and take into consideration the effect of stress events on material exposures, we do not believe that scenario analysis or stress testing is well suited to this assessment. We believe that risk limits, combined with a review of exposures both gross and net of reinsurance, represents what is feasible and reasonable to address counterparty risks. Insurers generally have limited information on counterparties and this information may change rapidly, rendering any scenario analysis or stress test obsolete. ICP 9 (Supervisory Review and Reporting) The second sentence of ComFrame 9.6.a.2 should include guidance to supervisors to both inform and cooperate with local supervisors prior to approaching an insurance legal entity as part of an on-site inspection. ICP 20 (Public Disclosure) While we agree in principle to the value of public reporting of high-level, easily understandable quantitative information on risk exposures - including liquidity - we caution against an undue emphasis on quantitative information that is not well understood by the average investor or policyholder. At a more fundamental level, public disclosure requirements for many insurers and nearly all insurance groups are dictated by the securities regulators and/or listing authorities and it is not necessary or appropriate for insurance supervisors to impose duplicative and potentially conflicting requirements which could confuse end-users. (This latter point is relevant in particular to ICP 20.11.) Careful consideration should be given to the types of information that are appropriate for public disclosure and information that should be restricted to regulatory reporting to the jurisdictional or group-wide supervisor. The latter category includes information that is confidential or commercially sensitive, as well as detailed quantitative information that may be confusing to broader market participants, the disclosure of which could be destabilizing to a company or to the broader sector.
7. International Actuarial Association	International	No	We have a number of comments relating to the changes in the Glossary: Actuary - IAA notes the deletion of the term "actuary" from the IAIS glossary. The IAA believes the deletion is acceptable as the definition of the term is properly the province of the actuarial profession itself. It should be noted that some IAA member associations believe the term should be retained in the glossary as legal/regulatory recognition of the actuary varies considerably globally. However, in reviewing the IAIS supervisory material references to "actuary", "actuarial function" etc., the IAA notes important gaps in such material as follows: - ICP 8.3.15 indicates that "persons who perform control functions should be suitable for their role" but there is no guidance to supervisors on the qualities/attributes/indicators that would make a person "fit and proper" or "suitable" for such a role - ICP 8.6 speaks of the need for an "effective" actuarial function (i.e. role not person) but none of the other ICP 8 standards or guidance define the attributes for being effective. For example, 8.6.4 simply lists the various types of actuarial function activities.

			A suggestion for describing the attributes of an effective actuarial function might include: - Presence of a sufficient level and quantity of professional expertise in the quantification and practical management of the insurance risks typically undertaken or likely to be undertaken by insurers of the relevant type - including direct insurances, reinsurance, ERM and capital management; - Demonstrated full knowledge and understanding of the financial and prudential reporting frameworks applicable to the insurer and its products; - Demonstrated governance of actuarial matters by the actuarial function - Demonstrated ability of making proper professional judgement by the holders of the actuarial function - Demonstrated and effective communications skills and influencing capabilities sufficient to ensure proper communication of existing and emerging risks, their likelihood and scale, and where necessary, to promote action; - Demonstrated insight, integrity and standards of conduct appropriate to the actuarial control function. The IAA would be willing to work with the IAIS on appropriate wording to supplement ICP 8 to address the gaps in guidance related to "fit and proper" persons and "effective" actuarial function. Control Function - We note that the term Control Functions has been changed to Control Function. We note that this brings an inconsistency with ICP8 which still uses control functions as term. Furthermore, defined in this way it adds a new definition as the total of the four functions. We prefer to use the term control functions as is also used in the ICPs. Finally, it is not clear if the term is restricted to the four functions referend to or if also other functions could meet the definition. Counterparty Risk - The term Counterparty Credit Risk is replaced by Counterparty Risk, but in ICP16 the term credit risk is still used. Going concern - we believe that a company can still be a going concern even if it has ceased to write new business and suggest changing the definition to "An approach for considering an insurer's financial situation assuming that it will continue to operate, and be able to pay claims when they become due under reasonably foreseeable future conditions" Liquidity Risk - we suggest that this definition should be amended to " The risk that an insurer is unable to realise its investments and other assets in a timely manner, without significant fall in value, or have insufficient access to funding, in order to settle its financial obligations as they fall due. " Reinsurance/Reinsurer/Retrocession - we believe there are reinsurance contracts that are written which don't necessarily involve the payment of a specific premium so suggest adding to each definition « … or other consideration ». ICP 16 - The IAA notes that within ICP 16, especially its ComFrame elements, that terms such as "financial position", "solvency position", "prospective solvency position", "current financial condition", "future financial condition" and "prospective analysis of the financial situation"

			are used without supporting glossary entries to clarify and distinguish their meanings. The IAA strongly recommends that such definitions be developed and the terms in this ICP (and perhaps other ICP's) be appropriately streamlined. The IAA suggests aligning the definitions on Risk Management, Enterprise Risk Management and Internal Control in the glossary. These terms are closely related and are also mentioned in ICP 8, but the definitions are not aligned in the glossary. In the proposed changes to ICP 8, in 8.3.c.2 we suggest that the wording should be expanded slightly to « the combination would give rise to potential conflicts of interest and how they could be resolved or managed". We also note it is explicitly mentioned that functions are not combined, but this is a different approach than the existing 8.3.10 article which does not forbid a combination. If the tasks of the second line control functions are overlapping, a combination in practice could lead to a more effective and efficient risk management system.
8. The Geneva Association	International	No	General We appreciate the opportunity to respond to the proposed revisions to the Insurance Core Principles (ICPs) and ComFrame to embed policy measures relating to the Holistic Framework for Systemic Risk in the Insurance Sector (Holistic Framework). The Geneva Association has broadly supported the IAIS' work on an activities-based approach to systemic risk from the beginning, starting with the interim public consultation launched in December 2017, followed by the consultation on the Holistic Framework launched in November 2018. As such, we also would like to express broad support for the approach taken in implementing the related changes into ICPs and ComFrame. Besides this general comment letter, we have responded to a limited number of the specific standards and guidance through the consultation tool. We expect that many insurers will respond in more detail to the proposed revisions. High-level nature of changes The changes to the ICPs and ComFrame are, in most cases, very high-level in nature, which is essential and appropriate for global standards as this level of guidance provides room for jurisdictional flexibility. We urge the IAIS to use the upcoming Application Papers, especially on liquidity risk, to provide appropriate examples of the application of the principles in the standards. In this respect, we are very keen to work with the IAIS at an early stage on developing the forthcoming Application Paper on liquidity risk. The IAIS guidance on liquidity should be adapted to the specific context of insurance, which materially differs from the banking context. For instance, it is not straightforward that extending the use of a "High quality liquid assets" framework is appropriate or needed for insurers. Need for proportionality

			The changes proposed to the ICPs and ComFrame support the need for proportionality in implementation of this guidance developed as part of the Holistic Framework. However, many changes are proposed to be required on a compulsory basis for IAIGs (e.g., "require the head of the IAIG") and not solely when necessary. We believe such references should be modified throughout the ICPs and ComFrame. Requirements related to the implementation of the Holistic Framework should be proportionate to the potential systemic risk that may be presented to the financial system. Furthermore, some proposals, such as stress testing of counterparty risk, do not seem necessary and should be employed only when a specific activity generates exposure that is envisaged to reach systemic proportions. ICP 10 (and 24) - Preventive Measures, Corrective Measures and Sanctions The proposed changes to ICPs 10 and 24, taken together, are phrased in very general terms and could pave the way for granting insurance supervisors unprecedented power to intervene and impose a broad array of corrective or preventive measures on an insurer. This could be the case without proof that an insurer has failed to meet regulatory requirements, including financial conditions or compliance with other prudential requirements. We view this as a significant expansion of supervisory authority that could create uncertainty in the market place and have profound implications for the business of insurance generally. In our view, the execution of supervisory powers should be directly linked to a perceived risk or breach of a transparent prudential threshold. Further, there should be a clear differentiation of powers to address systemic risk related issues versus powers given for other reasons. ICP 16 - Enterprise Risk Management The balance between flexibility and granularity is important. This is particularly true in regards to Enterprise Risk Management. In general, many of the measures as proposed in ICP 16 and CF 16 are already part of day-to-day risk management practices of an insurer. However, there may be some uncertainty as to how the IAIS envisages measures regarding liquidity risk to be employed in practice. For this same reason, the upcoming Application Paper on liquidity risk will be helpful. Scenarios The consultative document leaves room for uncertainty as to who defines the scenarios/ stress tests. We assume that the scenarios described in ICP 16 are to be chosen by insurers but the current drafting of 16.2.24 is inconsistent with this. We also assume that those mentioned under ICP 24 are to be chosen by the supervisor. Clarification would be helpful, in particular for ICP 16, which relates to insurers ERM frameworks where the nature of stress testing should be defined by insurers and not their supervisors. We would like to point out that any public disclosure without proper context could be misleading to both investors and policyholders. The information provided to supervisors, in particular when based on stress testing, should not be disclosed

			publicly. The ICPs should consistently recognize the importance of taking a cross sectoral perspective and accounting for the ability of insurers to appropriately manage risks. This is especially true with respect to 16.2.23, which should be updated to acknowledge both. ICP 20 - Public Disclosure We recognize the importance of adequate public disclosure and transparency to the market however, the key focus of the Holistic Framework is ensuring supervisors have access to information to perform macroprudential assessments, which will better enable them to assess and mitigate potential sources of systemic risk. As such, we disagree with the inclusion of a call for expanding public disclosures on liquidity related risks (i.e., ICP 20.11) to broader market participants. Of particular concern is the potential for market participants to insufficiently understand or misunderstand the information reported which could cause unintended, adverse impacts to insurers, the sector, financial markets and market participants. ICP 24 - Macroprudential Supervision We believe that the Holistic Framework for Systemic Risk is generally a more appropriate means of addressing potential systemic risk in the insurance sector, and further encourage moving away from entity-based designations. While we support greater scrutiny of potentially systemically risky activities in the insurance sector, there is still substantial reference to the size of individual insurers. We believe that a narrow consideration of size of insurers alone is not appropriate in addressing potential systemic risk. There should be specific reference to considerations of materiality of activities and the magnitude of any potential impact they may have on macroprudential concerns. We also believe that for any activity to be deemed systemically risky there must be evidence of a connection via the transmission channels of liquidity and counterparty exposure. We support the definition of systemic risk provided in 24.0.4 and its statement that systemic risk may originate from the transmission channels related to liquidity risk and interconnectedness in particular. The third channel, the lack of substitutability, is less relevant for both life and non-life insurance. We encourage greater alignment of the specific language in the text of ICP 24 to directly reflect 24.0.4. Therefore, we suggest modifying the text of ICP 24 to not refer to "build-up of systemic risk" but rather to the possible transmission of material levels of risk, for example: "ICP 24: Macroprudential Surveillance and Insurance Supervision: The supervisor identifies, monitors, and analyzes market and financial developments and other environmental factors that may impact insurers and the insurance sector, and uses this information to identify how those vulnerabilities could be transmitted via the systemic risk transmission channels and address, where necessary, the possible transmission of those risks where they could materially impact the financial sector or the real economy". Moreover, far-reaching data collection proposals are included in the consultation (e.g. very granular

			microeconomic data and on the concentration of assets and liabilities), without clear evidence that this additional data is necessary and proportionate. IAIS Data collection The IAIS has indicated that the data collection from individual insurers for macroeconomic purposes (i.e. the data collection which has been used for G-SII designation) should continue, regardless of its current deficiencies and the possible future decision of the FSB to no longer designate insurers as G-SIIs. Experiences with the G-SII process in the past have shown that a centralized data collection exercise may not necessarily lead to better information for prudential purposes. It may be a real problem that too much data, not focused on addressing potential systemic risk exposures, may be collected. Such excessive collection of data could weaken the effectiveness of the holistic approach to systemic risk. We believe that data should be considered in a cross-sectoral manner and focused on supporting the activities-based approach to systemic risk. The current approach taken includes two data collection exercises, a centralized and a jurisdictional one. Our preference, which we believe is fully in-line with the November 2018 Holistic Framework consultation, is to first and foremost leverage information collected by jurisdictional supervisors for purposes of the IAIS' global risk assessment. We believe that aggregate jurisdictional quantitative and qualitative data can facilitate equal if not better global insights into risks and cover a wider range of market participants. We suggest the creation of a working group with industry experts, to help structure and detail the data collection exercise, which must be cross-sectoral in nature. Conclusion The Geneva Association strongly believes that the Holistic Framework, and its focus on an activities based approach, can serve as a more fulsome, appropriate and effective method for assessing and mitigating potential global systemic risk than that historical focus of designating a limited scope of insurers as GSIIs. We remain committed to supporting the efforts of the IAIS. We would be happy to explore all issues raised in our response with the IAIS in greater detail.
9. General Insurance Association of Japan	Japan	No	We recognize that the items in this public consultation were revised in light of the IAIS "Holistic Framework for Systemic Risk". To that extent, the scope of the application of these items should be limited to groups or insurers determined to have systemic risk on an entity basis or on an activity basis based on the data collection by supervisors described in ICP 24 and decided on whether they have exposures potentially leading to systemic impact.
10. The Life Insurance Association of Japan	Japan	No	Overall comment: In this consultation, the LIAJ recognizes that the IAIS has intended to shift from an approach where systemic risk is only being applied to certain entities such as G-SIIs to an approach focusing more on the activities of each insurer.

			However, the LIAJ respectfully asks the IAIS and participating supervisors to consider the following points which we believe still do not properly reflect the reality of life insurers' businesses (see referred comment boxes for details). (1)Predictability of the supervisor's intervention (see comments for ICP 10), (2)Perception of macroeconomic exposure risk (see comments for ICP16), (3)Perception of liquidity risk (see comments for ICP16), (4)Disclosure of liquidity risk (see comments for ICP20), (5)Data collection for macroprudential supervision (see comments for ICP24) In particular, there is a significant flaw in the perception of liquidity risk, which may cause, depending on the jurisdiction, the majority of the entire insurance business to be subject to liquidity risk regulation. Therefore, the LIAJ believes there is an issue with the proposed assessment methodology. Ensuring due process for the implementation of Holistic Framework: According to the current schedule, the ICP and ComFrame including Holistic Framework is to be adopted in November 2019 and start to be implemented from 2020. However, the currently proposed supervisory material only reflects the "Supervisory Policy Measures" (Section 3 of the consultation paper "Holistic Framework for Systemic Risk" published in the 14 November 2018), and does not include other parts of the Holistic Framework such as Section 4 "Global monitoring exercise by the IAIS" or the implementation assessment by the IAIS (Section 5), implying that they will be adopted without any consultation. The LIAJ requests the IAIS to consider having due process measure such as an opportunity for stakeholder hearing, not only for the current parts reflected in the supervisory material but for the entire Holistic Framework including Sections 4 and 5.
11. Swiss Re	Switzerland	No	This is a joint submission by Swiss Re and Zurich. Swiss Re and Zurich thank the IAIS for the opportunity to comment on the revisions to the Insurance Core Principles and Common Framework for the Supervision of Internationally Active Insurance Groups related to the holistic framework for systemic risk in the insurance sector ("systemic risk framework", thereafter). We note that the revisions proposed by the IAIS address some of the concerns previously raised by the industry, for instance the requirement for liquidity risk management. We think the revisions following from the December 2018/January 2019 consultation on the "Holistic Framework for Systemic Risk in the Insurance Sector" reflect a commendable degree of maturity in the thinking about systemic risk and its possible manifestation in the insurance sector. At the same time, we maintain that various key aspects of the systemic risk framework have not yet satisfactorily been

			addressed; they would deserve another round of consideration. For instance: - the proposed systemic risk framework should adequately differentiate between sources or amplifiers of systemic risk, on one hand, and recipients of systemic risk, on the other hand; - the systemic risk framework should explicitly address risks caused by a select few and unambiguously defined systemically risky activities, e.g. securities lending with illiquid collateral reinvestment, or providing life insurance products with complex guarantee features; - with regard to liquidity management, a liquidity gap analysis should be recommended instead of liquidity "metrics". A liquidity gap analysis is more appropriate for the management of liquidity risk in insurance and voids the necessity for liquidity metrics that ignore the underlying business model of the (re-)insurer, e.g. life, non-life, composite. We definitely do not support the banking sector liquidity ratios (Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR)); they are not adapted to insurance. In that context, we wish to emphasize that the language should be carefully chosen so as not to amalgamate capital and liquidity, a point we develop further in our comments to ICP 16; - with regard to insurance groups, ComFrame should better account for the different approaches to capital and liquidity management, and the group-wide supervison thereof. In particular, the ability of insurance groups to pool capital and liquidity to the benefit of the whole group (and not at the expense of entities) should be accounted for fairly. That is, both the entity and the group views and their interplay need to be accounted for regarding capital and liquidity. Group capital and liquidity management needs to adequately account for the entities, and the entity capital and liquidity management needs to adequately account for capital and liquidity pooling at the group. Lastly, when the IAIS develops of an application paper and/or when supervisors start implementing the relevant elements of the systemic risk framework, it is essential that the IAIS ensures an internationally consistent approach and practice - that is, the application paper (or else) should be sufficiently detailed and not allow for key requirements to vary by region or location. The latter would significantly weaken the effectiveness of the systemic risk framework and complicate the execution of the framework for supervisors and insurers alike.
12. Zurich Insurance Company Ltd.	Switzerland	No	This is a joint submission by Swiss Re and Zurich. Swiss Re and Zurich thank the IAIS for the opportunity to comment on the revisions to the Insurance Core Principles and Common Framework for the Supervision of Internationally Active Insurance Groups related to the holistic framework for systemic risk in the insurance sector ("systemic risk framework", thereafter). We note that the revisions proposed by the IAIS address some of the concerns previously raised by the industry, for instance the requirement for liquidity risk management. We think the revisions following from the December 2018/January

			2019 consultation on the "Holistic Framework for Systemic Risk in the Insurance Sector" reflect a commendable degree of maturity in the thinking about systemic risk and its possible manifestation in the insurance sector. At the same time, we maintain that various key aspects of the systemic risk framework have not yet satisfactorily been addressed; they would deserve another round of consideration. For instance: - the proposed systemic risk framework should adequately differentiate between sources or amplifiers of systemic risk, on one hand, and recipients of systemic risk, on the other hand; - the systemic risk framework should explicitly address risks caused by a select few and unambiguously defined systemically risky activities, e.g. securities lending with illiquid collateral reinvestment, or providing life insurance products with complex guarantee features; - with regard to liquidity management, a liquidity gap analysis should be recommended instead of liquidity "metrics". A liquidity gap analysis is more appropriate for the management of liquidity risk in insurance and voids the necessity for liquidity metrics that ignore the underlying business model of the (re-)insurer, e.g. life, non-life, composite. We definitely do not support the banking sector liquidity ratios (Net Stable Funding Ratio (NSFR) and Liquidity Coverage Ratio (LCR)); they are not adapted to insurance. In that context, we wish to emphasize that the language should be carefully chosen so as not to amalgamate capital and liquidity, a point we develop further in our comments to ICP 16; - with regard to insurance groups, ComFrame should better account for the different approaches to capital and liquidity management, and the group-wide supervison thereof. In particular, the ability of insurance groups to pool capital and liquidity to the benefit of the whole group (and not at the expense of entities) should be accounted for fairly. That is, both the entity and the group views and their interplay need to be accounted for regarding capital and liquidity. Group capital and liquidity management needs to adequately account for the entities, and the entity capital and liquidity management needs to adequately account for capital and liquidity pooling at the group. Lastly, when the IAIS develops of an application paper and/or when supervisors start implementing the relevant elements of the systemic risk framework, it is essential that the IAIS ensures an internationally consistent approach and practice - that is, the application paper (or else) should be sufficiently detailed and not allow for key requirements to vary by region or location. The latter would significantly weaken the effectiveness of the systemic risk framework and complicate the execution of the framework for supervisors and insurers alike. For the full set of comments kindly refer to the submission by Swiss Re on behalf of Swiss Re and Zurich.
13. Aegon NV	The Netherlands	No	Aegon NV welcomes the opportunity to respond to the IAIS public consultation on revisions to the Insurance Core Principles (ICPs) and the Common Framework for the supervision of Internationally Active Insurance Groups (ComFrame) that are

			related to the holistic framework for systemic risk in the Insurance Sector. Aegon supports the premise of the holistic framework, namely that, as public policy, systemic risk in the insurance sector is better addressed by a proportionate approach applied to a broader portion of the insurance sector rather than a binary approach targeted to a small group of insurers. The proposed revisions to the ICPs and ComFrame broadly appear to align with the holistic framework that was described by the IAIS in November 2018. We support most of the revisions. At the same time, we would like to call attention to a few areas that merit additional attention. 1. Remnants of EBA Although we support many of the provisions in ICP 24, we have reservations about ICP 24.3: "The supervisor has an established process to assess the potential systemic importance of individual insurers and the insurance sector." First, we view this as a remnant of the flawed "EBA" approach that results in a binary approach that targets a narrow group of insurers. We note that the guidance fails to make activities the starting point for such assessment, leading to the possibility that inaccurate metrics like size could be used to assess an individual insurer's systemic importance. Second, because the ICPs are directed to individual jurisdictions, this standard suggests that every jurisdiction should have a jurisdiction-specific "D-SII" process through which individual insurers can be designated as systemically important. To the best of our knowledge, the only such "D-SII" process has existed in the United States, which has now effectively abandoned it. Draft ICP 24.3, however, suggests that every jurisdiction–even small or emerging markets–should assess the systemic importance of individual insurers. Taken to a logical conclusion, multi-national groups could be faced with the unwieldy situation in which some portions of the group could be deemed systemically important, while other portions would be free of the consequences of such a designation. We acknowledge the IAIS's current plans to retain portions of an "EBA" framework, but we encourage reconsideration of whether it is appropriate to embed such a framework in the ICPs, which are directed toward individual supervisors. 2. Preventive measures We are concerned that the proposed preventive measures in ICP 10 have the effect of granting insurance supervisors unbridled authority. We acknowledge and appreciate the efforts of the IAIS to address the concerns about proposed supervisory powers of intervention in the November 2018 consultation. Nevertheless, a literal reading of draft ICP 10 would seem to require supervisors to have virtually unconstrained authority to impose a broad array of measures on insurers, even if no regulatory requirement has actually been violated, even if there is no meaningful threat to financial stability, and even if there is a tenuous relationship between the potential violation and the imposed penalty. We suspect that supervisors in most jurisdictions would have challenges securing such authority. The IAIS should consider significant refinements to this section by limiting preventive measures to financial stability concerns and drawing a clear link between the financial stability threat faced and the policy measures applied.

			3. Stress testing We are encouraged that some of the more problematic stress testing proposals described in the earlier consultation–namely supervisor-designed liquidity and counterparty stress testing of individual insurers–do not appear to have been translated into the ICPs and ComFrame. Nevertheless, we continue to have concerns about certain provisions within ICP 16 that invite supervisors to interfere with company ERM practices in the context of stress testing. Proposed Standard ICP 16.2, for example, suggests that macroeconomic risk should be subjected to special stress testing treatment, contravening the typical ERM best practice approach of placing risks on a level playing field. Guidance ICP 16.2.22 suggests that individual company ERM-related stress testing may provide supervisors with a view of sector-wide vulnerabilities, which we suspect is not realistic in the absence of supervisory prescriptions. Guidance ICP 16.2.24 implies that that the supervisor should impose stress testing "requirements" on internal company ERM frameworks. Finally, in Standard ICP 16.12, the supervisor is encouraged to impose, "as necessary," counterparty stress testing within an insurer's ORSA. We encourage the IAIS to maintain a clear distinction between company ERM and supervisory-imposed stress testing. 4. Liquidity public disclosure Finally, although we support many of the proposed liquidity measures including the proposed liquidity plan, we continue to have concerns about requirements for public disclosure of quantitative information. In a crisis, misinterpreted public liquidity information could undermine confidence, foster mass withdrawals, and exacerbate a crisis. Companies may also engage in sub-optimal behavior by managing to the disclosed figures. We encourage further reflection on the potential harm that may occur. In the detailed questions, we have responded to the questions of greatest importance to us. We hope our comments are useful and look forward to engaging further on this topic.
14. American Council of Life Insurers	U.S.	No	The American Council of Life Insurers (ACLI) greatly appreciates the opportunity to share its views on the IAIS public consultation on revisions to ICPs and ComFrame related to the Holistic Framework for Systemic Risk in the Insurance Sector. ACLI is a national trade association representing 280 life insurers that hold over 95 percent of the industry's total assets. Our members serve 75 million American families that rely on life insurers' products for financial and retirement security. ACLI's members offer life insurance, annuities, retirement plans, long-term care, disability income insurance, and reinsurance. The ACLI fully supports IAIS recent renewed commitment to further strengthen stakeholder engagement efforts and to extending the length of public consultation periods wherever possible. We believe that the Holistic Framework for Systemic Risk is generally a more appropriate means of addressing potential systemic risk in the insurance sector, and further encourage moving away from entity-based designations. While we support greater scrutiny of potentially systemically risky activities in the insurance sector, there is still substantial IAIS language focusing on the size of individual insurers. We believe that a narrow consideration of size alone is not

			constructive or appropriate for addressing potential systemic risk. We also believe that for any activity to be deemed systemically risky, there must be evidence of a connection via the transmission channels of liquidity and counterparty exposure. We support the definition of systemic risk provided in 24.04 and its statement that systemic risk may originate from the transmission channels related to liquidity risk and interconnectedness. We, however, do not believe lack of substitutability is a relevant consideration for the insurance sector. Further, the potential for systemic risk arising from the activities of an insurer cannot be appropriately understood unless viewed in the context of the broader financial system. Greater emphasis on the need for cross-sectoral consideration should be incorporated into the ICPs - particularly ICP 24. In order to be effective and proportionate, the macroprudential work of insurance supervisors must be informed by a cross-sectoral perspective, and we encourage the IAIS to reflect this need within ICP 24. Also, while microprudential measures can often serve macroprudential purposes, and vice versa, we encourage the IAIS to recognize that in the case of a conflict, the insurance supervisor should prioritize policyholder protection. ACLI strongly disagrees with the current proposal in ICPs 10 and 24 (read together) if meant to grant insurance supervisors the unprecedented power to intervene and impose a broad array of corrective or preventative measures on an insurer without a finding that an insurer has failed to meet some regulatory requirement, including financial condition or compliance with other prudential requirements. As drafted, the proposal appears to represent a significant expansion of supervisory authority and creates uncertainties that could have profound implications for the business of insurance generally. We support the addition of liquidity risk management and stress testing as part of a holistic framework in ICP 16. In particular, we appreciate the changes contained in the revisions that establish minimum best practices to ensure that insurers appropriately include liquidity risk in their enterprise-wide risk management framework. The guidance currently gives the supervisor significant leeway in deciding which insurers would be required to perform such assessments. When applying such discretion, it will be important to avoid creating an unlevel playing field through the application of varying supervisory requirements. We believe that supervisors can avoid creating an unlevel playing field, following the principle of proportionality, by applying measures based on the nature, scale, and complexity of the insurer's activities from a liquidity risk perspective. ACLI agrees in principle with the majority of the objectives set out in ICP 20. However, ACLI remains concerned with a number of issues related to the proposal, which were raised in our previous comments on the Holistic Framework. Specifically, ACLI would like to reiterate and emphasize our concerns with the following: excessive disclosure requirements; calls for public disclosure of information that is better suited for supervisory consumption alone; failure to adequately recognize that similar public disclosures required by other authorities can and should be considered satisfactory implementation of the ICPs to avoid imposing redundant requirements; and failure to adequately address the need to ensure proprietary and confidential information is protected. In particular, we are concerned that disclosure of surrender value of insurance policies without more detail, will not give a meaningful view of liquidity risk.

15. Association of British Insurers	United Kingdom	No	The Holistic Framework for Systemic Risk is a leap forward in the IAIS's approach to the regulation of systemic risk in the insurance sector. We welcome the move towards an activities-based approach and the move away from designating firms as global systemically important insurers (G-SIIs) largely based on their size. We look forward to working closely with the IAIS to ensure the Holistic Framework can be successfully delivered and endorsed by the FSB in 2022. It is encouraging to see a greater focus on potentially systemic activities of the insurance sector as a whole. However, the size of individual insurers is still considered a source of systemic risk. An individual insurer's size should not be a focus when assessing its potential contribution to systemic risk since conventional insurance business is not systemic; rather focus should be on the scale of genuinely systemic activity. There is still a lack of articulation around the nature of systemic risk in the insurance sector. For any activity to be deemed potentially systemically risky there should be evidence of an associated transmission channel, yet there is no mention of transmission channels in the updates to ICP 24 or other ICPs relevant to the Holistic Framework. More work is therefore needed to: identify specific transmission mechanisms of potential systemic risk from a product, activity or insurance company failure into the wider financial market; and to quantify the magnitude of any such risks to determine whether they could plausibly give rise to a material impact. The existing attempt to identify potentially systemic activity is also too compartmentalised and appears to ignore the broader view of risk, including potentially mitigating factors. We believe that guarantees, derivatives, level 3 assets etc. should not be viewed in isolation as sources of systemic risk, but should instead be viewed in context of the overall Asset Liability Management and Risk Management frameworks of the insurer, with techniques such as coordinated stress testing activity used to identify contribution to systemic risk. In particular, singling out derivatives and guarantees, without taking this broader view of risk into account, is not helpful since the business models and risk management techniques in relation to the provision of guarantees or use of derivatives varies significantly from firm to firm. Indeed, use of derivatives, among other risk management techniques, can be a useful tool in the mitigation of the risks associated with guarantees (e.g. interest rate swaps), yet under current proposals the use of hedging derivatives is disincentivised. This could exacerbate rather than address any potential source of systemic risk if risks are left unhedged and more broadly lead to perverse risk management incentives. In order to avoid such unintended consequences, only a broader perspective and more holistic approach is likely to be appropriate.
16. Lloyd's of London	United Kingdom	No	We support the IAIS's development of a holistic framework for systemic risk in the insurance sector. Most insurance supervisory authorities have formal objectives relating to macroprudential supervision and it is sensible for their work in this area to be harmonised at a global level. At the same time, efforts to safeguard the financial system from systemic risks will be enhanced if they are focused on real risks, rather than being diffused across a wide assortment of different features, some of which do not represent any threat to the financial system.

			It would therefore be helpful for there to be a shared understanding of systemic risk and its sources in the insurance supervisory community. At present it is not clear that this is so. The definition of systemic risk in paragraph 24.0.4 is too broad to be of much use and could encompass many activities that have little or no potential to cause harm to the real economy. This could mean that supervisors apply the powers suggested in ICP 24 too widely, on wild goose chases, yet miss the real systemic risks emerging in their markets. Approaches to systemic risk in insurance should proceed from the existing evidence-based assumption of the IAIS and others: traditional insurance activities do not give rise to systemic risk. Collection and analysis of data on such activities will not therefore assist macroprudential supervision. If systemic risks arise in the insurance sector, they will do so either from activities that have been a source of systemic risk in the past, such as involvement in esoteric financial products, or from new types of activity or operations. It is also important that due regard is paid to the different business models in the insurance sector. The IAIS's documentation of systemic risk suggest that its work on the subject has focused on life insurance. There is no recognition that non-life insurance is conducted on a different basis, through different business models and therefore gives rise to different types of risk. For example, descriptions of liquidity risk in ICP 24 have no obvious application to non-life insurance at all. We understand that the IAIS proposes to publish an Application Paper on liquidity risk. If so, it is important that the Paper recognises the differences between life and non-life insurance and draws a clear differentiation between the two types of business, making clear when the risks it is describing are not relevant to one or the other.
17. National Association of Mutual Insurance Companies	United States	No	The following comments are submitted on behalf of the member companies of the National Association of Mutual Insurance Companies regarding the public consultation draft entitled "Holistic Framework for Systemic Risk in the Insurance Sector" (hereafter the CD). Thank you for your interest in NAMIC member thoughts on this issue. NAMIC appreciates the opportunity to participate in developing a systemic risk assessment process that can work on an absolute and global basis to determine if the insurance sector directly creates systemic risk and if so what should be done about managing that risk. NAMIC is the largest property/casualty insurance trade association in the country, with more than 1,400-member companies representing 40 percent of the total U.S. property/casualty insurance market. NAMIC supports both regional/local mutual insurance companies on main streets across America as well as many of the country's largest national insurers. NAMIC member companies serve more than 170 million policyholders and write more than $253 billion in annual premiums. Our members direct written premiums account for 54 percent of homeowners' insurance, 43 percent of automobile insurance, and 35 percent of the business insurance markets. Through our advocacy programs we promote public policy solutions that benefit NAMIC member companies and the policyholders they serve and foster greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies. The insurance industry is a critically important part of the global economy. The industry stabilizes the economy in times of stress and acts as a driver of economic growth by addressing risks, protecting policyholder capital, investing over $8 trillion

			in global economies, financing infrastructure development to name a few impacts. Weisbart, Dr. Stephen, "How Insurance Drives Economic Growth," Insurance Information Institute, June 2018. Destabilizing the insurance industry will have consequences beyond the industry itself. So, any effort to identify systemic risk directly caused by our industry should be narrowly focused, well-researched and carefully implemented. The importance of the industry as an insurer of risks and as a significant global investor dictate extreme caution in deciding on systemically risky activities. With an industry of this size and importance to the global economy a decision that all insurers divest or limit investments in a particular sector could be catastrophic, creating its own crisis especially if applied on a collective basis. NAMIC and its members share the IAIS concerns about financial stability and the strength of the general economy. NAMIC provides comments to assist the IAIS in creating a framework that will be most effective in guiding local jurisdictional supervisors to protect financial stability. NAMIC offers recommendations in this letter that will further these efforts. NAMIC's goal, like that of the IAIS, is simply to "get it right." In these comments NAMIC provides several thoughts for consideration and recommendations for improvement that will aid the IAIS in providing guidance to local jurisdictional regulators to protect policyholders and financial stability. Insurance and Financial Crises NAMIC's discussion of the IAIS CD creating a systemic risk framework among non-bank financial companies, must be prefaced with some basic facts about the insurance industry and systemic risk. NAMIC members are focused on property/casualty issues and the impact on mutual insurers. There is overwhelming agreement in the academic, regulatory and economic communities that property/casualty insurance is not a generator of systemic risk. First, there is no opportunity for a "run" on property/casualty insurers. There are only two ways for consumers to financially impact property/casualty companies–by filing claims or terminating their coverage. The first requires the occurrence of a covered event, and the second results in the elimination of future liabilities. Therefore, there is no opportunity for a run on property/casualty insurers. A reality regarding financial crises is that each event in the last century has been stimulated by a run on short-term debt. See Gorton, Gary B., "Financial Crises" (November 2018). Annual Review of Financial Economics, Vol. 10, pp. 43-58, 2018. Available at SSRN: https://ssrn.com/abstract=3280812 or http://dx.doi.org/10.1146/annurev-financial-110217-022552. Gorton states unequivocally that his research and that of other financial scholars reveals that all financial crises - once the facts and unique developments are unwound - have at their core short-term debt that can easily create a tsunami as well as a domino effect leading to a crisis. While debt is generally information-insensitive, the research indicates that a run on short-term debt is often generated by information sensitivity. Following a credit boom the lending sector reacts by decreasing maturity levels for available debt to maintain information insensitivity. Studies of financial crises produce evidence that efforts of market participants to limit sensitivity can be unsuccessful which can eventually lead to a run on the voluminous short-term debt that is held by lenders. How to identify a successful versus an unsuccessful decrease in maturity levels has not been determined, as all such situations do not lead to a crisis. But it is clear that all crises are generated by the rapid decrease in debt maturity levels. This is not a condition that can be generated by insurance products. Insurance is not a form of short-term debt. Property/casualty insurance is a promise to pay, but only in the event of a covered claim under the terms of the contract. Policyholders do not have the right to demand claim payments unless the event(s) covered by the

			insurance contract have taken place. The threats to insurers in the financial crisis were due to collateral calls imposed on some insurers for investment market practices not insurance practices. In fact, it was the safety of the insurers' surplus that served as collateral to help them meet the liquidity demands resulting from any short-term contingent obligations. NAMIC urges the IAIS to recognize that property/casualty insurance products do not lend themselves to runs and financial crises are the products of short-term debt with very different characteristics from insurance policies. Consequently, to avoid unintended consequences for insurers as the IAIS designs a framework for systemic risk assessment by jurisdictional supervisors the best approach includes: 1) the use of a clear, targeted, consistently-applied definition of systemic risk; 2) a well-researched, and understood identification of activities meeting all criteria of that definition with primary supervisors/and policy-makers as decision-makers on any appropriate policy measures applied to insurers; 3) diligent analysis of costs and benefits of both the activity-based and entity-based assessment to avoid unnecessary costs; 4) due process for all affected stakeholders of either the ABA or EBA assessment; 5) focused application of policy measures considering sound principles of proportionality and materiality; and 6) protection of the "own" aspects of the ORSA filings around the world. The IAIS has produced a good framework to address some of these issues. NAMIC offers suggestions for improvement to the CD to assist the IAIS in creating the best framework possible to guide supervisors in protecting the financial stability of the global economy. 1) Definition of Systemic Risk NAMIC urges that any systemic risk assessment mechanism needs to start with a consistent, widely-accepted and distinct definition of systemic risk. The CD does not provide adequate clarity around this definition. It suggests that systemic risk "may be" defined in the manner suggested. Since the definition of systemic risk must be the basis of any systemic identification/designation whether it be activities-based or entities-based, this is exactly where the IAIS should be clear. The current version of the IAIS CD includes a definition of "risk of disruption to financial services" which does not capture the significance of a global systemic event. Strengthening that definition to target true systemic risk would include the following revisions: "Systemic risk is defined as the risk of an event or development that has the capability and the likelihood, through identified transmission channels to broadly impair all or significant parts of the financial system to the degree that would be sufficient to inflict critical damage on and to have serious negative consequences for the real economy." NAMIC urges that the definition include the following elements: a) systemic risk requires a critical impact on the real economy; b) systemic risk requires broad impairment of all or significant parts of the entire financial system; and c) systemic risk requires a likelihood of occurrence and identification of clear transmission channels capable of generating systemic risk. The revised definition provides clarity that systemic risk is not a sectoral matter or a regional situation. Systemic risk must be a truly critical event that is likely to occur through specified and identified transmission channels. Vague or less descriptive features of the definition could have serious unintended consequences driving some financial sectors into unwarranted, and over-protective regulation. While a cautious approach may seem warranted to cast a broad net, in fact it is the over-protective regulation that could actually drive future damage to the important sectors of the economy. NAMIC believes that caution requires a targeted approach, not over-protective regulation. 2) Features of Activities-Based Approach

			The IAIS CD changes the emphasis of the systemic risk assessment from entities-based to activities-based. NAMIC supports this shift in focus. While NAMIC does not believe a case can be made for systemic risk in property/casualty insurance, an activities-based approach has the highest likelihood of targeting the actual cause of systemic risk across all financial sectors. This approach will produce a level playing field across financial sectors that will ensure consistent treatment of the activity on a largely quantitative basis. The activities-based approach should not impact those entities, whether large or small, not involved in those activities or involved to such an immaterial extent that they are incapable of contributing to systemic risk. The identification of activities that can cause systemic risk should start with a data-driven analysis of the activity and assessment of both the capability and the likelihood that such activity will cause a systemic event that meets the criteria in the definition of systemic risk. This requires that primary insurance supervisors as well as supervisors for other financial sectors consider the probability that the activity will cause systemic risk including identification of the transmission channels in each financial sector, potential mitigation of the risk, and controls that can be established to contain the risk. The IAIS CD captures this responsibility appropriately. 3) Cost/Benefit Analysis Before Identification or Designation In the U.S. proposed guidance for systemic risk assessment, FSOC clearly identified the importance of a cost/benefit analysis before designating an entity as systemically risky, but the same requirement was not included under the section on identification of an activity as systemically risky. NAMIC urges the IAIS to suggest that all regulators conduct a similar cost/benefit assessment for both the activities identification process as well as the entity designation process. If there is no clear benefit out-weighing the cost, then neither activity identification nor entity designation should be made. 4) Due Process and Clear Regulatory Authority for All Systemic Risk Assessment Once an activity has been identified that meets the definition of systemic risk, and it has been determined that the benefits outweigh the costs of the identification of the activity as one that may create systemic risk, all impacted stakeholders will need the opportunity for public notice and comment to fully inform the process. While the local jurisdictional regulators have significant knowledge of the system and the activities, the insurers actually conducting business in this sector can add critical information about identification of an activity-based systemic risk decision. There are numerous stakeholders that may have concerns about an identification of an activity including members of all sectors, as well as the counterparties that rely on that activity for their success. Without understanding the entire scope of concerns and ideas, the decision about an activity will suffer from the same weaknesses as the previous system for entity designation. NAMIC strongly urges a strong public comment process for activity identification and entity designation under the CD. 5) Proportionality and Materiality Considerations NAMIC represents a group of predominantly mutual, property/casualty insurers of varying size and business focus. There are differences of opinion among the membership on numerous issues we address on the regulatory front. However, they all share a concern about being swept up in a systemic risk assessment process that is not related to their property/casualty focus, their conservative investment practices, their frugal spending habits or their policyholder focus. These remarks and other past NAMIC comment letters submitted to the IAIS on these issues are written to avoid an effort that in the interest of

			preventing the next systemic financial crisis unintentionally damages an insurance market that is well-functioning, critical to the protection of policyholders trying to protect their homes, autos and businesses and not engaged in systemically risky activities. Attempts to monitor, probe or restrict the entire insurance industry in a systemic risk assessment exercise will not be productive. To the extent IAIS, the NAIC or the FSOC determines that an activity has the potential to create systemic risk, NAMIC strongly urges proportional, targeted measures to address the risk. Property/casualty carriers are generally not engaged in risky activities at a level that could trigger systemic risk. NAMIC strongly recommends that the overall materiality or magnitude of an entity's participation in the identified activity and any potential impact on systemic risk should be considered before applying any regulatory measures including required reporting. NAMIC supports the IAIS's general mention of proportionality, but more guidance to local jurisdictional supervisors on how proportionality and materiality should be incorporated into the CD is recommended. Further details on how proportionality and materiality will be defined and applied will help create the best framework for systemic risk assessment. 6) ORSA Protected from Prescriptive Requirements The Own Risk and Solvency Assessment (ORSA) utilized in the major jurisdictions around the globe differ in some ways, but one thing they all have in common is the protection of the assessment process from prescriptive, detailed reporting requirements. The concept behind the report is to provide insurers with a useful tool that is tailored to their unique needs, utilizes the language common within the individual organization, and provides valuable insights for their executives and board to move the organization forward in managing the risks and opportunities they face at an enterprise level. While supervisors can learn from a discussion about the ORSA summary report, the assessment is not created for the benefit of the supervisor. Without this "own" aspect the ORSA becomes another mandated report that sits on a shelf and is not utilized. The revisions in the CD to ICP 16 risk this fate. By turning the ORSA into a systemic risk assessment tool the IAIS puts the true value of the ORSA at risk. NAMIC urges the IAIS to be extremely cautious in any efforts to dictate the content of the ORSA. Conclusion The property/casualty insurance industry provides protection to Americans from natural disasters, accidents and financial stress. This industry protects the assets, wages, and businesses of all policyholders. The stresses of this industry are not correlated with the financial markets. For all these reasons, property/casualty insurers have a critical role to play in the financial stability of the economy. In addition, all evidence indicates that there is no exposure to runs on this segment of the insurance industry, that there is no insurance activity that generates short-term debt, and that short-term debt is at the core of all financial crises. The IAIS CD represents a significant advancement of the systemic risk assessment methodology, and yet there is still more that can be done to further enhance the proposal. NAMIC urges the IAIS to include: 1) Clearer definitions/criteria for identification of the types of the activities that will be considered systemically risky; 2) A full description of the role of primary regulators throughout the process; 3) Cost-benefit analysis and due process considerations for both ABA and EBA determinations; 5) Clarity around both proportionality and materiality to limit the impact of systemic assessments both in activities- and entities-based approaches; and 6) protection against too many requirements added to the ORSA in order to

			retain its intended importance as an assessment of value for insurers. Any systemic risk standard targeting systemically risky activities should explicitly focus on monitoring short-term debt across firms participating in the business of banking and addressing activities at those firms when necessary. To burden the insurance sector with undue regulation is to hamper an industry that diversifies risk and enables businesses/ individuals to make investments and purchases that would otherwise represent too great a risk. During a downturn it is especially important that access to insurance services remains widely available and affordable; this enables capital to be put to work productively and investment/consumer spending to recover. Insurance products stabilize economic activity. NAMIC urges the IAIS to avoid action inconsistent with this benefit that insurance offers the general economy. NAMIC is a member of the Global Federation of Insurance Associations (GFIA) and has contributed to their responses to specific questions. We defer to the excellent work they have done in their specific responses.
18. U.S. Chamber of Commerce, Center for Capital Markets Competitiveness	United States	No	August 15, 2019 International Association of Insurance Supervisors c/o Bank for International Settlements CH-4002 Basel Switzerland Re: Publication Consultation - Revisions to IAIS Supervisory Material To Whom It May Concern: The U.S. Chamber of Commerce ("the Chamber") is the world's largest business federation, representing the interests of more than three million businesses and organizations of every size, sector, and region. The Chamber appreciates the opportunity to comment on the "Revisions to IAIS Supervisory Material" issued by the International Association of Insurance Supervisors ("IAIS") on June 14, 2019, and in particular, the components that pertain to the "Holistic Framework for Systemic Risk in the Insurance Sector" ("Holistic Framework"). The Chamber believes the development of international regulatory principles and standards must be done in a transparent manner. Our members include insurance companies that operate only in the United States ("U.S.") as well as insurance companies headquartered both in and outside of the United States. Perhaps more importantly, our membership includes non-financial companies that rely on insurance products, and we are mindful of the larger role insurance plays as an investor in a globally interconnected economy. The Chamber provided comments to IAIS' consultation document on the Holistic Framework on January 25, 2019. The Chamber appreciates the IAIS considering these comments and wishes to further reaffirm the points raised and offer additional feedback in response to the ongoing work to develop the Holistic Framework.

			The Chamber does not believe the insurance business model contributes to systemic risk. Investments made by all types of insurance companies are essential to a robust and competitive capital markets that businesses depend on as a stable source of financing. Inappropriately structured regulation for the insurance sector, even where unintentional, could have a significant impact on the ability of many public and private entities to access stable capital. We also believe that global standards, including the Holistic Framework, should be principles-based and preserve flexibility for jurisdictional supervisors. As we stated in our previous letter, "a principles-based framework acknowledges that jurisdictional supervisors have the legal authority to implement the framework at their discretion and have an in depth understanding of firms and the risks they pose to financial markets." References to individual insurers as a potential source of systemic risk should be removed The Chamber supports the IAIS' decision to embrace an activities-based approach (ABA) for addressing systemic risk within the Holistic Framework. However, the Holistic Framework still includes extensive direct and indirect references to an entities-based approach (EBA) that we believe are inappropriate, unnecessary, and misguided. The Chamber has opposed the use of an EBA to systemic risk in the United States and opposes standards that encourage an EBA for such purposes in other jurisdictions. The Chamber strongly supports repeal of the authority of the Financial Stability Council ("FSOC"), chaired by the U.S. Department of the Treasury, to designate nonbank financial firms as systemically important. The Chamber has also advocated against designations of nonbank financial firms as systemically important by FSOC. Similarly, the Chamber believes development of EBAs by other jurisdictions and the potential designation of insurers within their market as systemic is inappropriate. Instead, the systemic risk related standards for both local and global supervisory purposes should focus on activities insurers engage in that could materially disrupt financial stability and/or the real economy. An EBA designation at the jurisdictional level would create an un-level playing field within markets and create redundant or potentially conflicting requirements across an insurance group. In addition, we believe that by maintaining both elements of an ABA and EBA within the Holistic Framework is redundant given the overlap in areas of focus (i.e. liquidity risk, counterparty risk, and macroeconomic exposure), underpinning frameworks and mechanisms for identifying the potential building of risk, and policy measures employed for addressing any concerns identified. For these reasons, we continue to believe focus on an ABA should be the sole focus of the Holistic Framework and that EBA elements - specifically those within ICP 24 - should be removed. Intervention Authority of Supervisors

			Read together, ICP 10 (Preventive Measures, Corrective Measures, and Sanctions) and ICP 24 (Macro-prudential Supervision) suggest supervisors should have overly expansive intervention authority. We believe the ICPs and related components of ComFrame should more expressly state that the execution of the authorities proposed should be tied to appropriate triggers that are clear to both the insurer and appropriate supervisor and in compliance with jurisdictional laws and prudential requirements. Further, any supervisory actions taken should be clearly linked to the resolution concerns entailing the potential transmission of risk via the liquidity or counterparty exposure transmission channels. We continue to disagree that macroeconomic exposure or substitutability are appropriate areas of focus to include in the Holistic Framework and call on the IAIS to remove them. Global Monitoring Exercise / Data Sharing / Confidentiality We recognize and support the IAIS' emphasis on the role of macroprudential surveillance as a supervisory tool. In pursuing this objective, it is critical that unnecessary or redundant data requests be avoided. More broadly, we reiterate our view that for the Holistic Framework to succeed and adequately balance the costs and benefits of regulation it must leverage existing jurisdictional practices to the greatest extent possible. The role of the IAIS must be limited to facilitating data availability only where it is critically essential and appropriately focused on systemic risk and to monitoring the marketplace to identify issues of systemic concern. Specifically, the Chamber believes that the Holistic Framework should largely rely on jurisdictions to share aggregate data and qualitative assessment for their market with the IAIS for purposes of identifying global trends and achieving shared macro-prudential objectives. Such an approach would account for the fact that local regulators are best positioned to identify and evaluate risks within their market and are ultimately responsible for imposing regulatory standards that would be used to address the identified activities that are systemically risky. Furthermore, if data access by IAIS were not to be on an aggregate level via local regulators then confidentiality issues would need to be addressed. Additional elements of concern with the current consultation In addition to the points above, we note the following concerns with the material currently subject to consultation: - While we recognize the importance of adequate public disclosure and transparency, the key focus of the Holistic Framework is ensuring supervisors have access to information to perform macroprudential assessments, which will better enable them to assess and mitigate potential sources of systemic risk. As such, we disagree with the inclusion of a call for expanding public disclosures on liquidity related risks (i.e., ICP 20.11) to broader market participants. - We fully agree, "the supervisor should examine costs and benefits when considering data collection" and note that this is especially true when considering measures such as stress testing (ICP 16) or restricting businesses activities (ICP 10). We believe guidance within these respective ICPs should include greater recognition of a need for cost/benefit analysis when

			considering these and other supervisory tools. Closing In aiming to address prudential and financial stability concerns, regulatory standards and policy measures developed by the IAIS must not undermine the ability of the insurance sector to continue to fulfill its vital role in meeting the needs of policyholders and the capital markets. The IAIS also must recognize the heterogeneity of the insurance sector, respect the primacy of jurisdictional supervisors, and avoid overly prescriptive. In many respects, the current material subject to consultation succeeds in delivering standards that are at an appropriate altitude for the global level; however, as noted above, there are several areas that are of concern to the Chamber that we hope the IAIS remediates before adopting the Holistic Framework in. Sincerely, Tom Quaadma
19. American Property Casualty Insurance Association (APCIA)	USA	No	In general, APCIA believes that a risk-related, activities-based inquiry is the appropriate means for identifying potentially systemic risks in the insurance sector. We appreciate the IAIS's intention to move away from an entity-based approach for assessing systemic risk. However, we believe that a number of modifications are necessary for the Holistic Framework to work as intended within the ICPs and ComFrame. There is substantial language that has been added in the consultation document relating to the Holistic Approach to systemic risk that focuses on the size of insurance groups. We believe that this emphasis on size alone is not constructive in addressing potential systemic risk. As a result, changes to the text are necessary to achieve the IAIS' aim of shifting from an entity-based focus toward an activities-based approach to address potentially systemic risk. Where we have seen such an emphasis on size, we have suggested changes in response to the consultation questions that follow which pertain to specific sections of ICP and ComFrame text. Proportionality is a pervasive concern of APCIA's about the manner in which the Holistic Framework has been incorporated into the ICPs and ComFrame. The repeated references to proportionality are helpful; however, they are made on a topic-by-topic basis, are not included relative to some topics, or where they are, are sometimes expressed differently. It is critical that guidance on proportionality such as that included in ICP 24.0.5 be strengthened and included in the Overarching Concepts section of the Introduction to the ICPs. In the separate consultation on ComFrame and Other Supervisory Material, inclusion of text in the Overarching Concepts section was an expeditious way for the IAIS to address many concerns that APCIA and other stakeholders had with much of the text throughout the ICPs and ComFrame. For example, with respect to proportionality as regards the role of the Head of the IAIG and its board and management over various legal entities in the group, and in recognizing decentralized as well as centralized business models. Again, a similar approach to address proportionality from the perspective of systemic risk in the Overarching Concepts section would be an expeditious way to

			address many concerns. The consultation document significantly lacks clarity as to how, to whom, and under what circumstances these measures will be applied. That lack of clarity could be particularly problematic during times of economic stress considering the very broad powers it foresees being employed by supervisors. Inherent in the application of the measures outlined in the consultation document must be an understanding that the measures will be applied proportionately and with due process appropriate to the severity of the measures being employed. To address the concerns expressed in the two preceding paragraphs, we suggest the following be included in the Overarching Concepts section of the Introduction to the ICPs: "Macroprudential supervision can help identify the need for supervisory measures. ComFrame and the ICPs recognize that supervisory measures based on macroprudential concerns should be proportionate to the nature, scale and complexity of the identified exposures or activities on the financial system as a whole, and focus on the particular risk exposures that can realistically have a negative impact on financial stability and the broader economy through an identified transmission channel. Supervisors can then best consider which activities of which groups contribute most materially to that aggregate exposure. In its macroprudential supervision, the supervisor should also take into account the risks that non-insurance legal entities and activities may pose to insurance legal entities, insurance groups and the wider financial system." When applying the principle of proportionality, it would also be appropriate in view of the substantial additional work and costs to both supervisors and insurers resulting from the liquidity and macroprudential additions to be more specific about the lines of insurance and types of companies or business models for which liquidity and macroprudential effects have, or have not, been an issue. In our responses to certain of the questions that follow, we have provided suggestions to illustrate how traditional property casualty insurance activities do not give rise to such issues. Guidance to that effect would be a critically important addition. In turn, this will permit supervisors to focus on those parts of the business, if any, that are most likely to present liquidity and macroprudential issues. Furthermore, inquiries into activities that could potentially pose systemic risk should be limited to particular risk exposures that can realistically have a negative impact on financial stability and the broader economy through an identified transmission channel. Accordingly, we agree with the definition of systemic risk provided in ICP 24.0.4, as the definition specifically references negative consequences to the broader economy through an identified transmission channel. Finally, just as it was helpful in this consultation process to be able to distinguish text related to the Holistic Framework from that related to ComFrame and other Supervisory Material (as was done with different colors of marked text), it would also be desirable, if not necessary, for the final text in the ICPs and ComFrame to somehow set apart or otherwise identify material related to the Holistic Framework. That is clearly the case for ComFrame, but is also necessary for all material related to the Holistic Framework because of the different dimension of proportionality that applies, as compared to microprudential supervision. From a practical perspective, this would connect the dots between the suggested language to add to the

			Overarching Concepts section of the ICPs, and the text to the Holistic-Framework text to which it applies elsewhere in ComFrame and the ICPs.
20. Liberty Mutual Insurance Group	USA	No	Liberty Mutual shares the view of many that an activities-based approach such as the Holistic Framework is a potentially more accurate and effective way to identify, assess, and mitigate systemic risk to the larger economy than is the current entity-based approach. There is much in the Holistic Framework that we support. However, the IAIS proposal loses sight of the fact that, in the words of the IAIS, "neither the long experience of insurance markets nor the information arising from the global financial crisis provides any evidence of traditional insurance either generating or amplifying systemic risk with the financial system or in the real economy." The result is a proposal that is needlessly complex, costly and unnecessary for the relative degree of systemic risk that the insurance industry presents or to which it is exposed. Supervisors do not have the expertise or capability to administer it. The IAIS does not have the legal authority to oversee it. The Framework should be scaled back to a more appropriate solution for the extent of the problem of potential systemic risk in the insurance sector. To do so, it is essential that any activities-based approach is structured with care to: (a) assure clear and focused objectives; (b) minimize costs (for example, by utilizing existing data where possible); and (c) use measures that are proportionate with the materiality or magnitude of the risk presented. The IAIS must keep a clear focus on the purpose of the Holistic Framework…that is to address risk to the global financial system…not individual companies, states, countries or regions. The scope should be defined accordingly and the threshold for matters falling within the Holistic Framework should be high. As drafted, the mechanics for implementing the Framework too often focus on smaller, local considerations. To better sharpen the focus and target regulatory resources only on activities that truly present potential global systemic risk, the IAIS should install guardrails within the Framework using tight language that consistently ties exposures, activities, and transmission channels back to the definition of systemic risk. Liberty Mutual's principal comments regarding the Holistic Framework are as follows: a) The provisions concerning the identification of systemic risk should consider both the magnitude of risk and the likelihood the risk can be transmitted. The Holistic Framework could do this more effectively than as currently drafted. The mere existence of a relatively insignificant risk with a merely theoretical chance of transmission is not enough to justify supervisory intervention. As a result, the Holistic Framework will not be cost-effective and will likely lead to supervisory responses, and insurer re-actions, disproportionate to the degree of any actual systemic risk. These costly, market disruptions may occur despite the fact the insurance industry is generally considered to be neither particularly susceptible to, nor a generator of, systemic risk. b) The provisions in the Consultation requiring national/state supervisors to collect data are over broad and detailed and not necessarily required for, nor relevant to, an analysis of macro-prudential issues germane to identification and mitigation of

			systemic risk. This lack of focus results in unnecessary strain on available supervisory and insurer resources; certainly not commensurate with any theoretical systemic risk. A Framework that adheres more reasonably to the concerns summarized above would be more manageable for national/state supervisors. c) The role of the IAIS is unclear as compared to that of local supervisors with respect to critical components of the Holistic Framework, such as assessing systemic risk and when and how to require mitigation across multiple insurers (which is likely to be micro-prudential in nature). The Consultation document does not even mention the IAIS, although the IAIS has stated it will "coordinate" activities among members. Since a role for the IAIS is contemplated, ICP 24 should provide a complete explanation as to how that will be occur, without impinging upon the legal authority of local supervisors. d) The Holistic Framework calls for a broad range of new reporting requirements without specifically tying each data element to a potential systemic risk. The approach seems to request everything that might be relevant to assessing systemic risk on the theory that there might be something important in the results. This is neither well-conceived nor cost effective for supervisors or insurers. e) The Holistic Framework does not contain an ongoing cost-benefit analysis of its various requirements including the increased data production and stress testing requirements placed on companies and the increased data analysis burdens on supervisors, especially given the lack of empirical evidence of any systemic risk in the insurance industry. f) The ability of local insurance supervisors to assume new legal authority with respect to addressing systemic risk will be tempered inherently by the powers that existing government agencies have in many jurisdictions to oversee and regulate systemic risk. A prime example is the U.S. Financial Stability Oversight Council (FSOC) that provides coordinated oversight on a cross-sectoral basis. In fact, FSOC has embarked on a rulemaking process to adopt an activities-based approach. There is no compelling need for any coordinating function by the IAIS in jurisdictions where these agencies exist. In any event, the IAIS has no power to influence these agencies. Acknowledging the authority of existing entities would begin to address the concern that the Framework assigns an unrealistically complicated and costly set of duties on state/national supervisors. The Holistic Framework must account for the legal and political reality that is intrinsic to this existing regulatory infrastructure.
21. Northwestern Mutual	USA	No	While the revisions related to the Holistic Framework are generally reasonable and appropriate, we make several specific recommendations based on our perspective as a large mutual life insurance company. These suggestions are made with our intent that insurance supervisory efforts should be effective at addressing systemic risk, should make efficient use of supervisory and insurer resources, and should not disrupt the primary objective of insurance supervision - to protect policyholders. With these objectives in mind, our comments detailed in responses to certain questions below address three concerns: (1) that this supervisory material express that policyholder protection is the first priority objective; (2) that the need for a cross-

			sectoral perspective be incorporated so that insurance supervisory efforts are proportionate and effective; and (3) that references to the liquidity risk associated with insurance products with cash value be clarified.
Q2 General Comment on revisions to ICP 9 and ComFrame integrated therein			
22. EIOPA	European Union	No	ICP 9 and ComFrame in ICP 9 EIOPA does not have any particular comments to ICP 9 and ComFrame in ICP 9. However, EIOPA wishes to make a general comment mainly on data standardisation between different supervisory reporting frameworks. We would like to underline that it is important that supervisors receive meaningful data in terms of granularity, frequency, coverage and within proper timelines to identify and assess the risks the insurance industry faces. Harmonisation of the information submitted to Supervisory Authorities could be a valuable instrument to promote supervisory convergence. In this context, potential benefits, for supervisors and companies alike, of additional efforts in data governance and standardisation throughout the financial sector, could be explored. To achieve coherent supervisory reporting, a unified reporting system is needed, which would benefit from including the following elements: a common Data Point Model, a single data dictionary (ensuring definition of terms and interrelations & the hierarchy between them), a harmonised structure of business instructions and codification of templates and codes, a common technical standard for data collection such as file transmission and validation formats (e.g. DPM/XBRL), and, last but not least, a common governance of taxonomies and regulation updates (to provide for certainty and ensure predictability of updates for companies).
23. Institute of International Finance	Global	No	The second sentence of ComFrame 9.6.a.2 should include guidance to supervisors to both inform and cooperate with local supervisors prior to approaching an insurance legal entity as part of an on-site inspection.
24. Swiss Re	Switzerland	No	Guidance 9.2.3 makes reference to the "circular nature" of the supervisory framework. We find the language prone to confusion, and we would thus suggest to revise it as we do not understand the meaning of "circular" in this context. (We would like to point out that we respond here to Guidance 9.2.3 since it features in "black font" in the clean package, though no answer box is provided in this template.)
25. American Council of Life Insurers	U.S.	No	While ACLI recognizes that the comments below reference portions of the ICPs that are not part of the current consultation, we believe the following issues are important and should be emphasized: PEER REVIEW ANALYSIS We continue to believe that confidentiality concerns arising from Peer Group analyses using specific non-public information

			as outlined in CF "9.2.a.5 -7" outweighs any regulatory benefit. There is significant potential that use in this manner would jeopardize confidentiality and that anonymization of information may not adequately address this concern. Supervisors should only use this information in a very general way to detect trends that might be developing across the whole sector and determine what, if any, updates are needed to address new activities or changes in market behavior. They should also be very careful to avoid inadvertent disclosure of material, non-public information in any way. ** The comments directly below reference portions of ICP 9 that are not part of the current consultation, but ACLI believes the following issues are important and should be taken into consideration: 9.0.a.2 Cooperation with other involved supervisors includes such supervisors providing relevant information concerning the legal entities within the IAIG that they supervise. It is the responsibility of the group-wide supervisor to assess the IAIG's compliance with relevant legislation and supervisory requirements applicable at the level of the Head of the IAIG. We also reiterate that many IAIGs do not have a group-wide supervisor with specific authority or jurisdiction to regulate group-wide functions and activities. Rather, the regulation of individual insurance entities is left to the insurance supervisors in each such company's domiciliary state/country, which cooperate and coordinate, through supervisory colleges and in other fora, if and as needed. ICP 9 and the related ComFrame sections should recognize and accommodate existing jurisdictional limitations and supervisory frameworks, and focus on outcomes rather than suggesting that formal group-wide supervision is necessary or required. 9.6.a.2 It is important to acknowledge that, in the United States, the Group-wide supervisor would need the IAIG's insurance legal entity's supervisor's cooperation in order to inspect that entity. Therefore, we suggest that the following ALL CAPS language be added: "Where the group-wide functions are performed by an insurance legal entity within the IAIG, which is outside the jurisdiction of the group-wide supervisor, the group-wide supervisor should inform *AND COOPERATE WITH* the relevant other involved supervisor prior to approaching this insurance legal entity as part of the on-site inspection carried out at the level of the Head of the IAIG."
26. American Property Casualty Insurance Association (APCIA)	USA	No	APCIA has serious concerns with the peer-group analysis Guidance in CF 9.2.a.5-7. To begin, we do not believe that non-public information should be used for peer-group analysis because of confidentiality concerns. Since few IAIGs would likely qualify as comparable to another particular IAIG, anonymizing information may not adequately conceal its source. Therefore, directing supervisors to use non-public information of one IAIG to assess another creates a serious risk of inadvertent disclosure by a supervisor, including disclosure of material, non-public information.

27. Liberty Mutual Insurance Group	USA	No	Proposed revisions to CF9.4.a would establish a mandate that a GWS "requires the Head of an IAIG to report the reference ICS." Though the IAIS is not soliciting comments here, this text cannot be ignored given its importance. The IAIS must not include this standard at this time in ComFrame because work on the Reference ICS is not complete. Many areas need further work before the ICS is adopted, even for purposes of the so-called Monitoring Period. If adopted, the IAIS will use the Monitoring Period for testing the Reference ICS, not monitoring its impact on individual companies, so there should be no need for all IAIGs to have to participate. Additionally, the IAIS has agreed to consider acceptance, within the ICS process, of the aggregation method currently under development in the U.S. Upon acceptance, it would not be presumed that U.S. based IAIGs would report under ICS making any participation by U.S. companies in the ICS Monitoring Period moot. Moreover, there is absolutely no authority in the U.S. for a GWS or any other supervisor to impose this requirement (which is also likely the case in other jurisdictions). The IAIS must take a more pragmatic and realistic approach to understanding the limit of its ability to impose impossible standards on its members and, through them, establish requirements for IAIGs that exceed the scope of most supervisors' statutory authority.
Q3 Comment on Guidance ICP 9.1.8			
28. EIOPA	European Union	No	N/A
29. Global Federation of Insurance Associations	Global	No	The Guidance requires a supervisor's assessment framework to consider risks from the activities of an insurer or group of insurers that may have a serious negative impact on financial stability. Applying the principle of proportionality, the Guidance should make clear that the assessment should be directly focused on particular risk exposures that can realistically have a negative impact on financial stability and the broader economy through an identified transmission channel. The cost and burden to insurers in furnishing underlying data must be proportionate to the risk to the broader economy. Furthermore, GFIA would suggest additional guidance on the definition of "collective activities" in this paragraph as well as CF9.2.b.8.
30. General Insurance Association of Japan	Japan	No	The risk assessment framework described in this section should be conducted by focusing on risk exposures that can realistically have a negative impact on financial stability and the entire insurance sector, and care should be taken to avoid imposing an excessive burden compared to the current level.
31. Swiss Re	Switzerland	No	We find the reference to "serious negative impact" in guidance 9.1.8, CF 9.2.b.1 and 24.0.4 open to interpretation. We recommend the seriousness of the negative impact to be specified, probably in ICP24, and illustrated with examples.

32. American Property Casualty Insurance Association (APCIA)	USA	No	The Guidance requires a supervisor's assessment framework to consider risks from the activities of an insurer or group of insurers that may have a serious negative impact on financial stability. Applying the principle of proportionality and given the new dimension of proportionality that would apply to systemic risk and the inclusion of the Holistic Framework in the ICPs, the Guidance should make clear that the assessment should be directly focused on particular risk exposures that can realistically have a negative impact on financial stability and the broader economy through an identified transmission channel. The cost and burden to insurers in furnishing underlying data must be proportionate to the risk to the broader economy. Further, with respect to systemic risk, the proposed changes conflate the abilities and responsibilities of a group's management, which is focused on the well-being of the group, with those of the supervisor, which is concerned with all groups on a micro-level and systemic risk on a macro-level. It is incumbent on management and the Board of a group to manage risk, including through means that transfer risk to other entities. The fact that the aggregate impact of such risk transfers by multiple groups may have a systemic impact is the concern of the supervisor who has the powers to require data reporting by individual entities and groups in order to assess those systemic impacts. Furthermore, we would suggest additional guidance on the definition of "collective activities" in this paragraph as well as CF9.2.b.8.
Q4 Comment on ComFrame Guidance CF9.2.b.1			
33. EIOPA	European Union	No	N/A
34. General Insurance Association of Japan	Japan	No	Supervisors in different jurisdictions should conduct the group-wide risk assessment in a consistent manner in order to ensure the predictability of regulation and a level playing field in terms of comparison among insurance companies, i.e., within the insurance sector. For example, supervisors should ensure that requirements on the IAIGs do not become inconsistent or cumulatively excessive as the result of discretionary application of regulations by each supervisor. In addition, supervisors should take due account of fair competition with other financial sectors, bearing in mind the fact that the systemic risk in the insurance sector is much smaller than that in the banking sector. Supervisors should also consider the proportionality principle as well as the characteristics of the insurance business including its risk management such as ALM.
35. Swiss Re	Switzerland	No	We find the reference to "serious negative impact" in guidance 9.1.8, CF 9.2.b.1 and 24.0.4 open to interpretation. We recommend the seriousness of the negative impact to be specified, probably in ICP24, and illustrated with examples.
36. American Council of Life Insurers	U.S.	No	The terms "stress testing" and "scenario analysis" are overlapping and do not always have clear boundaries as to the differences between them. The term "stress testing" can generally be viewed as an umbrella term which encompasses "scenario analysis." Therefore, to reduce potential ambiguity, we recommend using the term "stress testing" only.

37. American Property Casualty Insurance Association (APCIA)	USA	No	We concur with the suggested changes in the last bullet point and note that these are appropriate responsibilities of a supervisor, rather than of individual group's or entities as has been suggested in ICP 9.1.8 (see our prior comment). Further, this Guidance uses both of the terms "stress testing" and "scenario analysis", but it is unclear how these terms differ from each other. Therefore, we believe that the Guidance should maintain only the reference to "stress testing", as it is unnecessary to add the term "scenario analysis" to the Guidance.
Q5 Comment on ComFrame Guidance CF9.2.b.8			
38. Insurance Authority (IA)	China, Hong Kong	No	Typo in the sentence. It should be "as" but not "ass" The sentence should read: The group-wide supervisor should assess the cumulative potential impact from this on the operations of the IAIG as well "as" the impact of the IAIG's distress, disorderly failure, or its contribution to collective activities or exposures, on financial stability."
39. EIOPA	European Union	No	N/A
40. General Insurance Association of Japan	Japan	No	As insurers do not engage in settlements, their systemic risk is small compared to that of banks. Therefore, it would be an excessive requirement to require macro-prudential analysis for all IAIGs, including those that demonstrate financial soundness and that have not been designated as SIFIs.
41. Swiss Re	Switzerland	No	We believe that any stress or scenario testing should influence the analysis/risk assessment conducted by the group-wide supervisor, and not the opposite as currently stated: "[t]his analysis should also be incorporated into forward-looking stress testing to identify possible events or changes in market conditions.", or, if we are misreading, the guidance should be clarified. We would therefore suggest to reword the last sentence as follows: "Forward-looking stress testing [by the IAIG] should also be incorporated into the group-wide supervisor's analysis to identify possible events or changes in market conditions that could adversely impact the IAIG's financial position or where its distress, disorderly failure, or its contribution to collective activities or exposures, could adversely impact financial stability."
42. Liberty Mutual Insurance Group	USA	No	This standard directs an IAIG's GWS to "consider the current and forecasted business and macroeconomic environment in the material jurisdictions in which the IAIG operates" and to "assess the cumulative potential impact from the operations of the IAIG" on financial stability. These standards require the GWS to engage in macro-prudential analysis that is likely well beyond the resources of most insurance supervisors. The IAIS should re-evaluate the practicality of this requirement and scale back the scope of the Framework to align better with local supervisory resources.

43. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Second sentence, remove the extra "s" in "ass" (should be "as"). Given that this idea is already addressed in the second sentence, suggest deleting in the last sentence "or where its distress, disorderly failure, or its contribution to collective activities or exposures, could adversely impact financial stability" as it is superfluous.
Q6 General Comment on revisions to ICP 10			
44. Association of Bermuda Insurers and Reinsurers	Bermuda	No	ABIR has concerns with the expansion of regulatory actions proposed by ICP 10, with an absence of due process prior to the actions being undertaken by the supervisor. Prior to supervisory actions being taken there should be appropriate communication between the supervisor and the insurer to ensure that both have an accurate understanding of the facts and circumstances surrounding the issue under consideration. It is also important that insurers have a mechanism and opportunity to formal respond to supervisors regarding any planned supervisory actions, prior to these actions being taken.
45. EIOPA	European Union	No	N/A
46. Global Federation of Insurance Associations	Global	No	More guidance relating to ladders of intervention should be added in connection with the ICP. GFIA has serious concerns with the broad array of regulatory actions contemplated in ICP 10 that a supervisor may take without meaningful due process and transparency. In its current form, ICP 10 does not require supervisors to meet with, or even communicate with, companies prior to imposing significant supervisory measures, such as limiting new business. Prior to imposing preventive and corrective measures, supervisors should be required to first meet or communicate with affected companies to explain how supervisors reached their conclusions and what data the supervisors' conclusions are based on. When contemplating preventive or corrective measures related to macroprudential concerns, it is critical that supervisors also disclose the extent of their consultation with other supervisors responsible for macroprudential supervision in that jurisdiction. Cross-sectoral (i.e., insurance, banking, securities firms, etc.) data is necessary when conducting macroprudential supervision, and exposures that may seem large within the insurance industry may in fact be significantly smaller when compared with other financial service providers. As result, before preventive and corrective measures are imposed, it is paramount for companies to understand how insurance supervisors consulted with other macroprudential supervisors and whether there were differing opinions regarding whether the relevant exposure could pose a systemic risk. After this consultation, companies must also have the opportunity to respond before supervisory measures are imposed. The opportunity to respond is imperative so companies can have the ability to provide additional clarity to supervisors regarding what the relevant exposure truly is and what the company is doing to address it. If supervisors' concerns persist after a meaningful opportunity to respond, it would only then be appropriate for regulators to take preventive or corrective action.

			Where a preventive or corrective action is taken, it is critical that such measures be imposed in a manner that is proportionate and no more broadly than necessary to address an existing systemic risk. The cost of compliance should not exceed the impact the firm's individual risk exposure has on the systemic risk being addressed because the socialization of unnecessary compliance costs will adversely affect policyholders through higher rates without a corresponding benefit.
47. Institute of International Finance	Global	No	ICP 10 provides nearly unlimited discretionary powers to supervisors that could severely disrupt the business of individual companies and groups and impact negatively the insurance sector as a whole and, importantly, policyholders. The potential that the imposition of these measures and sanctions could have a direct and deleterious impact on policyholders and other stakeholders should not be overlooked (see e.g. ICP 10.2.7) and supervisors should be cautioned that many of these measures and sanctions should be considered only as a last resort when supervisory discussions have failed. ICP 10.2.6 provides for supervisory powers to restrict exposures to individual counterparties, sectors or asset classes. ICP 16.6 properly reflects that it is the duty of management to establish counterparty limits. Accordingly, the first sub-bullet under the second major bullet point of ICP 10.2.6, which refers to supervisors having the power to restrict exposures to a counterparty, should be recast to refer to directions to the insurer to review its counterparty exposures and limits in light of supervisory concerns. Measures and sanctions should be tied directly to the source of systemic risk that the measure is designed to address and/or to the underlying failure to meet supervisory requirements. Measures and sanctions should also be proportionate to the underlying concern. Flexibility and proportionality should be emphasized and consideration should be given to replacing the word "should" with the word "may" throughout this ICP (and others). The imposition of measures and sanctions should be based on objective criteria and supported by a written statement of the circumstances that have given rise to a material, identifiable and quantifiable systemic risk impact and/or the perceived serious failure of the company to adhere to supervisory standards. The written statement should be provided to the company in advance of the imposition of measures or sanctions and the company should have a reasonable period of time in which to respond in order to correct any misstatements or misperceptions or to take appropriate remedial action. Providing notice to the company would serve the two-fold purpose of avoiding severe unintended consequences or unwarranted action and providing appropriate due process to the affected company. We strongly encourage the IAIS to advise supervisors to focus first on preventive measures and rely on corrective measures or sanctions only in the case that preventive measures prove ineffective or in the case that a company continually fails to comply with supervisory requirements. The focus on less severe measures in ICP 10.0.6 is helpful guidance that can facilitate a proportionate and appropriate supervisory response in many cases and may avoid harmful public disclosures of relatively minor supervisory concerns and possible contagion effects across the industry if those supervisory concerns are misinterpreted as a sign of industry weakness.

48. General Insurance Association of Japan	Japan	No	In considering systemic risk in the insurance sector, in particular, the fact that the degree of systemic risk in the insurance sector is smaller than that in the banking sector should be noted. For example, regarding potential systemic risk that may simultaneously occur in both the banking sector and the insurance sector, developing and assessing common indicators are important from a macro-prudential point of view. On the other hand, the dimensions of the banking and insurance sectors and their activities are significantly different. As such, treating them the same in terms of data collection and policy measures may be an excessive limitation that will impede the sound development of the insurance sector. For the above reasons, data collection frameworks and policy measures should cautiously take the differences in the sizes and main activities of the banking sector and the insurance sector into consideration. In addition, assessment of systemic risk should be conducted across the financial sector, including other sectors such as banking and securities, rather than the insurance sector alone. Also, when applying regulations in each country in the future, predictability and fairness to insurers should be ensured, and consistency across jurisdictions should be secured to prevent arbitrary operation of regulations by authorities.
49. The Life Insurance Association of Japan	Japan	No	The LIAJ acknowledges that under the Principle Statement ICP 10, the IAIS has set certain requirements for the supervisor's intervention in implementing preventive and corrective measures by stating, "the supervisor: requires and enforces preventive and corrective measures; and imposes sanctions which are timely, necessary to achieve the objectives of insurance supervision, and based on clear, objective, consistent, and publicly disclosed general criteria." However, some individual items in the Guidance seem to use expressions which do not necessarily seem to support a "clear, objective, consistent criteria" as stated in the aforementioned Principle. Therefore, the LIAJ would like to request that the overall supervisory material be based on a rules-based approach to ensure foreseeability of the supervisor's intervention. Specifically, please refer to our comments on Q8 and Q114 for details.
50. Swiss Re	Switzerland	No	Guidance 10.0.b.6: we suggest the language be revised for comprehension and readability. Currently, the full sentence reads: "The requirement to coordinate action (other than in exceptional circumstances) does not imply that the supervisor taking action needs the consent of other involved supervisors to take action which is necessary to discharge its duties under the law in its jurisdiction." We propose: "Coordination should not unduly hinder a supervisor in discharging its duties under the law in its jurisdiction." (We would like to point out that we respond here to Guidance 10.0.b.6 since it features in "black font" in the clean package, though no answer box is provided in this template.)
51. Aegon NV	The Netherlands	No	We are concerned that the proposed changes to ICP 10 would appear to grant insurance supervisors vast new authority to impose a broad array of corrective or preventive measures on an insurer. This could be the case even in the absence of proof that an insurer has failed to meet regulatory requirements.

52. American Property Casualty Insurance Association (APCIA)	USA	No	APCIA has serious concerns with the broad array of regulatory actions contemplated in ICP 10 that a supervisor may take without meaningful due process and transparency. In its current form, ICP 10 does not require supervisors to meet with, or even communicate with, companies prior to imposing significant supervisory measures, such as limiting new business. Prior to imposing preventive and corrective measures, supervisors should be required to first meet or communicate with affected companies to explain how supervisors reached their conclusions and what data the supervisors' conclusions are based on. When contemplating preventive or corrective measures related to macroprudential concerns, it is critical that supervisors also disclose the extent of their consultation with other supervisors responsible for macroprudential supervision in that jurisdiction. Cross-sectoral (i.e., insurance, banking, securities firms, etc.) data is necessary when conducting macroprudential supervision, and exposures that may seem large within the insurance industry may in fact be significantly smaller when compared with other financial service providers. As result, before preventive and corrective measures are imposed, it is paramount for companies to understand how insurance supervisors consulted with other macroprudential supervisors and whether there were differing opinions regarding whether the relevant exposure could pose a systemic risk. After this consultation, companies must also have the opportunity to respond before supervisory measures are imposed. The opportunity to respond is imperative so companies can have the ability to provide additional clarity to supervisors regarding what the relevant exposure truly is and what the company is doing to address it. If supervisors' concerns persist after a meaningful opportunity to respond, it would only then be appropriate for regulators to take preventive or corrective action. Where a preventive or corrective action is taken, it is critical that such measures be imposed in a manner that is proportionate and no more broadly than necessary to address an existing systemic risk. The cost of compliance should not exceed the impact the firm's individual risk exposure has on the systemic risk being addressed because the socialization of unnecessary compliance costs will adversely affect policyholders through higher rates without a corresponding benefit.
Q7 Comment on Guidance ICP 10.0.2			
53. Insurance Authority (IA)	China, Hong Kong	No	This paragraph is updated to provide guidance that insurers' non-compliance with regulatory requirements or supervisory measures could pose a threat to financial stability; and supervisors shall take appropriate actions to address it. We consider that systemic risk does not only arise from insurers' failure to comply with regulatory requirements or supervisory measures. Systemic risk may be also stemmed from collective activities or exposures of insurers or distress of a large individual insurer. We suggest that this paragraph can be further elaborated to describe different situations in which systemic risk could be built-up. Separately, it would be helpful to provide examples of the "certain risks" referred in 10.0.2 of the updated guidance.
54. Insurance Europe	Europe	No	Insurance Europe welcomes the explicit statement that the interests of policyholders and the public interest of financial stability are not independent of each other and that measures primarily aimed at policyholder protection also contribute to

			financial stability. At the same time however, the industry suggests a wording that takes the strong interconnection between these objectives fully into account. Sophisticated regulatory frameworks, for example Solvency II, quite effectively address financial stability threats as well. Therefore, the application of preventive and corrective measures already available to ensure compliance with laws and regulations also serve financial stability as a rule. Only in rare and exceptional circumstances might a conflict of objectives occur. Accordingly, the last sentence of 10.0.2 should be worded as follows: "By mitigating certain risks, preventive and corrective measures that are primarily intended to protect policyholders [DELETE: may also] regularly contribute to financial stability as well, by decreasing the probability and magnitude of any negative systemic impact".
55. EIOPA	European Union	No	N/A
56. Global Federation of Insurance Associations	Global	No	A reference to cost/benefit here would be important. The cost of mandatory mitigation with regard to some risks might actually result in greater costs than the risks themselves, thereby needlessly increasing costs to consumers. GFIA welcomes the explicit statement that the interests of policyholders and the public interest of financial stability are not independent of each other and that measures primarily aimed at policyholder protection also contribute to financial stability. At the same time however, the industry suggests a wording that takes the strong interconnection between these objectives fully into account. Sophisticated regulatory frameworks, for example Solvency II quite effectively addresses financial stability threats as well. Therefore, the application of preventive and corrective measures already available to ensure compliance with laws and regulations also serve financial stability as a rule. Only in exceptional circumstances a conflict of objectives might occur. Accordingly, the last sentence of 10.0.2 should be worded as follows: "By mitigating certain risks, preventive and corrective measures that are primarily intended to protect policyholders may also regularly contribute to financial stability as well, by decreasing the probability and magnitude of any negative systemic impact".
57. American Property Casualty Insurance Association (APCIA)	USA	No	A reference to cost/benefit here would be helpful. The cost of mandatory mitigation with regard to some risks might actually result in greater costs than the risks themselves, thereby needlessly increasing costs to consumers.
Q8 Comment on Guidance ICP 10.2.2			

58. Association of Bermuda Insurers and Reinsurers	Bermuda	No	ICP 10.2.2 indicates a supervisor should apply preventative measures "if the insurer operates in a manner that is likely to impact its ability to protect policyholders' interests…". This wording is concerning as it suggests that preventative actions may be taken by the supervisor prior to an insurer acting in a manner that violates regulatory requirements. Preventative measures should only be applied in the event of a violation of regulatory requirements. In addition, prior to the application of preventative measures, there should be a process of intervention that allows the insurer to remediate areas of concern and is proportionate to the risk that the supervisory considers to be posed to financial stability.
59. Insurance Authority (IA)	China, Hong Kong	No	This sentence is unclear. Proposed wording to clarify the sentence could be: If the insurer operates in a manner that is likely to impact its ability to protect policyholders' interests or pose a threat to financial stability, "the supervisor should take more urgent preventative measures". (replacing "it should lead to more urgent preventative measures by the supervisor").
60. Insurance Europe	Europe	No	The proposed drafting is potentially very broad in scope. Insurance Europe suggests making it clear that measures should be proportionate to the financial stability threat originating from the insurance industry. Because of the limited systemic risk posed by the insurance industry, it should be clarified that urgent measures solely dedicated to preserve financial stability should be applied with maximum restraint.
61. EIOPA	European Union	No	N/A
62. Global Federation of Insurance Associations	Global	No	GFIA has serious concerns with ICP 10.2, which could greatly expand supervisors' authority to impose a wide range of corrective or preventative measures without a finding that the insurer failed to meet regulatory requirements. ICP 10.2 states that supervisors must apply preventive measures if an insurer "seems likely to" operate in a manner that is inconsistent with regulatory requirements. GFIA suggests that the ICP make it clear that the application of such measures should occur only where some regulatory requirement has been violated. Additionally, in applying the supervisory measures provided in ICP 10.2, reference to ladders of intervention and cost/benefit should be added along with due process concerns. Regarding 10.2.2 - GFIA suggests making it clear that measures should be proportionate to the financial stability threat originating from the insurance industry. Because of the limited systemic risk of the insurance industry, it should be clarified that urgent measures solely dedicated to preserve financial stability should be applied with maximum restraint.
63. The Geneva Association	International	No	Measures that are applied in the absence of a violation of regulatory requirements, i.e. preventive measures, should be applied only under exceptional circumstances. Consequently, we suggest incorporating the language in 10.2.2 (i.e. related to policyholder protection and financial stability) into Principle 10.2.
64. The Life Insurance	Japan	No	In ICP10.2, it is stated that "the supervisor requires preventive measures if the insurer seems likely to operate in a manner that is inconsistent with regulatory requirements." And in Guidance ICP10.2.1, the supervisor is allowed to have "a degree of

Association of Japan			discretion" when determining whether or not to intervene, but their concerns must be "well founded" to commence such intervention. In the newly added Guidance ICP10.2.2, it is stated that "if the insurer operates in a manner likely to pose a threat to financial stability," and if the supervisor recognizes a potential macroeconomic risk, even if there are no issues on an individual entity basis, the supervisor is allowed to take a wider approach of "more urgent preventive measures" such as requiring the insurer to change its risk exposure. From the insurers' point of view, because there is no prerequisite such as "well founded" in the Guidance ICP10.2.2, there remains a possibility of unexpected supervisory intervention from macroeconomic perspective. The LIAJ believes the lack of such wording defeats foreseeability of supervisory intervention. Therefore, while we assume that ICP10.2.2 also requires "well founded concern" as a basis for supervisory intervention, the LIAJ requests such wording to be inserted into ICP10.2.2 in order to secure clarity of language and enhance foreseeability of the supervisor's intervention.
65. Swiss Re	Switzerland	No	We propose to reword the guidance to avoid the vague "more urgent" as follows: "If the insurer operates in a manner that is likely to impact its ability to protect policyholders' interests or pose a threat to financial stability, the supervisor should require preventive measures with the necessary urgency dictated by the situation."
66. Aegon NV	The Netherlands	No	Measures that are applied in the absence of a violation of regulatory requirements, i.e. preventive measures, should be applied only under unusual circumstances. Consequently, we suggest incorporating the language in 10.2.2 (i.e. related to policyholder protection and financial stability) into Principle 10.2.
67. American Council of Life Insurers	U.S.	No	ACLI strongly disagrees with the current proposal in 10.2 and 24 generally (24.4.4 specifically mentions preventive or corrective measures and references ICP 10) if it is meant to grant insurance supervisors the unprecedented power to intervene and impose a broad array of corrective or preventative measures on an insurer absent a finding that an insurer has failed to meet some regulatory requirement, including financial condition or compliance with other prudential requirements. As drafted, the proposal appears to represent a significant expansion of supervisory authority and creates uncertainties that could have profound implications for the business of insurance generally. The proposed enhancement of supervisory power, without sufficient clarity, would fundamentally disrupt well-established expectations among all insurance industry stakeholders, including consumers, investors, and insurer management. Moreover, some of the measures proposed may actually hasten distress at the subject insurer and exacerbate the deterioration of broader, macroeconomic conditions. For instance, the imposition of preventative actions on an insurer (such as restrictions on business activities or capital reinforcement requirements) could be interpreted by the insurance and financial markets as an indication of idiosyncratic stress at the insurer, which could impair the insurer's ability to sell products, raise funds, or result in an unnecessary flight from quality.

			Any imposition of the severe measures outlined in the subsections to 10.2 must be tied to an insurer's condition, activities, and a breach of prudential requirements.
68. American Property Casualty Insurance Association (APCIA)	USA	No	APCIA has serious concerns with ICP 10.2, which could greatly expand supervisors' authority to impose a wide range of corrective or preventative measures without a finding that the insurer failed to meet regulatory requirements. ICP 10.2 states that supervisors must apply preventive measures if an insurer "seems likely to" operate in a manner that is inconsistent with regulatory requirements. APCIA suggests that the ICP make it clear that the application of such measures should occur only where some regulatory requirement has been violated. Additionally, in applying the supervisory measures provided in ICP 10.2, reference to ladders of intervention and cost/benefit should be added along with due process concerns.
69. CNA	USA	No	CNA is concerned that the extensive enforcement actions contemplated in ICP 10 lack transparency and due process. Per the proposed guidance, the supervisor can execute enforcement actions suddenly without prior notification or discussion with the impacted firm's senior management merely because the supervisor believes the insurer seems likely to operate in a manner inconsistent with regulatory requirements. Due to the subjective nature of determining what is or may be systemic under the Holistic Framework, CNA believes that the guidance must be modified to provide senior management the opportunity to hear and respond to the findings prior to taking any supervisory actions. We do acknowledge that there may be rare situations where a single entity or group causes significant financial stability concerns to the general economy and swift supervisory enforcement action is necessary, but we believe that this is the exception not the norm and should be reflected as such in ICP 10.
Q9 Comment on Guidance ICP 10.2.6			
70. Insurance Europe	Europe	No	The first sub bullet point of the second bullet point has been amended to provide an example indicating that supervisors should have the power to impose hard or soft counterparty limits on individual counterparties, sectors or asset classes. The industry believes this example should be deleted as it would be inappropriate for supervisors to set such limits, rather insures should manage counterparty exposures in line with their risk appetite as indicated in ICP16.6. In our view, such thresholds can be destabilising themselves. Interventions via hard threshold values could lead to a sustained disruption of the necessary balance between profitability, liquidity and security at the portfolio level of the individual insurer. Besides, assets are managed in line with the liability side. Hence, any exposure limit or concentration threshold would have to encompass asset-liability aspects. At financial market level, selling pressure or forced sales would have negative side-effects and are potentially destabilising. Setting thresholds could lead to herd behaviour and procyclical actions, rather than mitigating them. Even soft thresholds require insurers to take them into account in their investment strategy, reporting obligations and regulatory interactions. Therefore, any form of thresholds should be avoided. Systemic Risk Management Plans (SRMPs) may offer a useful way for insurers to take corrective action on systemic risk before supervisory measures are necessary, but these need to be justified by clearly quantified and articulated evidence of

			systemic risk in advance with a clear commitment to proportionality. Considering that ICP 24 addresses supervisory intervention and measures, it will be important to consider process and timeline to ensure SRMPs are meaningfully taken into account. According to ICP 24.3.4 the supervisor has to require the insurer to take action necessary to mitigate any particular vulnerability that has the potential to affect financial stability. In addition, ICP 24.4.3 clarifies that the supervisor should have supervisory requirements targeted at those insurers that have been identified as systemically important to mitigate systemic risk. A systemic risk report should therefore be used as an option for insurers to initially suggest mitigating measures to the supervisor, with more interventionist supervisory actions considered only once an insurer's report and proposed mitigating actions have been considered. , More reports and information requirements would produce significant administrative burdens and necessitate additional IT investments at the expense of insurers and, ultimately, policyholders. Any request for systemic risk reports should therefore be convincingly justified and subject to the proportionality principle. In practice this is likely to mean that supervisors bear in mind the cost and practicality of requiring a systemic risk report from an insurer with limited resources.
71. EIOPA	European Union	No	N/A
72. Global Federation of Insurance Associations	Global	No	Please refer to the response to Q8. The first sub bullet point of the second bullet point has been amended to provide an example indicating that supervisors should have the power to impose hard or soft counterparty limits on individual counterparties, sectors or asset classes. GFIA is of the view that this example should be deleted as it would be inappropriate for supervisors to set such limits; rather, insures should manage counterparty exposures in line with their risk appetite as indicated in ICP16.6. In GFIA's view, such thresholds can be destabilising themselves. Interventions via hard threshold values could lead to a sustained disruption of the necessary balance between profitability, liquidity and security at the portfolio level of the individual insurer. Besides, assets are managed in line with the liability side. Hence, any exposure limit or concentration threshold would have to encompass asset-liability aspects. At financial market level, pressure to sell or forced sales would have negative side effects and are potentially destabilising. Setting thresholds could lead to herd behaviour and procyclical actions, rather than mitigating them. Even soft thresholds require insurers to take them into account in their investment strategy, reporting obligations and regulatory interactions. Therefore, any form of thresholds should be avoided. Systemic Risk Management Plans (SRMPs) may offer a useful way for insurers to take corrective action on systemic risk before supervisory measures are necessary, but these need to be justified by clearly quantified and articulated evidence of systemic risk in advance with a clear commitment to proportionality. Considering that ICP 24 addresses supervisory intervention and measures, it will be important to consider process and timeline to ensure SRMPs are meaningfully taken into account. According to ICP 24.3.4 the supervisor has to require the

			insurer to take action necessary to mitigate any particular vulnerability that have the potential to affect financial stability. In addition, ICP 24.4.3 clarifies that the supervisor should have supervisory requirements targeted at those insurers that have been identified as systemically important to mitigate systemic risk. A systemic risk report should therefore be used an option for insurers to initially suggest mitigating measures to the supervisor, with more interventionist supervisory actions considered only once an insurer's report and proposed mitigating actions have been considered. More reports and information requirements would produce significant administrative burdens and necessitate additional IT investments at the expense of insurers and, ultimately, policyholders. Any request for systemic risk reports should therefore be convincingly justified and subject to the proportionality principle. In practice this is likely to mean that supervisors bear in mind the cost and practicality of requiring a systemic risk report from an insurer with limited resources.
73. Institute of International Finance	Global	No	ICP 10.2 and ComFrame 10.2.a provide that a supervisor should require preventive measures if the insurer seems likely to operate in a manner that is inconsistent with regulatory requirements. In effect, the IAIS seems to be suggesting that supervisors should have extensive powers to restrict, manage and dictate to insurers even if no legal requirement has been violated. We submit that the standard in ICP 10.3 is the correct standard (i.e. the supervisor requires corrective measures if the insurer fails to operate in a manner that is consistent with regulatory requirements). ICP 10.2 and ComFrame 10.2.a should be rephrased to direct supervisors to require the insurer or the Head of the IAIG to take preventive measures if the insurer or group operates in a manner that is inconsistent with regulatory requirements. We submit that the first bullet of ComFrame 10.2.a (a legal entity within the IAIG seems likely to operate in a manner that would have a material adverse effect on the IAIG as a whole) is unduly vague and subjective and should not form the basis for the imposition of such punitive measures. At a minimum, this bullet should be rephrased to refer to a legal entity that operates in a manner that has a material and quantifiable adverse impact on the IAIG as a whole. The broad supervisory powers in ICP 10.2 and, in particular, ICP 10.2.6, are at odds with the context of Principle 10.2, which is preventive measures. These sweeping powers could fundamentally disrupt an insurer's business based on a potentially faulty assumption that the company is likely to operate in a manner that does not meet regulatory requirements. Moreover, a perceived lack of supervisory confidence in a major insurer could also have contagion effects that would negatively impact the insurer's peers. It is true that, even in a typical "business as usual" situation, supervisors frequently act as gatekeepers in relation to an insurer's activities through review and approval mechanisms. However, that gatekeeper role is far from the role that supervisors could play if supervisors had the discretion to impose the far-reaching measures of ICP 10.2.6, which would enable supervisors to disrupt lawful business even absent a clear finding of a regulatory violation. For example, lifetime bans of key personnel or transfers of liabilities are inappropriate absent a clear violation of law or regulation. If a supervisor is concerned that an insurer seems likely to operate contrary to regulatory requirements, it should first engage in a discussion with senior management prior to taking potentially unwarranted action. The Introductory Guidance to ICP 10 emphasizes a proportionate, tailored and flexible approach to preventive and corrective actions and this approach should be carried through the subsequent ICPs and related guidance.

			ICP 10.2 should provide more appropriate differentiation between preventive and corrective measures and identify the appropriate use of each set of measures. Language should be added to ICP 10.2 that requires any preventive or corrective measure to be related to and proportionate to the underlying supervisory concern. As ICP 10.2 is currently drafted, supervisors could take actions that are not relevant to the underlying supervisory concern. For example, capital surcharges and buffers are blunt instruments of limited usefulness in addressing sources of insurance systemic risk. Capital measures can also be procyclical and distort level playing fields. The IAIS should describe how each measure in the supervisory toolkit can be responsive to potential sources of systemic risk; other measures could be described as possible measures that could be taken when they can demonstrably address a specific supervisory concern (e.g. the use of a capital surcharge to address concerns about excessive leverage).
74. The Geneva Association	International	No	We wish to convey significant concerns with the measures that are listed in 10.2.6. The context, under Principle 10.2, is "preventive" measures that are applied "if the insurer seems likely to operate in a manner that is inconsistent with regulatory requirements." In effect, the IAIS seems to be suggesting that supervisors should have extensive powers to restrict, manage, and dictate to insurers even if no legal requirement has actually been violated. It is true that, even in a typical "business as usual" situation, supervisors frequently act as something of a gatekeeper in relation to an insurer's activities, and supervisors can even withhold approvals for no particular reason. That is a long way from the sense given by 10.2.6, which is that supervisors should have the authority to disrupt lawful businesses even in the absence of the actual violation of any law or regulation. There is not even a clear requirement that the measures relate to the manner in which the regulatory requirements could potentially violated. Moreover, we are skeptical of the efficacy of capital surcharges in a systemic risk context. The evidence for systemic risk in the insurance is limited. Buffers can also be procyclical and distort competitive playing fields. Multiple changes are needed. First, there should be more appropriate differentiation between preventive and corrective measures. For example, lifetime bans of key personnel or transfers of liabilities are inappropriate if no law or regulation is actually violated. Second, the measures that are most closely related to systemic risk should be identified as such and perhaps highlighted as meriting more responsive application. These measures should not include capital surcharges. Third, the remaining measures should be identified as powers that the supervisor "may" have, similar to 10.2.7. Finally, language should be added to 10.2 that requires any preventive measures to be related to the supervisory concern and proportional to the extent of the concern. In addition, in relation to the changes made to this section under the holistic framework for systemic risk, we note that the first sub bullet point under the second bullet point under ICP 10.2.6 has been amended to provide an example indicating that supervisors should have the power to impose hard or soft counterparty limits on individual counterparties, sectors or asset classes. This example should be deleted as it would be inappropriate for supervisors to set such limits, rather insures should manage counterparty exposures in line with their risk appetite as indicated in ICP16.6.

75. Aegon NV	The Netherlands	No	We wish to convey significant concerns with the measures that are listed in 10.2.6. The context, under Principle 10.2, is "preventive" measures that are applied "if the insurer seems likely to operate in a manner that is inconsistent with regulatory requirements." In effect, the IAIS seems to be suggesting that supervisors should have extensive powers to restrict, manage, and dictate to insurers even if no legal requirement has actually been violated. It is true that, even in a typical "business as usual" situation, supervisors frequently act as something of a gatekeeper in relation to an insurer's activities, and supervisors can even withhold approvals for no particular reason. That is a long way from the sense given by 10.2.6, which is that supervisors should have the authority to disrupt lawful businesses even in the absence of the actual violation of any law or regulation. There is not even a clear requirement that the measures relate to the manner in which the regulatory requirements could potentially violated. Moreover, we are skeptical of the efficacy of capital surcharges in a systemic risk context. The evidence for systemic risk in the insurance is limited. Buffers can also be procyclical and distort competitive playing fields. Multiple changes are needed. First, there should be more appropriate differentiation between preventive and corrective measures. For example, lifetime bans of key personnel or transfers of liabilities are inappropriate if no law or regulation is actually violated. Second, the measures that are most closely related to systemic risk should be identified as such and perhaps highlighted as meriting more responsive application. These measures should not include capital surcharges. Third, the remaining measures should be identified as powers that the supervisor "may" have, similar to 10.2.7. Finally, language should be added to 10.2 that requires any preventive measures to be related to the supervisory concern and proportional to the extent of the concern.
76. American Council of Life Insurers	U.S.	No	We wish to convey significant concerns with the measures that are listed in 10.2.6. The context, under Principle 10.2, is "preventive" measures that are applied "if the insurer seems likely to operate in a manner that is inconsistent with regulatory requirements." In effect, the IAIS seems to be suggesting that supervisors should have extensive powers to restrict, manage, and dictate to insurers even if no legal requirement has actually been violated. It is true that, even in a typical "business as usual" situation, supervisors frequently act as something of a gatekeeper in relation to an insurer's activities, and supervisors can even withhold approvals for no particular reason. That is a long way from the sense given by 10.2.6, which is that supervisors should have the authority to disrupt lawful businesses even in the absence of the actual violation of any law or regulation. There is not even a clear requirement that the measures relate to the manner in which the regulatory requirements could potentially violated. Moreover, we are skeptical of the efficacy of capital surcharges in a systemic risk context. The evidence for systemic risk in the insurance sector is limited. Buffers can also be procyclical and distort competitive playing fields. Multiple changes are needed. First, there should be more appropriate differentiation between preventive and corrective measures. For example, lifetime bans of key personnel or transfers of liabilities are inappropriate if no law or regulation is

			actually violated. Second, the measures that are most closely related to systemic risk should be identified as such. These measures should not include capital surcharges. Third, the remaining measures should be identified as powers that the supervisor "may" have, similar to 10.2.7. Finally, language should be added to 10.2 that requires any preventive measures to be related to the supervisory concern and proportional to the extent of the concern.
77. Association of British Insurers	United Kingdom	No	The first sub bullet point under the second bullet point has been amended to provide an example indicating that supervisors should have the power to impose hard or soft counterparty limits on individual counterparties, sectors or asset classes. This example should be deleted as it would be inappropriate for supervisors to set such limits; rather insures should manage counterparty exposures in line with their risk appetite as indicated in ICP16.6.
78. American Property Casualty Insurance Association (APCIA)	USA	No	Please refer to our response to Q8.
Q10 Comment on Guidance ICP 10.2.7			
79. Insurance Europe	Europe	No	It is highlighted that a maximum interest rate could be a sensible instrument to avoid underpricing or under-reserving in excessively competitive market situations. Regarding an additional reserving requirement, Insurance Europe highlights the proposal should be carefully analysed and put forward within the right context, in order to have a proper understanding of the purpose and expected benefits of such an intervention power. In some jurisdictions, reserving already considers the time value of financial guarantees on the basis of the actual interest rate environment. If such a measure is introduced, the design is crucial and needs comprehensive analyses and the implementation of adequate safeguards in order to avoid double counting of the same risk. While supervisory or management actions regarding a temporarily freeze of the redemption values on insurance liabilities or payments of advances on contracts could be considered when faced with the manifestation of the tail risk mass surrender, at the same time however, this strong tool has to be handled with great care, especially when it comes to disclosure, in order to avoid undesirable side effects. Further criteria for the design of an assessment are required.
80. EIOPA	European Union	No	N/A

81. Global Federation of Insurance Associations	Global	No	Please refer to the response to Q8. It is highlighted that a maximum interest rate could be a sensible instrument to avoid under-pricing or under-reserving in excessively competitive market situations. Regarding an additional reserving requirement, GFIA highlights the proposal should be carefully analysed and put forward within the right context, in order to have a proper understanding of the purpose and expected benefits of such intervention power. In some jurisdictions, reserving already considers the time value of financial guarantees on the basis of the actual interest rate environment. Any request for systemic risk reports should therefore be convincingly justified and subject to the proportionality principle. In practice this is likely to mean that supervisors bear in mind the cost and practicality of requiring a systemic risk report from an insurer with limited resources. If such a measure is introduced, the design is crucial and needs comprehensive analyses and the implementation of adequate safeguards in order to avoid double counting of the same risk. While supervisory or management actions regarding a temporary freeze of the redemption values on insurance liabilities or payments of advances on contracts could be considered when faced with the manifestation of the tail risk mass surrender, at the same time however, this strong tool has to be handled with great care, in particular in its disclosure aspects, in order to avoid undesirable side effects. Further criteria for the design of an assessment are required.
82. General Insurance Association of Japan	Japan	No	Insurers should not be imposed unfairly excessive burdens beyond the original obligations as the result of exercise of powers described in this guidance.
83. American Property Casualty Insurance Association (APCIA)	USA	No	Please refer to our response to Q8.
Q11 General Comment on revisions to ICP 16 and ComFrame integrated therein			
84. EIOPA	European Union	No	EIOPA does not have any particular comments to ICP 16 and ComFrame in ICP 16. However, EIOPA wishes to make a general comment, supporting the compromise reached in the draft ICP16 and ComFrame in ICP 16. The holistic framework represents a major enhancement in the assessment and mitigation of systemic risk compared to the

			previous, designations-focused regime. However, the enhancement of the policy measures, both in terms of content and scope of application, comes with an increased discretion in their application. Against this background, it is key for a proper and consistent enforcement of the holistic framework that the level playing field is granted by the definition of clear minimum and homogeneous criteria to define the scope of application of the policy measures. The ICPs in general and ICP16 in particular, along with the ComFrame material therein, identify the scope of application for many policy measures as the set of IAIGs, with the discretion left to local jurisdictions to extend the scope to additional entities, as necessary. EIOPA reiterates its support for the approach taken in defining the scope and is does not support any change that could lead to inconsistent application of the policy measures. Regarding considerations for proportionality, systemic relevance must be an inherent part of the approach.
85. Global Federation of Insurance Associations	Global	No	Please refer to the response to Q1. Considering the heavy additional burden on supervisors and companies, additional guidance on applying the new dimension of proportionality which exists relative to systemic risk through the inclusion of the holistic framework in the ICPs is necessary to focus the application of the related supervision measures and would be very beneficial to both supervisors and companies. Such guidance is necessary not only in the text in ICP 16, but as stated in the response to Q1 should be included in the overarching concepts section of the Introduction to the ICPs.
86. General Insurance Association of Japan	Japan	No	In considering systemic risk in the insurance sector, in particular, the fact that the degree of systemic risk in the insurance sector is smaller than that of the banking sector should be noted. For example, regarding potential systemic risk that may simultaneously occur in both the banking sector and the insurance sector, developing and assessing common indicators are important from a macro-prudential point of view. On the other hand, the dimensions of the banking and insurance sectors and their activities are significantly different. As such, treating them the same in terms of data collection and policy measures may be an excessive limitation that will impede the sound development of the insurance sector. For the above reasons, data collection frameworks and policy measures should cautiously take the differences in the sizes and main activities of the banking sector and the insurance sector into consideration. In addition, assessment of systemic risk should be conducted across the financial sector, including other sectors such as banking and securities, rather than the insurance sector alone. Also, when applying regulations in each country in the future, predictability and fairness to insurers should be ensured, and consistency across jurisdictions should be secured to prevent arbitrary operation of regulations by authorities. Moreover, whether the IAIGs and insurers are vulnerable to exposures which are likely to be a cause of systemic risk, such as liquidity risk, differ depending on their business model. Therefore, different granularity of responses based on proportionality should be allowed.
87. The Life Insurance	Japan	No	In the current consultation, while provisions such as ICP 16.8, ICP16.9 and CF16.9.a-16.9.d relating to the supervisors requiring more detailed liquidity risk management to insurers were added, the LIAJ welcomes the consideration of proportionality in the supervisory material by adding wording such as "as necessary" (in ICP16.9), or the wordings "In

Association of Japan			deciding whether it is necessary to require more detailed liquidity risk management processes, and the intensity of such processes, the supervisor should take into account the nature, scale and complexity of the insurer's activities…" (in Guidance ICP16.9.3). However, when these Policy Measures will actually be implemented in each jurisdiction, there are still some concerns from an operational aspect; the LIAJ would like to comment on such concerns in each individual Comment Boxes below.
88. Swiss Re	Switzerland	No	Principle 16 refers to ERM for "solvency purposes". However, the ERM definition within the Glossary section does not include any references to Solvency. In addition, as the IAIS rightfully gives liquidity and liquidity risk more attention with the proposed revisions, we urge for particular care to avoid the amalgamation of liquidity and capital/solvency. Liquidity risk is a (aggregate) risk on its own. Liquidity and its management are complementary and not subsidiary to capital/solvency and its management. For instance, and although not explicitly open for consultation, we note that, with consideration for the proposed changes regarding liquidity, the standard CF16.2.a could imply that the economic capital model must include liquidity risk. We definitely do not support such a view. Therefore, to avoid amalgamation between capital/solvency and liquidity, we suggest that the IAIS: (1) labels the ICP/CF 16 into "Enterprise Risk Management", (2) introduces guidance to document the complementarity of both, (3) adapts ICP/CF 16 - e.g. 16.0.1, 16.0.2, 16.0.3 and more importantly 16.2 - to reflect the complementarity and not subsidiarity of capital/ solvency and liquidity throughout the principle, and, lastly, (4) reflects the complementarity in the Glossary. We would be happy to discuss these with the IAIS. Finally, with regard to scenarios, we find the language remains overly encompassing despite the addition of "reasonably" ("all reasonably foreseeable"). There are limits to what firms can achieve in scenario analysis. For instance, the IAIS cannot expect insurers to calculate or make assumptions about how individual counterparties would perform under every scenario. Moreover, too many scenarios tend to be counterproductive, since management attention towards any given scenario reduces as the number of scenario increases.
89. American Council of Life Insurers	U.S.	No	We agree with the addition of liquidity risk management and stress testing as part of a holistic ERM framework. In particular, we appreciate the changes contained in 16.8 and 16.9 that establish minimum best practices to ensure that insurers appropriately include liquidity risk in their enterprise-wide risk management framework. This should include consideration of available liquidity resources and potential liquidity needs in normal and stressed conditions as part of prudent risk management from a microeconomic perspective, though these will contribute to stability from a macro perspective as well.

			We also agree with the proposal for supervisors to require, as necessary, liquidity stress testing, a contingency funding plan, and reporting to supervisors of a liquidity risk management plan. The guidance currently gives the supervisor significant leeway (criteria per 16.2.24) in deciding which insurers would be required to perform such assessments. When applying such discretion, it will be important to avoid creating an unlevel playing field through the application of varying supervisory requirements. We believe supervisors can avoid creating an unlevel playing field, following the principle of proportionality, by applying measures based on the nature, scale, and complexity of the insurer's activities from a liquidity risk perspective. We do not believe results of a single insurer provide a sufficient sample for identification of trends impacting the sector as a whole (per 16.2.22); such insights/objectives are addressed through ICP 24. ACLI believes 16.2.22 should be revised to read: "Stress testing is intended to serve the insurer as an aid to sound risk management. Additionally, stress test results may provide the supervisor with a view of vulnerabilities and provide insight on the potential need for supervisory engagement." We generally support the inclusion of best risk management practices on an enterprise-wide basis. However, many potential IAIGs, including in the U.S., do not have or need a "group-wide" supervisor specifically charged with regulating an intermediate or ultimate holding company and/or enterprise-wide insurance activity. For example, in the U.S., individual insurance entities are well-regulated by the insurance supervisors in each such company's domiciliary state, and these regulators can and do cooperate and coordinate, through supervisory colleges, crisis management groups, and in other fora, if and as needed, for resolution and recovery planning, and regulation more generally. Indeed, U.S. insurance law's "windows and walls" approach provides insurance regulators with the necessary tools to obtain key enterprise-wide and/or holding company information, including risk reporting. However, the NAIC Model Holding Company Act does provide a mechanism for the lead state supervisor to work in cooperation with their relevant state counterparts to address issues that may arise in one or more parts of an insurance group. ***************************** The comments directly below reference portions of ICP 16 and ComFrame that are not part of the current consultation, but ACLI believes the following issues are important and should be taken into consideration: 16.7.d.4 "The group-wide actuarial policy should require an assessment of the consistency of the base assumptions used to derive technical provisions compared to those used to derive capital requirements, economic capital models, or the forward-looking view in the ORSA. Such an assessment of consistency may provide insight as to the coherence of the base assumptions and those applied in stress conditions." ACLI COMMENT: We agree that assumptions should be harmonized where applicable for different purposes. To ensure a meaningful comparison, we believe it is important to include language that limits the comparison to "key assumptions" or

			"material assumptions", meaning those that are critical to understanding the modeling results. 16.10 "The supervisor requires the insurer to perform regularly its own risk and solvency assessment (ORSA) to assess the adequacy of its risk management and current, and likely future, solvency position." 16.10.1 "The insurer should document the main outcomes, rationale, calculations and action plans arising from its ORSA." 16.10.2 "ORSAs should be largely driven by how an insurer is structured and how it manages itself. The performance of an ORSA at the insurance legal entity level does not exempt the group from conducting a group-wide ORSA." ACLI COMMENT: 16.10.2 correctly acknowledges that ORSAs may be conducted on an entity basis or on a group-wide basis. As currently drafted, however, there is some ambiguity that could be interpreted to mandate that a supervisor require that, in any case, a separate ORSA be prepared with respect to each insurer within an insurance group. We recommend revising CF 16.10 to clarify that a supervisor may accept, on behalf of a particular insurer, an ORSA that is prepared on a group basis. CF 16.15.a.1 "The group-wide supervisor should consider the IAIG's nature, scale, and complexity when setting recovery plan requirements, including the form, content and detail of the recovery plan and the frequency for reviewing and updating the plan." ACLI COMMENT: Group-wide supervisors should consider the activities in which an IAIGs engages (as well as the attendant costs and benefits) when determining the necessity, form, and content on a recovery plan, and not focus solely on the IAIGs size, scope or complexity. Additionally, the supervisor should have the discretion to accept alternative submissions in lieu of a separate, formal recovery plan to the extent that such submissions collectively satisfy the standard. CF 16.15.a.2 "Recovery planning is the responsibility of the IAIG. The IAIG should be able to take timely actions for recovery, in particular when any pre-defined criteria are met that trigger the implementation activation of the recovery plan." ACLI COMMENT: As noted in ICP 16.15, the recovery plan identifies in advance the range of options available to an insurer to restore financial strength and viability. As such, and consistent with 16.15.a.4, a recovery plan should serve as a guide for the insurer and the supervisors for crisis preparedness and management, rather than a directive to take specific actions upon the occurrence of per-defined triggers. Since actual stress events are inherently unpredictable, management must maintain wide discretion to select and utilize the appropriate recovery tools. As such, we would strongly urge against the establishment of rigid, pre-defined triggers for recovery actions. CF 16.15.a.7 "Recovery plans should include" ACLI COMMENT: The relevant supervisors should have discretion to determine the necessity and appropriate content and

			detail of an insurer's recovery plan. As such, we would suggest that the lead-in to CF 16.15.a.7 be revised to state that "Recovery plans may, subject to the proportionality principle, include." CF 16.15.a.8 "Pre-defined criteria should be well-defined and aligned with contingency plans. They should include qualitative and quantitative criteria, such as a potential breach of a prescribed capital requirement (PCR). Criteria may also include triggers based on: liquidity, market conditions, macro-economic conditions, and the insurer's operational conditions." ACLI COMMENT: Recovery plans outline the range of actions that may be taken in response to stress events. Again, we would urge against dictating that an insurer take any specific, pre-defined course of action in response to a stress event.
90. American Academy of Actuaries	United States of America	No	We believe that certain proposed revisions to ICP 16 would benefit from additional clarifications or amplification.
91. American Property Casualty Insurance Association (APCIA)	USA	No	Please refer to our response to Question 1. Considering the heavy additional burden on supervisors and companies, additional guidance on applying the new dimension of proportionality which exists relative to systemic risk through the inclusion of the holistic framework in the ICPs is necessary to focus the application of the related supervision measures and would be very beneficial to both supervisors and companies. Such guidance is necessary not only in the text in ICP 16, but as stated in our response to Q1 should be included in the overarching concepts section of the Introduction to the ICPs.
92. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	While we agree that the scope of risk identification and analysis of risk interdependencies in an ORSA process should typically cover liquidity and concentration risks, U.S. state insurance regulators support a non-prescriptive ORSA process that encourages insurers to identify and assess their own material and relevant risks. This encourages insurers to develop their own methodology for determining which risk exposures require assessment and reporting through the ORSA process. We believe this provides the supervisor more opportunities to evaluate the effectiveness of an insurer's ERM process and avoids confusion between the roles of senior management, the Board of Directors and insurance supervisors. While setting out what risks should be covered "at a minimum" may provide consistency across insurers, it is important that this does not lead to more prescription or turn the ORSA into a tick-the-box exercise which in turn diminishes the purpose and effectiveness of the ORSA process itself.
Q12 Comment on Guidance ICP 16.0.3			
93. EIOPA	European Union	No	N/A
94. Institute of International Finance	Global	No	ICP 16.0.3 should use the term "contingency planning" as one of the components of the ERM framework rather than "Recovery planning". The contingency planning needs to include recovery planning, contingency risk measures and liquidity risk measures and etc.

95. International Actuarial Association	International	No	The additional wording seems inconsistent. For ALM a process term is used, for underwriting reference is made to a policy, and for liquidity the term risk management is used. As elsewhere in this ICP, we suggest using the main risk types as groupings, that is, insurance risk, market risk, counterparty risk and liquidity risk.
96. Swiss Re	Switzerland	No	Please refer to our comments on "ERM for solvency" to Q11 and the complementarity rather than subsidiarity of liquidity and capital adequacy to assess solvency. In addition, "liquidity risk management" listed under bullet 5 could be brought further up to bullet 3 together with "capital adequacy" to better reflect that they are two complementary components of enterprise risk management.
Q13 Comment on Guidance ICP 16.1.1			
97. EIOPA	European Union	No	N/A
98. Global Federation of Insurance Associations	Global	No	More clarity on what constitutes "concentration risk" would be helpful.
99. International Actuarial Association	International	No	We prefer not to add concentration risk to the minimum risks to be considered. Concentration risk is another risk type as this risk is partly also already included in the other risks mentioned, and therefore is not considered a main risk type. Furthermore, we note that the term concentration risk has been removed from the Glossary. Finally, we note that the grouping mentioned here is inconsistent with CF16.1.b which mentions insurance risk, market risk, credit risk, liquidity risk, concentration risk, operational risk, group risk and strategic risk where it is also noted that some risk types, such as strategic or concentration risk, may be included in other risk categories.
100. Aegon NV	The Netherlands	No	The difference, if any, between market risk and macroeconomic exposure, reference in 16.1.4, is not clear. If there is no difference, it is not clear why different terms are used.
101. American Council of Life Insurers	U.S.	No	The difference, if any, between market risk and macroeconomic exposure, referenced in 16.1.4, is not clear. If there is no difference, it is not clear why different terms are used.
Q14 Comment on Guidance ICP 16.1.4			
102. EIOPA	European Union	No	N/A

103. Institute of International Finance	Global	No	We would encourage the IAIS to delete the reference to the "real economy" in ICP 16.1.4, as we believe it is beyond the realistic goals of macroprudential supervision to consider the impact of product options and guarantees on the real economy. (Our comments on this ICP should be considered in conjunction with our comments above on ICP 24.)
104. Swiss Re	Switzerland	No	The guidance should allow for company-specific scenario-based assessments conducted as part of e.g. the ORSA thus ensuring the risk exposures are accounted for with the specificities of the insurer's business model and operation in mind.
105. Aegon NV	The Netherlands	No	The difference, if any, between macroeconomic exposure and market risk, referenced in 16.1.1, is not clear. If there is no difference, it is not clear why different terms are used. It is also not clear how an insurer would, in practice, measure the impact of an insurer's options and guarantees on the "real economy."
106. American Council of Life Insurers	U.S.	No	The difference, if any, between macroeconomic exposure and market risk, referenced in 16.1.1, is not clear. If there is no difference, it is not clear why different terms are used. It is also not clear how an insurer would, in practice, measure the impact of an insurer's options and guarantees on the "real economy."
Q15 Comment on ComFrame Standard CF16.1.b			
107. EIOPA	European Union	No	N/A
108. International Actuarial Association	International	No	We suggest "credit risk" should be counterparty risk. Furthermore, we suggest to keep this list consistent with ICP16.0.3. More specific, we propose not to record group risk as this seems to be a different type of risk than the others mentioned. The term is also not defined.
109. Swiss Re	Switzerland	No	Although we agree that the mention of Group Risk is justified considering the nature and purpose of ComFrame, we note that the enumeration of risks goes beyond guidance 16.1.1 to also include "strategic risk" within the minimum requirements. Therefore, for consistency, we would suggest to list "Group Risk" in the first bullet as the primary ComFrame risk for the group-wide ERM framework, and separately list all "strategic risk", "conduct risk", "legal risk", "political risk" and "reputational risk" as "other" risks that may be discretionally/optionally included or not. The proposed standard would then change FROM:

			The group-wide supervisor requires the group-wide ERM framework to include strategies, policies, and processes to manage effectively at least the following risks and to address these risks in a cross-border context: - insurance risk; - market risk; - credit risk; - liquidity risk; - concentration risk; - operational risk; - group risk; and - strategic risk. TO: The group-wide supervisor requires the group-wide ERM framework to include strategies, policies, and processes to manage effectively at least the following risks and to address these risks in a cross-border context: - group risk; - insurance risk; - market risk; - credit risk; - concentration risk; - operational risk; - liquidity risk; - Other risks, such as: conduct risk, legal risk, political risk, reputational risk and strategic risk.
Q16 Comment on Standard ICP 16.2			
110. Insurance Europe	Europe	No	Insurance Europe welcomes the use of stress testing as a useful tool in identifying where a real risk arises in the broader context of the whole risk management framework for an insurer.
111. EIOPA	European Union	No	N/A
112. Global Federation of Insurance Associations	Global	No	Additional clarification on "as necessary" would be appreciated. Who determines what is necessary, the company or the supervisor? GFIA takes the view that it should be the company. Stress testing may be a useful tool in identifying where a real risk arises in the broader context of the whole risk management framework of an insurer.

113. Institute of International Finance	Global	No	ICP 16 contains references to the "total balance sheet" which are unclear (e.g. ICPs 16.2 and 16.2.3). If these references are intended to reflect a consolidated, enterprise-wide view of the company or group, we encourage the IAIS to reflect a proportionate focus on those activities that are material to the operations of the company or group and that have the potential to give rise to material levels of systemic risk, taking into account any risk mitigants. ICP 16.2.23 and ComFrame 16.2.b.2 enumerate specific activities that can give rise to accumulated macroeconomic exposure in the insurance sector. As we noted in our January 25, 2019 response to the IAIS consultation on the Holistic Framework, we acknowledge the need for careful risk management of these exposures but would caution against an overly reductive and product-driven macroprudential treatment of long-term products and investments that does not recognize differences in product characteristics and the ability of firms to mitigate risks through sound risk management policies, practices and controls. Focusing on one type of exposure or activity could result in a disproportionate emphasis on that exposure or activity, to the exclusion of other exposures or activities (particularly those that may be new to the market). Macroeconomic exposure is not simply linked to a particular liability or activity but, rather, is dependent on the asset/liability management (ALM) strategies used to mitigate the risk. A simple liability with a poorly managed ALM strategy can give rise to as much macroeconomic exposure as a well-hedged complex liability. The proper focus should be on the management of the risk on both sides of the balance sheet and the resulting impact on capital and liquidity. We would propose deleting ICP 16.2.24 as we believe stress testing is part of a firm's internal ERM framework. It should be up to the insurer to decide what frequency, scope and type of stress testing is appropriate for the firm.
114. General Insurance Association of Japan	Japan	No	We would like to clarify that the phrase "assess the resilience of its total balance sheet" means verifying the resilience of the capital component of the balance sheet, and not the resilience of each components of the balance sheet. If not, we suggest revising the sentence, "the resilience of its total balance sheet" to "the capital adequacy" in line with the description of "Stress testing" in the Glossary that it is "a method of solvency assessment".
115. Swiss Re	Switzerland	No	As per Q14, we opine that the guidance should allow for company-specific scenario-based assessments conducted as part of e.g. the ORSA, thus ensuring the risk exposures are accounted for with the specificities of the insurer's business model and operation in mind. The requirement to measure the total balance sheet effects of macroeconomic stresses seems overly encompassing and should be risk-based and specific to the risk exposure. Finally, as worded within 16.2, this requirement does not appear consistent with guidance 16.0.7 where this approach is rightfully defined as "typical". We would strongly recommend keeping the wording aligned.
116. Association of British Insurers	United Kingdom	No	We welcome the use of stress testing as a useful tool in identifying where a real risk arises in the broader context of the whole risk management framework for an insurer. However, the identification of systemic risk requires stress testing to be

			co-ordinated by the supervisor across the industry to ensure that consistent assumptions are used across insurers / groups in addition to the stress testing already done at firm or group level for micro-prudential analysis.
117. American Property Casualty Insurance Association (APCIA)	USA	No	Additional clarification on "as necessary" would be appreciated. Who determines what is necessary, the company or the supervisor? We think it should be the company.
118. CNA	USA	No	The proposed guidance makes reference to the insurer performing ERM macroeconomic stresses on a total balance sheet approach. CNA requests additional clarity regarding what is meant by total balance sheet approach in this context. In addition, we recommend that proportionality, after it is appropriately defined, be added to this guidance. A firm should not be required to incur the additional costs associated with completing specific macroeconomic stresses if they are not a material exposure to the firm.
119. Liberty Mutual Insurance Group	USA	No	This section requires stress testing. Stress testing is expensive and time consuming. Its use should be discretionary. A GWS and an insurer's management should determine whether stress testing a specific risk would be productive and cost-effective.
Q17 Comment on Guidance ICP 16.2.22			
120. EIOPA	European Union	No	N/A
121. The Life Insurance Association of Japan	Japan	No	ICP16.2.22 states, "Stress test results may provide the supervisor with a view of vulnerabilities in the insurance sector as a whole and inform any necessary supervisory measure." Would it be correct to understand that stress scenarios to be tested under such "stress testing" as indicated in this ICP may be decided by each individual insurer and not by the supervisor?
122. Swiss Re	Switzerland	No	We disagree with the notion that stress testing is "particularly" intended to identify residual macroeconomic exposure. Also, we would suggest to remove this mention and replace it with "including". The full updated sentence would then read as follows: "Stress testing is intended to serve the insurer as an aid to sound risk management, including to identify residual macroeconomic exposure."

123. Aegon NV	The Netherlands	No	The second sentence should be clarified or deleted. ICP 16 relates to an insurer's internal enterprise risk management. Companies will naturally have a degree of inconsistency in their approaches, and therefore it is not necessarily clear how an individual ERM stress test results can provide a supervisor "with a view of vulnerabilities across the sector."
124. American Council of Life Insurers	U.S.	No	We do not believe results of a single insurer provide a sufficient sample for identification of trends impacting the sector as a whole; such insights/objectives are addressed through ICP 24. This point of guidance should be rewritten as follows Stress testing is intended to serve the insurer as an aid to sound risk management. Additionally, stress test results may provide the supervisor with a view of vulnerabilities and provide insight on the potential need for supervisory engagement. More broadly, we support the stress testing approach of ORSA, which recognizes that it is most beneficial for both insurers' internal risk management, and for supervisors obtaining a perspective on an insurer's particular risks, if the firm selects stress scenarios that are appropriate to the nature, scale, and complexity of the insurer's business.
Q18 Comment on Guidance ICP 16.2.23			
125. Insurance Europe	Europe	No	Macroeconomic exposure can accumulate at the liability and at the asset side. Insurance Europe would refrain from giving examples.
126. EIOPA	European Union	No	N/A
127. Institute of International Finance	Global	No	ICP 16.2.23 and ComFrame 16.2.b.2 enumerate specific activities that can give rise to accumulated macroeconomic exposure in the insurance sector. As we noted in our January 25, 2019 response to the IAIS consultation on the Holistic Framework, we acknowledge the need for careful risk management of these exposures but would caution against an overly reductive and product-driven macroprudential treatment of long-term products and investments that does not recognize differences in product characteristics and the ability of firms to mitigate risks through sound risk management policies, practices and controls. Focusing on one type of exposure or activity could result in a disproportionate emphasis on that exposure or activity, to the exclusion of other exposures or activities (particularly those that may be new to the market).
128. International Actuarial Association	International	No	We are of the view that it is often a guarantee of minimum investment returns or maturity amounts which are more onerous than guaranteed premium rates for savings products.
129. The Geneva Association	International	No	The guidance fails to acknowledge the importance of considering a cross sectoral perspective and accounting for the ability of insurers to appropriately manage risks and should be updated accordingly.

130. The Life Insurance Association of Japan	Japan	No	On Macroeconomic exposure risk: As an example of an insurance product having macroeconomic exposure risk, Guidance ICP 16.2.23 states "savings-oriented products (or protection-oriented products with a savings component) that offer guarantees on policyholders' premium payments, often combined with embedded options for policyholders, particularly where guarantees of significant value are unmatched." The LIAJ believes that such types of products are not and will never be any source of significant macroeconomic risk. While there are cases where such products intentionally do not match cash flow, even in such cases there are no material contractual restrictions. Assuming there would be fluctuation of interest rate at the time of reinvestment, it is still manageable in the medium/long term, and does not require immediate action at the timing of certain financial stresses, and as a conclusion, will not trigger any systemic risk. Therefore, the LIAJ believes this Example is inadequate and should be deleted.
131. Swiss Re	Switzerland	No	In the first sentence, "some types [of insurance liabilities]" reads colloquial; we suggest to delete "some types of" and have the sentence then read as follows: "Macroeconomic exposure in the insurance sector can accumulate through insurance liabilities or may be created through non-insurance activities."
132. Aegon NV	The Netherlands	No	While the listed activities "create" exposure to macroeconomic risks, the text seems to overlook the impact of asset-liability management in mitigating and managing that exposure.
133. American Council of Life Insurers	U.S.	No	Risk from macroeconomic exposures are often dependent on the ALM strategies used to provide stability against those exposures. While a more complex liability may require a more complex ALM strategy, a simple liability with a poorly managed ALM strategy could lead to as much macroeconomic exposure as a hedged complex liability. For a robust assessment of macroeconomic exposure, the focus should be on how risk is managed on both sides of the balance sheet and the impact to capital and liquidity. This comment also applies for 16.8.1 and 16.9.1. We believe this ICP needs to better reflect paragraph 59 of the IAIS consultation on a holistic systemic risk framework that recognizes that the actual level of risk of a "vulnerability depends on how such an activity is managed."
Q19 Comment on Guidance ICP 16.2.24			
134. Insurance Europe	Europe	No	Insurance Europe welcomes the discussion of stress testing in other ICPs, but since ICP 16.2 refers specifically to insurers' own Enterprise Risk Management (ERM) frameworks, it is inappropriate to reference supervisory intervention in relation to the frequency, scope and type of stress testing here. A sound ERM framework is based on the premise that insurers develop internal management and controls. This could be undermined by stress tests imposed by supervisors directly within a firm's ERM framework. ERM frameworks could be informed by macroprudential stress testing, but this would be well beyond the scope of ICP 16.2. We therefore suggest ICP 16.2.24 is deleted.

135. EIOPA	European Union	No	N/A
136. Global Federation of Insurance Associations	Global	No	GFIA welcomes the discussion of stress testing in other ICPs, but since ICP 16.2 refers specifically to insurers' own Enterprise Risk Management (ERM) frameworks, it is inappropriate to reference supervisory intervention in relation to the frequency, scope and type of stress testing here. A sound ERM framework is based on the premise that insurers develop internal management and controls. This could be undermined by stress tests imposed by supervisors directly within a firm's ERM framework. ERM frameworks could be informed by macroprudential stress testing, but this would be well beyond the scope of ICP 16.2. GFIA therefore suggests ICP 16.2.24 is deleted. The Guidance should make clear that any required stress testing should be directly related to particular risk exposures that can realistically have a negative impact on financial stability and the broader economy through an identified transmission channel. This focus is particularly important when determining whether non-life insurers should be required to undergo stress testing. Non-life insurers' cash flows reflect the simple fact that claims are payable only when due to claimants under the underlying insurance policy after investigation and, for liability claims, after settlement negotiations. Claimants have no right to be paid on demand. Moreover, covered events triggering significant property-casualty insurance liabilities (e.g., hurricanes, wildfires, etc.) are rarely, if ever, correlated to risks in the broader financial system, with the resulting claims payments occurring over months, quarters, and for the largest events, years. GFIA thus takes the view that stress testing for non-life insurers will have very limited value to supervisors. Rather, supervisors would be better served to understand and assess the stress testing that is already performed by the insurer itself, summarized in ORSAs, to gauge any likelihood of a risk that could rise to level of systemic importance for a firm. Should a scenario modelled by an insurer result in such a finding, it could then be assessed on a sectoral basis. However, and again, GFIA is of the view that such will not be the case for non-life firms. The Guidance should recognize that conventional insurance activities are not a significant source of systemic risk and especially stress testing for non-life insurers would provide limited value to supervisors in this context, unless a company is engaged in an activity with a material exposure to liquidity risk. Finally, GFIA recommends deleting the last bullet point, which allows supervisors to take into account any other activities that the supervisor deems relevant in determining whether to require stress testing. As stated above, any required stress testing should be directly related to particular risk exposures that can realistically have a negative impact on financial stability and the broader economy through an identified transmission channel. Otherwise, this Guidance would go beyond what is necessary to achieve its purpose.

137. The Geneva Association	International	No	ICP16.2 refers to an insurers ERM framework. It is therefore inappropriate to imply that the supervisor may decide on the need for, frequency of and scope and type of stress testing as part of an insurers ERM Framework - these are considerations that should rest with insurers under their ERM framework. We therefore recommend that ICP 16.2.24 is deleted.
138. Aegon NV	The Netherlands	No	We do not believe that it is appropriate for supervisors to interfere with company ERM practices and therefore supervisory "requirements" for ERM-related stress testing should be avoided.
139. American Council of Life Insurers	U.S.	No	We believe that the first bullet point should place more emphasis on the nature, scale and complexity of the activities of an insurer, and how well those activities are managed. In our view, the use of separate bullet points regarding automatic asset reallocation and use of dynamic hedging places too much weight on those specific activities even under current market conditions, and these activities likely will be even less relevant indicators as markets evolve and practices change.
140. Association of British Insurers	United Kingdom	No	We welcome the discussion of stress testing in other ICPs, but since ICP 16.2 refers specifically to insurers' own Enterprise Risk Management (ERM) framework, it is inappropriate to reference it here. A sound ERM framework is based on the premise that insurers develop internal management and controls with supervisory oversight but not direct intervention without just cause. We therefore suggest ICP 16.2.24 is deleted.
141. American Property Casualty Insurance Association (APCIA)	USA	No	The Guidance should make clear that any required stress testing should be directly related to particular risk exposures that can realistically have a negative impact on financial stability and the broader economy through an identified transmission channel. This focus is particularly important when determining whether non-life insurers should be required to undergo stress testing since traditional non-life insurance activities are not a significant source of systemic risk. To the contrary, insurance is primarily a tool for mitigating systemic risk. We thus believe that stress testing for non-life insurers will have very limited value to supervisors. Rather, supervisors would be better served to understand and assess the stress testing that is already performed by the insurer itself, summarized in ORSAs, to gauge any likelihood of a risk that could rise to level of systemic importance for a firm. Should a scenario modelled by an insurer result in such a finding, it could then be assessed on a sectoral basis. However, as stated previously, we strongly believe that traditional non-life insurance activity is very unlikely to give rise to systemic risk. The Guidance should recognize that traditional non-life insurance activities are not a significant source of systemic risk and therefore stress testing for non-life insurers would provide limited value to supervisors in this context, unless a company is engaged in activities other than traditional non-life insurance that could give rise to systemic risk through an identified transmission channel. Finally, we recommend deleting the last bullet point, which allows supervisors to take into account any other activities that the supervisor deems relevant in determining whether to require stress testing. As stated above, any required stress testing should be directly related to particular risk exposures that can realistically have a negative impact on financial stability and

			the broader economy through an identified transmission channel. Otherwise, this Guidance would go beyond what is necessary to achieve its purpose.
Q20 Comment on ComFrame Standard CF16.2.b			
142. Insurance Europe	Europe	No	The relationship between CF 16.2.b and CF 16.12.b is not clear as both require macroeconomic stress tests. Insurance Europe suggest merging both ComFrame elements.
143. EIOPA	European Union	No	N/A
144. Global Federation of Insurance Associations	Global	No	The relationship between CF 16.2.b and CF 16.12.b is not clear as both require macroeconomic stress tests. GFIA suggests merging both ComFrame elements. GFIA further notes that this requirement is overly prescriptive and undermines the principle of an ORSA and should thus be removed from 16.2.b.
145. International Actuarial Association	International	No	This ComFrame Standard focuses solely on the development of an EC model by the IAIG. It fails to comment on a significant omission in ICP 16.2.5 through 16.2.5.17. These guidance elements focus almost exclusively on internal models and fail to impose any duty on an insurer or group to understand the implications of the use of external models. The IAA highly recommends that this duty be added via a ComFrame element for IAIGs. The IAA notes that CF 16.7.d third bullet makes references only to « internal » models.
146. General Insurance Association of Japan	Japan	No	We would like to clarify that the phrase "the total balance sheet effects of macroeconomic stresses" means verifying the effects of macroeconomic stresses on the capital component of the balance sheet, and not the effects on each component of the balance sheet. If not, we suggest revising the sentence, "the resilience of its total balance sheet" to "the capital adequacy" in line with the description of "Stress testing" in the Glossary that it is "a method of solvency assessment".
147. Swiss Re	Switzerland	No	As per Q14 and Q16, we opine that the guidance should allow for company-specific scenario-based assessments conducted as part of e.g. the ORSA, thus ensuring the risk exposures are accounted for with the specificities of the insurer's business model and operation in mind.
148. Aegon NV	The Netherlands	No	The IAIS Glossary defines risk appetite as an aggregate measure. Consequently it is not clear what a counterparty "risk appetite" is. It is possible that "risk limits" should be used instead.

149. American Council of Life Insurers	U.S.	No	The terms "stress testing," "reverse stress testing," and "scenario analysis" are somewhat overlapping and do not always have clear boundaries as to the differences among them. The term "stress testing" can generally be viewed as an umbrella term which encompasses "reverse stress testing" and "scenario analysis." Therefore, to reduce potential ambiguity, we recommend using the term "stress testing" only.
150. American Property Casualty Insurance Association (APCIA)	USA	No	The Guidance requires an IAIG's risk management to include the "total balance sheet" effects of macroeconomic stresses. In other contexts, the term "total balance sheet" refers to balance sheets that utilize a market-adjusted valuation approach. As a result, the Guidance should clarify the meaning of "total balance sheet" in this context. In doing so, the Guidance should make clear that utilizing a market-adjusted valuation approach is not required and that IAIG's can utilize a valuation method that is consistent with jurisdictional requirements.
Q21 Comment on ComFrame Guidance CF16.2.b.2			
151. EIOPA	European Union	No	N/A
152. Institute of International Finance	Global	No	ICP 16.2.23 and ComFrame 16.2.b.2 enumerate specific activities that can give rise to accumulated macroeconomic exposure in the insurance sector. As we noted in our January 25, 2019 response to the IAIS consultation on the Holistic Framework, we acknowledge the need for careful risk management of these exposures but would caution against an overly reductive and product-driven macroprudential treatment of long-term products and investments that does not recognize differences in product characteristics and the ability of firms to mitigate risks through sound risk management policies, practices and controls. Focusing on one type of exposure or activity could result in a disproportionate emphasis on that exposure or activity, to the exclusion of other exposures or activities (particularly those that may be new to the market).
153. International Actuarial Association	International	No	We suggest amending the wording to say « …the impact of stresses on the value of guarantees… ».
154. General Insurance Association of Japan	Japan	No	The macroeconomic risk in general insurance products is mostly limited to inflation. For insurance groups whose core business is general insurance, the proportion of products that involve options vulnerable to macroeconomic risk and/or long-term minimum guarantees, is low and the degree of their vulnerability to macroeconomic stresses is relatively low. Supervisors should focus on insurance companies with high proportion of products that are vulnerable to macroeconomic stresses. For insurance groups whose core business is general insurance, a relatively simplified approach, such as limiting the scope of stress testing scenarios to inflation only, should be allowed based on proportionality.
155. Aegon NV	The Netherlands	No	The term "total balance sheet effects" should be clarified.

			First, we have a concern that this could effectively require recalculation of the PCR, effectively requiring the insurer to survive a multiple stresses. We would oppose such an outcome and note that, because it is part of ComFrame, it would create a non-level playing field between IAIGs and non-IAIGs. Second, it suggests that an IAIG should employ a fundamentally different risk measurement standard to macroeconomic risk than other types of risk. This could lead to confusion and detract from the value of the overall ERM framework.
156. American Council of Life Insurers	U.S.	No	We view the reference to guaranteed products or options embedded in insurance products as too narrowly focused; instead, the focus should be on any activity that generates counter-party exposure or liquidity risk with consideration given to how risks related to the activity is managed. The activity must also be considered from a cross-sectoral perspective as well. In addition, the term "total balance sheet effects" should be clarified. First, we have a concern that this could effectively require recalculation of the PCR, effectively requiring the insurer to survive multiple stresses. We would oppose such an outcome and note that, because it is part of ComFrame, it would create a non-level playing field between IAIGs and non-IAIGs. Second, it suggests that an IAIG should employ a fundamentally different risk measurement standard to macroeconomic risk than other types of risk. This would lead to confusion and detract from the value of the overall ERM framework.
Q22 Comment on Standard ICP 16.6			
157. Insurance Europe	Europe	No	The requirement to integrate credit risk appetite under an investment policy is too prescriptive. Insurers should have the flexibility to document their risk appetites in the manner that best fits their ERM framework, for example through including (credit) counterparty risk appetite alongside capital and liquidity risk appetite within an ERM policy.
158. EIOPA	European Union	No	N/A
159. Global Federation of Insurance Associations	Global	No	The requirement to integrate credit risk appetite under an investment policy is too prescriptive. Insurers should have the flexibility to document their risk appetites in the manner that best fits their ERM framework, for example through including (credit) counterparty risk appetite alongside capital and liquidity risk appetite within an ERM policy.
160. Institute of International Finance	Global	No	ICP 16.6 provides that the supervisor should require the insurer to include in its ERM framework an explicit investment policy that, as necessary, includes a counterparty risk appetite statement. We believe that insurers should have the flexibility to document their risk appetites in the manner that best fits their ERM framework, for example, by documenting the counterparty risk appetite alongside the capital and liquidity risk appetite in the ERM framework. Counterparty risk limits, which are appropriately included in an investment policy, are referenced in ICP 16.6.4. ICP 16.6.4 should note that counterparty risk limits should take into consideration counterparty collateral requirements. Exposure to a counterparty that is in a stressed financial position with robust collateral in place is very different than exposure to a stressed counterparty

			without those collateral arrangements. ComFrame 16.9.a.4 should include the likelihood of a stress or scenario materializing among the considerations for an IAIG in designing stresses. This consideration is important in the design of plausible scenario analyses and in prioritizing and allocating resources to stress testing and scenario analyses. A consideration of likelihood is consistent with ICP 16.2.1, which notes that the level of risk is a combination of the impact of the risk and the probability of the risk materializing. ComFrame 16.9.a.4 should also clarify the scope of stress testing and scenario analysis and the purposes for which those tests and analyses should be conducted. In line with our comment about the time horizon over which the insurer's particular liquidity needs are forecasted, ComFrame 16.9.b.4 should state that assets that the IAIG relies on for short-term liquidity should be unencumbered. Longer-term liquidity needs could be matched with encumbered assets under appropriate circumstances and with suitable review, controls and monitoring. The second bullet point under ICP 16.9 should include the words "in appropriate locations" at the end of the sentence for consistency with ComFrame 16.9.b. ICP 16.12 calls for the supervisor to require the insurer's ORSA to, as necessary, assess aggregate counterparty exposures and analyse the effect of stress events on material counterparty exposures through scenario analysis or stress testing. While we acknowledge the need to assess aggregate counterparty exposures and take into consideration the effect of stress events on material exposures, we do not believe that scenario analysis or stress testing is well suited to this assessment. We believe that risk limits, combined with a review of exposures both gross and net of reinsurance, represents what is feasible and reasonable to address counterparty risks. Insurers generally have limited information on counterparties and this information may change rapidly, rendering any scenario analysis or stress test obsolete.
161. International Actuarial Association	International	No	We have a comment on 16.5 (rather than 16.6) which we have made previously, in that CP 16.5 does not currently include the Actuarial Function along with other functions listed for their roles in ALM. Consistency of approach to ALM among all these functions is vital to ERM for solvency purposes. There is a reference to ALM in one of the bullets of CF 16.7e.2., but, the importance of ALM risk to an IAIG and the role of the group-wide actuarial function in its management might be better highlighted through the addition of a CF 8.5 addressing this role more directly. As also mentioned in our comment on ICP16.0.3 the terms used here are inconsistent. Moreover we would like to suggest to not to use the wordings ALM policy and investment policy, but to align this with the main risk types and to use market risk policy and counterparty risk policy as this is more consistent, aligned with the risk management areas and counterpart risk is broader than only investments (see also 16.6.11 where reinsurance is mentioned). In this grouping the requirements on ALM are part of the market risk policy.

162. The Geneva Association	International	No	The requirement to integrate counterparty risk appetite under an investment policy is too prescriptive. Insurers should have the flexibility to document their risk appetites in the manner that best fits their ERM framework, for example through including counterparty risk appetite alongside capital and liquidity risk appetite within an ERM policy
163. Aegon NV	The Netherlands	No	We believe it is a common industry practice to manage counterparty risk through risk limits and do not believe it should be necessary to require a formal risk appetite statement.
164. American Council of Life Insurers	U.S.	No	The focus of the IAIS' policy measures should be substance over form, and they should be written accordingly. The reference to a counterparty risk appetite statement being part of an investment policy is overly prescriptive. Insurers may responsibly address counterparty risk in a variety of ways, including through identifying counterparty risk limits within the investment policy and other relevant company policies. These limits may be designed to ensure that counterparty risk does not violate the firm's overall risk appetite without the risk appetite including a formal counterparty risk component.
165. Association of British Insurers	United Kingdom	No	The requirement to integrate counterparty risk appetite under an investment policy is too prescriptive. Insurers should have the flexibility to document their risk appetites in the manner that best fits their ERM framework, for example through including counterparty risk appetite alongside capital and liquidity risk appetite within an ERM policy.
166. CNA	USA	No	CNA believes that insurers should have the flexibility to document their risk appetites in the manner that best fits their ERM framework, for example, by documenting the counterparty risk appetite alongside the capital and liquidity risk appetite in the ERM framework. Counterparty risk limits, which are appropriately included in an investment policy, are referenced in ICP 16.6.4.
167. Liberty Mutual Insurance Group	USA	No	Many of the provisions in this ICP are overly prescriptive, such as the "explicit" components that should be in an insurer's investment policy, how to consider asset concentration, and the requirements regarding credit risk and counter-party risk. These are elements which should be subject to an insurer or IAIG's own risk appetite and not dictated by supervisors.
Q23 Comment on Guidance ICP 16.6.4			
168. EIOPA	European Union	No	N/A
169. Institute of International Finance	Global	No	ICP 16.6.4 should note that counterparty risk limits should take into consideration counterparty collateral requirements. Exposure to a counterparty that is in a stressed financial position with robust collateral in place is very different than exposure to a stressed counterparty without those collateral arrangements.
170. General Insurance	Japan	No	Asset concentration related to "Credit Rating" will not necessarily cause concentration risk if, for example, credit ratings of assets concentrate on high-ratings but the assets themselves are diversified. Therefore, we would like to clarify the asset concentration related to "Credit Rating" assume concentration on low rated assets.

Association of Japan			If so, "Credit Rating" should be replaced by "Low Credit Rating". If not, it could be misinterpreted to mean that invested assets must be diversified in terms of credit rating to include both high and low rated assets. In that case, "Credit Rating" should be deleted from this guidance.
171. Swiss Re	Switzerland	No	While this guidance on Investment Policy seems to adequately cover the different investment risks, it excludes other types of relevant risks such as for e.g. Credit & Surety risks. We would suggest broadening this definition to include other potential risks that may impact investments but do not relate to investment risks only. The investment policy should also consider asset maturity or asset maturity transformation risks when assessing asset concentration.
Q24 Comment on Guidance ICP 16.6.11			
172. EIOPA	European Union	No	N/A
173. Global Federation of Insurance Associations	Global	No	A key characteristic when assessing counterparties is collateral requirements and assessing exposure net of such requirements. A counterparty that is in a stressed financial position in the presence of robust collateral requirements is a very different exposure than one without such collateral requirements. Therefore, GFIA recommends adding a sentence at the end of the paragraph to indicate that an additional consideration should be the nature and amount of any collateral securing counterparty obligations.
174. Swiss Re	Switzerland	No	While we generally agree with the proposed systemic risk framework, certain capital market and other non-insurance activities may entail maturity transformation and expose insurers to market value variation of assets and/or hedges independent of liability values. Examples include securities lending with illiquid collateral reinvestment, or providing life insurance products with complex guarantee features. To be effective, the systemic risk framework should identify and adequately monitor and mitigate the risks caused by such activities. It is therefore imperative that, in a next step, the IAIS precisely defines the systemically risky activities and the conditions under which their potential for systemic risk can manifest itself. Policy measures should target the underlying activity to be maximally effective and avoid unintended consequences.
175. Aegon NV	The Netherlands	No	We believe it is a common industry practice to manage counterparty risk through risk limits and do not believe it should be necessary to require a formal risk appetite statement.
176. American Council of Life Insurers	U.S.	No	Again, the focus of the IAIS' policy measures should be substance over form, and they should be written accordingly. An insurer may responsibly address counterparty risk through limits expressed within its investment policy and elsewhere without the need for a formal counterparty risk appetite statement. The description of a counterparty risk appetite statement in this paragraph suggests the IAIS is conflating such a statement with the purpose counterparty risk limits.

			A key characteristic when assessing counterparties is collateral requirements and assessing exposure net of such requirements. A counterparty that is in a stressed financial position in the presence of robust collateral requirements is a very different exposure than one without such collateral requirements.
177. American Property Casualty Insurance Association (APCIA)	USA	No	Any collateral should be taken into account when assessing counterparties. A counterparty that is in a stressed financial position in the presence where there may be collateral held is in a very different position than one without such collateral. Therefore, we recommend adding a sentence at the end of the paragraph to indicate that an additional consideration should be the nature and amount of any collateral securing counterparty obligations.
Q25 Comment on Guidance ICP 16.6.12			
178. EIOPA	European Union	No	N/A
179. Swiss Re	Switzerland	No	In the sixth sentence, we suggest that IAIS explicitly adds "including non-banks and non-insurers market participants" after "financial sector counterparties". The full sentence would then read: "Particular attention should be paid to financial sector counterparties including non-banks and non-insurance market participants, as these counterparties may be more likely to contribute to the build-up of systemic risk."
180. American Council of Life Insurers	U.S.	No	The reference to a counterparty risk appetite statement being part of an investment policy is overly prescriptive. Insurers may responsibly address counterparty risk in a variety of ways, including through identifying counterparty risk limits within the investment policy and other relevant company policies. These limits may be designed to ensure that counterparty risk does not violate the firm's overall risk appetite without the risk appetite including a formal counterparty risk component.
Q26 Comment on ComFrame Standard CF16.6.b			
181. EIOPA	European Union	No	N/A
182. Global Federation of Insurance Associations	Global	No	This standard could require a centralized supervisory system that is not consistent with a legal-entity based system or with the way in which many potential IAIGs are supervised. Generally, GFIA agrees that best risk management practices should be utilized on an enterprise-wide basis. However, many potential IAIGs, do not have or need a "group-wide" supervisor specifically charged with regulating an intermediate or ultimate holding company and/or enterprise-wide insurance activity.

183. General Insurance Association of Japan	Japan	No	CF introduction 21 describes that "it does not create a one-size-fits all approach to IAIG supervision as, ultimately, what is important is that supervisors and IAIGs achieve the outcomes described by ComFrame". Therefore, the requirements in the group-wide investment policy should not be required in a uniform manner. Specifically, with regard to requirements regarding what should be addressed in the intra-group investment policy prescribed in CF16.6a, CF16.6b, and CF16.6.c, alternative approaches such as addressing them in other group-wide policies such as the risk management policy and addressing them at the individual entity level within the IAIG according to the nature of their businesses, the characteristics of their liabilities, their asset management systems, and their financial strength, etc., should be permitted. Also, it should be stated in the respective guidance. CF16.6.a states that the group-wide supervisor requires the Head of the IAIG to set criteria for investment quality and respond to low-quality investments. Based on the previous comment from the IAIS, we understand that this guidance does not intend to require IAIGs to create a uniform approach. CF16.6b states that the group-wide supervisor requires the Head of the IAIG to set limits to its investment assets as well as to identify levels of exposures in its group-wide investment policy. CF16.6.c states that the group-wide supervisor requires the Head of the IAIG to establish criteria for intra-group investments in its group-wide investment policy.
184. Swiss Re	Switzerland	No	Limits or requirements per se may not be the most effective method to manage the investment risk in this context. We propose to write: "…set limits, requirements, or guidelines…". In addition to asset concentration risk, we propose that "asset-liability risk" be explicitly mentioned. With regard to counterparty risk, we propose that IAIS facilitate a broader approach and change the second bullet FROM: "have a counterparty risk appetite statement." TO: "have adequate mechanisms in place to ensure the sound management of counterparty risk."
185. Aegon NV	The Netherlands	No	While we support required governance around asset concentration risk, including risk limits, we do not believe it is necessary to have a distinct counterparty risk appetite statement. The proposed guidance seems too specific in how counterparty risk exposure should be reflected in the risk governance of IAIGs.

186. American Council of Life Insurers	U.S.	No	The reference to a counterparty risk appetite statement being part of an investment policy is overly prescriptive. Insurers may responsibly address counterparty risk in a variety of ways, including through identifying counterparty risk limits within the investment policy and other relevant company policies. These limits may be designed to ensure that counterparty risk does not violate the firm's overall risk appetite without the risk appetite including a formal counterparty risk component.
187. American Property Casualty Insurance Association (APCIA)	USA	No	This standard could require the existence of a centralized supervisory system that is not consistent with a legal-entity based system or with the way in which many potential IAIGs are supervised. Generally, we agree that best risk management practices should be utilized on an enterprise-wide basis. However, many potential IAIGs, including in the U.S., do not have or need a "group-wide" supervisor specifically charged with regulating an intermediate or ultimate holding company and/or enterprise-wide insurance activity. The U.S. insurance system's "windows and walls" approach provides insurance regulators with the necessary tools to obtain key enterprise-wide and/or holding company information, including risk reporting, and the state insurance departments have in place the necessary processes and tools to coordinate and cooperate through supervisory colleges, crisis management groups, and through other mechanisms. Furthermore, the NAIC's Model Holding Company Act allows the lead state supervisor to address any issues that may arise in an insurance group.
Q27 Comment on ComFrame Guidance CF16.6.b.1			
188. EIOPA	European Union	No	N/A
189. General Insurance Association of Japan	Japan	No	With regard to the reference on "financial market", we assume that this criteria was added to capture concentrations on segments which cannot be captured by items such as "type of assets" or "geographic area". We would like to confirm whether there are any particular segments envisaged such as stock exchange. As we mentioned in our comments on ICP16.6.4, if the asset concentration related to "Credit Rating" assumes concentration on low rated assets, "Credit Rating" should be replaced by "Low Credit Rating". If not, it could be misinterpreted to mean that invested assets must be diversified in terms of credit rating to include both high and low rated assets. In that case, "Credit Rating" should be deleted from this guidance.
190. Swiss Re	Switzerland	No	This guidance states that concentration in a certain rating category should be avoided. We think this formulation is too prescriptive as it would entail that an insurer cannot choose to only invest in e.g. AAA rated category. The proposal further ignores that concentrations may occur across categories of investments, not only within rating categories. It is fair for the IAIS to account for lessons on ABS/MBS in the great financial crisis, but the wording should be improved to nuance possible implied restrictions like the one we outline.
191. Aegon NV	The Netherlands	No	The wording seems to suggest that an IAIG should avoid excessive concentrations in highly rated financial instruments, which seems incongruous with typical supervisory objectives.

192. Lloyd's of London	United Kingdom	No	The wording of this section states that IAIGs should avoid excessive concentrations in any particular "credit rating'. It is unclear what this means. It could be interpreted as requiring IAIGs to avoid holding too many high quality assets, which does not make sense.
Q28 Comment on ComFrame Guidance CF16.6.b.2			
193. EIOPA	European Union	No	N/A
194. General Insurance Association of Japan	Japan	No	As for the phrase "at the legal entity level", it is excessive to require an assessment of the asset concentration "at the legal entity level" in ComFrame, which is a group-wide level requirement. ComFrame should only include requirements at the group level. Therefore, we propose to revise the phrase as follows: at the group-wide level.
195. Aegon NV	The Netherlands	No	It is not clear why this guidance is directed only to IAIGs, when non-IAIG groups may have a similar size and level of complexity.
Q29 Comment on Standard ICP 16.7			
196. EIOPA	European Union	No	N/A
197. Institute of International Finance	Global	No	ComFrame 16.7.d.4 should replace the term "base assumptions" with "key or material assumptions," as assessing the consistency of each assumption used to derive technical provisions with each assumption used to derive capital requirements, economic capital models, or the forward-looking view in the ORSA would be unduly burdensome and unlikely to produce meaningful insights. In addressing the nature and amount of risks to be underwritten, the underwriting policy should also cover the analysis of the market risks including the unexpected rate changes and should also be added into ICP 16.7.4.
198. International Actuarial Association	International	No	It would be helpful to define in the Glossary what is meant in 16.7.e by an « actuarial analysis » Furthermore, we note that in ICP16.7 the wording underwriting risk and underwriting policy is used where in the risks oversight as mentioned in 16.0.3 the wording insurance risk is used. The requirements mentioned are then part of an insurance risk policy.
199. General Insurance	Japan	No	In case where underwriting policy, in particular those that concern practical matters related to the management of underwriting risks, risk transfer and claims payment, is required to be included in an insurer's ERM framework, flexibility of form and application should be permitted depending on the company's size, nature of their business, and their ERM

Association of Japan			position. We suggest deleting "interaction of the underwriting strategy with the insurer's reinsurance strategy and pricing" described in ICP16.7. The item is rather practical and is not necessarily a part of the ERM framework.
200. Aegon NV	The Netherlands	No	Although we consider that the relationship of insurance risks to macroeconomic exposure to be an important component of a robust ERM framework, we do not consider that it is necessary to specify that the underwriting policy must incorporate this relationship. The IAIS should avoid prescribing how different risks are governed within company ERM frameworks.
201. American Council of Life Insurers	U.S.	No	While we agree that product design should take into consideration the relationship between the product and macroeconomic conditions, we question how consideration of macroeconomic conditions could be introduced into the policy governing individual underwriting decisions in an actionable way. We suggest the expectation be clarified.
Q30 Comment on Guidance ICP 16.7.5			
202. EIOPA	European Union	No	N/A
203. General Insurance Association of Japan	Japan	No	Whether or not there are potential impacts on the financial position from correlated exposures between macroeconomic conditions and the insurance portfolio will differ depending on the product characteristics. Therefore, the phrase "if it is material" should be added.
204. Aegon NV	The Netherlands	No	Instead of this guidance, it may be more straightforward to add market/macroeconomic risk to the list of considerations in 16.7.4. It is worth noting that every insurance product includes some element of market/macroeconomic risk, since premiums are paid before claims are incurred.
205. American Council of Life Insurers	U.S.	No	While we agree that product design should take into consideration the relationship between the product and macroeconomic conditions, we question how consideration of macroeconomic conditions could be introduced into the policy governing individual underwriting decisions in an actionable way. We suggest the expectation be clarified. For example, although clauses related to rating trigger are considered contract options, we believe trigger clauses should be explicitly listed. One example is the right for a policyholder to surrender if the IAIG is downgraded below a stipulated rating.
206. CNA	USA	No	CNA submits that this guidance would require a complex and highly subjective analysis dependent on multiple assumptions and macroeconomic scenarios that could change frequently. Insurers operating across global markets would need to reflect macroeconomic conditions in each of the insurer's markets (and consider correlations across markets). Any such analysis, even if it could be conducted in a meaningful manner, likely would not produce actionable results that could be

			communicated and implemented in a timely manner for purposes of impacting an insurer's underwriting policy. We propose to delete ICP 16.7.5
207. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	The new text in Standard 16.7addresses "material relationship with macroeconomic conditions"; however, the idea of materiality is not carried through in the related guidance in 16.7.5. Suggest adding: "The underwriting policy should address the potential material impact on the insurer's financial position from correlations between macroeconomic conditions and the insurance portfolio..."
Q31 Comment on Standard ICP 16.8			
208. EIOPA	European Union	No	N/A
209. Global Federation of Insurance Associations	Global	No	Please refer to the response to Q1 and general comments on ICP 16.
210. American Council of Life Insurers	U.S.	No	See our comment above for Question 11 ("General Comment on revisions to ICP 16 and ComFrame integrated therein"). We generally support the proposed liquidity risk framework as described in this ICP.
211. Lloyd's of London	United Kingdom	No	Most of the material in this section appears to have been drafted with life insurance undertakings in mind, but non-life undertakings are not clearly excluded from the requirements set out. There is little point in non-life insurance undertakings considering most of the issues listed because they don't reflect non-life insurance business models. If the IAIS views liquidity risk as a real issue for non-life insurance, it should use its forthcoming Application Paper to explain precisely how this is, based on evidence of problems that have arisen in the non-life sector.
212. American Property Casualty Insurance Association (APCIA)	USA	No	Refer to our comments on Q1 and general comments on ICP 16.
Q32 Comment on Guidance ICP 16.8.1			

213. Insurance Europe	Europe	No	The expectations are too far-reaching for the moderate liquidity risk level of conventional insurance. Insurers´ business models differ fundamentally from banks´ business models. Insurers' investments are long term in character because they are backed mainly by long term liabilities. Therefore, it makes no sense to expect comprehensive analyses (like ability to monetise assets in each situation, characteristics of insurance contracts that may affect policyholder behaviour around lapse, withdrawal or renewal; contingent sources of liquidity). Further it is not clear why the analysis needs to be provided to the supervisor and how this duty relates to the liquidity risk management report (compare also comment on Question 36). In addition, policyholder behavior in a mass lapse event is not solely linked to contractual features. The whole ecosystem, including the retirement system, possible inheritance planning, avaibility of other financial products, etc. can provide disincentive or not to surrender. Insurance Europe would recommend deleting the guideline.
214. EIOPA	European Union	No	N/A
215. Global Federation of Insurance Associations	Global	No	Though it is clear that conventional insurers do not face liquidity concerns, where any insurer does have liquidity concerns the assumptions used in liquidity analysis are expansive, reflect the unique characteristics and experience of each insurer's liability mix, and involve a high degree of professional judgment. GFIA therefore suggests that where any insurer does present liquidity concerns the supervisors focus their assessments on the internal framework and practices governing the liquidity assumption review and development process rather than on the detailed assumptions themselves. The requirements are too far-reaching for the moderate liquidity risk level of conventional insurance. Insurers´ business models differ fundamentally from banks´ business models. Insurers investments are long term because they are backed by long term liabilities. Therefore, it makes no sense to expect comprehensive analysis (including the ability to monetise assets in each situation, characteristics of insurance contracts that may affect policyholder behaviour around lapse, withdrawal or renewal, and contingent sources of liquidity). Further it is not clear why the analysis needs to be provided to the supervisor and how this duty relates to the liquidity risk management report (compare also comment on Question 36). Furthermore, the policyholder behavior for mass lapse events is not solely linked to contracts' features. The whole ecosystem, including the retirement system, possible inheritance planning, availability of other financial products, etc. can provide disincentive or not to surrender. GFIA would recommend deleting the guideline.
216. Institute of International Finance	Global	No	With respect to ICP 16.8.1, we note that the assumptions used in an insurer's liquidity analysis are expansive, reflect the unique characteristics of the insurer's liability mix, and involve a high degree of judgment based on extensive management experience. We would therefore recommend that this ICP be reworded to focus supervisory attention on the internal framework and practices used in developing these assumptions, rather than on the assumptions themselves.
217. The Life Insurance	Japan	No	ICP16.8.1 states that "When analysing its liquidity profile, the insurer should assess the liquidity of both its assets and liabilities." While there is a possibility of having liquidity risk when an insurer holds low liquidity asset against high liquidity liability, if there is sufficient amount of high liquidity asset, it can be said that there is no source of liquidity risk.

Association of Japan			From this perspective, the wording that can be seen in ICP16.9.1, "These activities may contribute to systemic risk when not properly managed, for instance when funds received from short-term securities lending or repurchase agreements or balances from more liquid insurance products are invested in illiquid assets" should be explicitly incorporated in this ICP as well in the context of liquidity risk assessment.
218. Aegon NV	The Netherlands	No	It is not clear how the "report…to the supervisor" is intended to harmonize with the "liquidity risk management report" that is mentioned in ICP 16.9.
219. American Council of Life Insurers	U.S.	No	The assumptions used in liquidity analysis are expansive, reflect the unique characteristics and experience of each insurer's liability mix, and involve a high degree of professional judgment. We therefore recommend that supervisors focus their assessments on the internal framework and practices governing the liquidity assumption review and development process rather than on the detailed assumptions themselves.
220. American Property Casualty Insurance Association (APCIA)	USA	No	Though it is clear that traditional property casualty insurers do not face liquidity concerns, where any insurer does have liquidity concerns the assumptions used in liquidity analysis are expansive, reflect the unique characteristics and experience of each insurer's liability mix, and involve a high degree of professional judgment. We therefore suggest that where any insurer does present liquidity concerns the supervisors focus their assessments on the internal framework and practices governing the liquidity assumption review and development process rather than on the detailed assumptions themselves.
Q33 Comment on Guidance ICP 16.8.2			
221. EIOPA	European Union	No	N/A
Q34 Comment on Guidance ICP 16.8.3			
222. EIOPA	European Union	No	N/A
Q35 Comment on Guidance ICP 16.8.4			
223. EIOPA	European Union	No	N/A
Q36 Comment on Standard ICP 16.9			

224. Insurance Europe	Europe	No	Insurance Europe welcomes the use of stress testing as a useful tool in identifying where a real risk arises in the broader context of the whole risk management framework for an insurer. In relation to the second bullet point, the reference to "unecumbered high quality liquid assets' should be amended to "unecumbered liquid assets'. The quality of those assets should be determined by insurers' liquidity risk appetite and the time horizon which could - for example - permit lower-quality unencumbered liquid assets subject to appropriate haircuts and stresses and depending on the time horizons considered. This bullet point should also have "in appropriate locations" added to the end of the sentence so that it is consistent with CF16.9.b. The requirement of a more detailed liquidity management process is viewed very critically. This applies in particular to the requirements of a contingency funding plan and liquidity stress tests. The IAIS has not demonstrated why liquidity risk is assigned such a role within the holistic framework. An investigation of EIOPA concerning leading causes of insurers' failures and near misses, which comprises a sample of 180 affected insurance undertakings in 31 European countries from 1999 to 2016, also confirms that insurers' liquidity risk is of very limited systemic relevance (EIOPA 2018, Failure and near misses). Herein, EIOPA concludes that the financial crisis 2008 put a substantial amount of insurance undertakings and groups under severe financial distress and several insurers were affected. But this was attributable mainly to asset price losses, the interconnectedness with banks or, in general, evidence of weak governance. Liquidity shortfalls played a very limited role in the sector. In contrast, Central Banks had to massively provide liquidity to the banking sector via LTROs. Given the fact that liquidity risks played a very limited role in the European insurance industry as a whole during one of the largest financial crises in modern financial history it appears reasonable to assume that existing liquidity risk management processes should generally be sufficient to address what is generally characterized as a moderate level of liquidity risk. EIOPA conluded that "there is no evidence yet of material liquidity risk at macro level that would justify the development and implementation of binding liquidity requirements for insurers" (compare p 68, EIOPA 2018, Other potential macroprudential tools and measures to enhance the current framework). Besides, there could be potential side effects, e.g. opportunity costs would arise in case certain minimum requirements would be set, insurers could be compelled to invest in lower yielding liquid assets to comply with a coverage ratio instead of investing in less liquid, higher yielding assets etc.) Finally, it is unclear how contingency funding plans work and to what extent they impinge on pre-emptive recovery planning.
225. EIOPA	European Union	No	N/A
226. Global Federation of Insurance Associations	Global	No	Proportionality should be emphasized here as it seems excessive for many companies. Please refer to the response to Q1. Stress testing may be a useful tool in identifying where a real risk arises in the broader context of the whole risk management framework for an insurer.

			In relation to the second bullet point, the reference to "unencumbered high quality liquid assets' is subjective and should be amended to "unencumbered liquid assets'. The quality of those assets should be determined by insurers' liquidity risk appetite and the time horizon which could for example permit lower quality unencumbered liquid assets subject to appropriate haircuts and stresses and depending on the time horizons considered. This bullet point should also have "in appropriate locations' added to the end of the sentence so that it is consistent with CF16.9.b. The requirement of a more detailed liquidity management process is viewed very critically. This applies in particular to the requirements of a contingency funding plan and liquidity stress tests. The IAIS has not demonstrated why liquidity risk is assigned such a role within the holistic framework. Existing liquidity risk management processes should be considered largely sufficient to address what is generally a moderate level of liquidity risk in the insurance business. Besides, there could be potential side effects (e.g. opportunity costs would arise in case certain minimum requirements would be set and insurers could be compelled to invest in lower yielding liquid assets to comply with a coverage ratio instead of investing in less liquid, higher yielding assets etc.). Finally, it is unclear how contingency funding plans work and to what extent they impinge on pre-emptive recovery planning.
227. Institute of International Finance	Global	No	The reference to "unencumbered high-quality liquid assets" in the second bullet point under ICP 16.9 and ComFrame 16.9.b is unduly subjective and the reference to "high quality" should be removed. Whether or not a particular asset is acceptable should be determined in accordance with the insurer's liquidity risk appetite, which is set by senior management with board approval and oversight, and subject to supervisory review and discussion between management of the insurer and the supervisor. An insurer's liquidity risk appetite could, for example, permit the inclusion of certain assets subject to appropriate haircuts and stresses, depending on the time horizon over which the insurer's particular liquidity needs are forecasted. The use of the term "high quality" could also incent undue reliance on credit ratings, which have been shown to be unreliable under certain market conditions. Given that setting the company's liquidity risk appetite is a matter for senior management with board approval and oversight, the final sentence of ICP 16.9.5 should be deleted. ComFrame 16.9.a.4 should include the likelihood of a stress or scenario materializing among the considerations for an IAIG in designing stresses. This consideration is important in the design of plausible scenario analyses and in prioritizing and allocating resources to stress testing and scenario analyses. A consideration of likelihood is consistent with ICP 16.2.1, which notes that the level of risk is a combination of the impact of the risk and the probability of the risk materializing. ComFrame 16.9.a.4 should also clarify the scope of stress testing and scenario analysis and the purposes for which those tests and analyses should be conducted. In line with our comment about the time horizon over which the insurer's particular liquidity needs are forecasted, ComFrame 16.9.b.4 should state that assets that the IAIG relies on for short-term liquidity should be unencumbered. Longer-term liquidity needs could be matched with encumbered assets under appropriate circumstances and with suitable review, controls and monitoring.

			The second bullet point under ICP 16.9 should include the words "in appropriate locations" at the end of the sentence for consistency with ComFrame 16.9.b.
228. International Actuarial Association	International	No	Liquidity stress testing was already mentioned under ICP 16.8. In general, we wonder why for liquidity risk a distinction is made between "regular' and more detailed risk management, where this approach is also not used for the other risks covered in this ICP.
229. The Geneva Association	International	No	- The reference to "unencumbered high quality liquid assets' in the second bullet point under ICP16.9 is subjective and should be amended to reflect "unencumbered liquid assets'. The quality of those assets should be determined by the insurers liquidity risk appetite which could for example permit lower quality unencumbered liquid assets subject to appropriate haircuts and stresses and depending on the time horizons considered - The second bullet point should have "in appropriate locations' added to the end of the sentence so that it is consistent with CF16.9.b
230. General Insurance Association of Japan	Japan	No	As described in ICP 16.9.3, whether it is necessary to require more detailed liquidity risk management processes should be considered, taking into account the nature, scale and complexity of the insurer´s activities that lead to increased liquidity risk exposure. We recognize that the liquidity risk management processes described in this standard and the related guidance were added in light of the IAIS "Holistic Framework for Systemic Risk". To that extent, the liquidity management processes should be strengthened if it is determined based on the data collection by supervisors described in ICP 24 that there is systemic risk on an entity basis or on an activity basis. It is not desirable for all insurers/groups to be required to strengthen their processes uniformly. In addition, even if the insurer/group is determined to have systemic risk, the contents of the liquidity risk management processes should differ depending on the business model or the products of the insurer/group. Therefore, the four standards listed here should be provided as guidance. We understand that the content of a contingency funding plan is not necessarily limited to external funding and other measures such as assets sale or transfer between entities within the group can also be taken. We would like to clarify whether this understanding is correct. Lastly, if insurers are required to assess the effects of macroeconomic stress and counterparty exposures, ORSA report should be able to replace the reporting requirements on liquidity risk management report.
231. Swiss Re	Switzerland	No	The wording "more detailed" is unclear in the context of "necessary" information requirements. Therefore, we suggest deleting the word "more". In addition, "high quality" is open to interpretation and may vary from one institution to the other, e.g. liquidity haircuts.

			Therefore, we suggest deleting the term "high quality". Further, it is imperative that the IAIS differentiates between sources or amplifiers of systemic risk, on one hand, and recipients of systemic risk, on the other hand. Insurers may be exposed to risks by means of investment classes that are indispensable to insurance companies. Insurers are especially reliant on investments in fixed-income and often long-dated securities, bond and interest rate derivatives, as well as foreign currency instruments in order to offset long-term technical provisions for their asset-liability matching. Because insurers are bound to be dependent on the capital markets, they cannot avoid developments in the financial markets. Moreover, the measures to mitigate adverse developments are few. Contagion from the financial markets is a possible threat; and while resilience of insurers/the insurance sector is important, potential systemic risks are best addressed at the source.
232. Aegon NV	The Netherlands	No	It is not clear how the "liquidity risk management report" is intended to harmonize with the "report…to the supervisor" that is mentioned in ICP 16.8.1.
233. American Council of Life Insurers	U.S.	No	See our comment above for Question 11 ("General Comment on revisions to ICP 16 and ComFrame integrated therein"). We generally support the proposed liquidity risk framework as described in this ICP.
234. Association of British Insurers	United Kingdom	No	In relation to the first bullet point, we welcome the use of stress testing as a useful tool in identifying where a real risk arises in the broader context of the whole risk management framework for an insurer. However, the identification of systemic risk requires stress testing to be co-ordinated by the supervisor across the industry to ensure that consistent assumptions are used across insurers / groups in addition to the stress testing already done at firm or group level for micro-prudential analysis. The regular stress testing exercises that are already run by supervisors, with participation from firms, are an example of how this could be fulfilled. In relation to the second bullet point, the reference to "unecumbered high quality liquid assets' should be amended to "unecumbered liquid assets'. The quality of those assets should be determined by insurers' liquidity risk appetite and the time horizon which could for example permit lower quality unencumbered liquid assets subject to appropriate haircuts and stresses and depending on the time horizons considered. This bullet point should also have "in appropriate locations' added to the end of the sentence so that it is consistent with CF16.9.b.
235. Lloyd's of London	United Kingdom	No	The liquidity risk management processes that insurers will be required to establish as part of their ERM frameworks could be quite extensive. We question whether it is necessary for all insurers - non-life as well as life - to establish such processes. The principle of proportionality and regard for the nature, scale and complexity of risks would suggest a more focused approach.

236. American Academy of Actuaries	United States of America	No	We suggest adding a description of the term "high quality liquid asset." "High quality" could be identified as having a low risk of default. "Liquid" might consider the time horizon and price at which an asset could be sold. This common description might provide greater consistency in supervisory analysis.
237. American Property Casualty Insurance Association (APCIA)	USA	No	Proportionality should be emphasized here as it seems excessive for many companies. Please refer to our comments on proportionality in Q1.
Q37 Comment on Guidance ICP 16.9.1			
238. Insurance Europe	Europe	No	Insurance Europe does not believe it is appropriate to discredit activities such as repo, securities lending, derivatives or some insurance products in the way the IAIS proposes to do. Liquidity management should be considered at the company level, or at minimum within the legal boundaries to allow for cross-funding and not through a silo approach per activity, as long as an appropriate framework/governance is in place to manage risks inherent to such activity.
239. EIOPA	European Union	No	N/A
240. Global Federation of Insurance Associations	Global	No	In the third example of Guidance ICP 16.9.1, "insurance products that contain provisions that allow a policyholder to withdraw cash from the policy with little notice or penalty" is considered to have high likelihood of liquidity risk when assessing insurance liability liquidity. However, if this Guidance is applied, the scope of detecting material liquidity risk will be much wider than reality. Therefore, GFIA would request the revision of the third example by using a similar phrase that can be seen in the second bullet point of ICP16.8.1, where it says "characteristics of insurance contracts that significantly affect policyholder behavior around lapse, withdrawal or renewal." GFIA does not take the view that it is appropriate to discredit activities such as repo, securities lending, derivatives or some insurance products, the way the IAIS proposes to do. Liquidity management is to be considered at the company level, or at minimum within the legal boundaries to allow for cross-funding, and therefore not through a silo approach per "activity" as long as appropriate framework/governance are in place to manage risks inherent to such activity.
241. Institute of International Finance	Global	No	ICP 16.9.1 outlines examples of activities that could generate unexpected liquidity needs and then states that these activities may contribute to systemic risk. We note, firstly, that the actual liquidity risk of these activities will vary greatly based upon a variety of factors, including the specific attributes of insurance products with cash value. Secondly, while these activities do need to be managed carefully, the magnitude and impact of these activities across the sector would have to be considerable in order to damage the broader financial system or real economy. We would emphasize the need for careful management of these activities and delete the reference to these activities contributing to systemic risk.

242. The Life Insurance Association of Japan	Japan	No	On Liquidity risk: As the second example of activities that could generate unexpected liquidity needs, under ICP16.9.1, "securities financing transactions, including repurchase agreements and securities lending" are considered to have high liability liquidity in regard to insurance liability liquidity assessment. However, in paragraph 145 of the IAIS Public Consultation Document on Holistic Framework for Systemic Risk in the Insurance Sector published on Nov 14th 2018, securities lending transactions where re-hypothecation or reuse of collaterals is contractually explicitly prohibited were exempt from data collection for G-SIIs designation. Similarly, in cases where there is an unexpected liquidity needs, such as when the counterparty needs to urgently collect collateral, it will be possible to return such collaterals immediately. Therefore the LIAJ wishes to clarify that this will not be a source for systemic risk as there will be no need to sell low liquidity asset. As the third example under ICP16.9.1, "insurance products that contain provisions that allow a policyholder to withdraw cash from the policy with little notice or penalty" are considered to have high likelihood of liquidity risk when assessing insurance liability liquidity. However, if this Guidance is applied, the scope of insurance activities having significant liquidity risk will be much wider than reality. Therefore, the LIAJ would like to request revision of the third example by using a similar expression that can be seen in the second bullet point of ICP16.8.1, where it says "characteristics of insurance contracts that significantly affect policyholder behavior around lapse, withdrawal or renewal." If such evaluation of insurance products is based on the matrix described on Table 5 of Annex 1 in the November 2018 IAIS Public Consultation Document, it does not properly reflect the reality of the insurer's business and is not appropriate when considering the cliff effect. As mentioned in paragraph 4.24 of IAIS's Policy Document "Systemic Risk from Insurance Product Features (previously referred to as Non-traditional Non-insurance activities and products)" published on June 16th, 2016, the liquidity of surrender value should be assessed in a holistic manner considering various aspects such as the purpose of the insurance policies, existence of de-facto economic penalties embedded in high-guarantee rate products, characteristics of individual and group insurance policies, or existence of policyholder protection schemes and mechanisms, etc. In the case of Japan, there is a regulatory framework where once it is recognized that there is a possibility of significant disruption in the financial market and the financial system, the Deposit Insurance Corporation of Japan (DICJ) provides liquidity support to the broader financial sector including insurers. In assessing liquidity risk, we believe due consideration should be given to such framework contributing to mitigate systemic risk.
243. Swiss Re	Switzerland	No	As mentioned in Q24, it is imperative that, in a next step, the IAIS precisely defines the systemically risky activities. Examples include securities lending with illiquid collateral reinvestment, or providing life insurance products with complex

			guarantee features. Here, "securities lending and repurchase agreements" are used to illustrate one of the potential sources for unexpected liquidity needs as well as systemic risk contributors. However, we would like to emphasize that these types of activities are not considered per se as contributing to systemic risks, but do so only in conjunction with illiquid collateral reinvestment. We therefore propose that IAIS writes "securities lending and repurchase agreements with illiquid collateral reinvestment". --- Q24: While we generally agree with the proposed systemic risk framework, certain capital market and other non-insurance activities may entail maturity transformation and expose insurers to market value variation of assets and/or hedges independent of liability values. Examples include securities lending with illiquid collateral reinvestment, or providing life insurance products with complex guarantee features. To be effective, the systemic risk framework should identify and adequately monitor and mitigate the risks caused by such activities. It is therefore imperative that, in a next step, the IAIS precisely defines the systemically risky activities and the conditions under which their potential for systemic risk can manifest itself. Policy measures should target the underlying activity to be maximally effective and avoid unintended consequences.
244. American Council of Life Insurers	U.S.	No	It is important to acknowledge the need to account for a broad range of factors and considerations when assessing potential liquidity risk associated with the three examples provided (or other situations insurers/supervisors may encounter). For example, in the case of insurance products that contain provisions that allow policyholders to surrender for cash, the actual liquidity risk associated with the product will depend not just on the features of the insurance contract, but also on other factors including the purpose for which the product was purchased, the potential inability to reobtain coverage or price implications, and potential tax consequences, which will influence policyholder behavior.
245. Lloyd's of London	United Kingdom	No	The new wording of 16.9.1 is unclear. It suggests that liquidity risk comes into being ("is triggered") once an imbalance between liquidity sources and needs arises. Whilst it is true that the potential severity of liquidity risk increases as the imbalance between liquidity sources and needs expands (in a negative direction), the risk should be considered to be present at all times given the impossibility, in practical terms, of achieving perfect asset-liability liquidity matching on an ongoing basis. The wording also implies that any imbalance gives rise to liquidity risk, whereas a positive imbalance (abundant liquidity sources and low current liquidity needs) decreases (but does not extinguish) the risk. As such, wording along the following lines may be preferable: "Liquidity risk is present with varying degrees of materiality at all times, but increases as liquidity needs increase relative to liquidity sources, for example due to liquidity transformation".

246. American Academy of Actuaries	United States of America	No	These three examples of activities that could generate unexpected liquidity needs provided here are more relevant to the life insurance area. Some examples covering other areas of practice such as general insurance or health insurance might be helpful. We also suggest it would be helpful to add a new bullet regarding the underperformance of assets.
247. Northwestern Mutual	USA	No	The liquidity risk associated with cash value insurance products will vary widely based on attributes of the particular product, including attributes outside of the contract itself, such as the insurance purpose for which the product is purchased, potential loss of insurability, and tax consequences upon surrender. Accordingly, we suggest adding language to Guidance ICP 16.9.1 acknowledging that the actual liquidity risk of the identified activities will vary greatly based upon a variety of factors, including the specific attributes of insurance products with cash value.
Q38 Comment on Guidance ICP 16.9.2			
248. Insurance Authority (IA)	China, Hong Kong	No	Suggest the following revision to provide clarity on the sentence: "Detailed liquidity risk management processes are intended to help insurers with its risk management." (replacing "The more detailed liquidity risk management processes to address liquidity risk are intended to help the insurer with its risk management.")
249. EIOPA	European Union	No	N/A
250. Global Federation of Insurance Associations	Global	No	Proportionality should be emphasized here; please refer to the response to Q1. The definition of a "contingency funding plan" is not clear. This could be quite burdensome for many companies.
251. International Actuarial Association	International	No	This principle seems an explanation of why liquidity risk management is important, and we wonder if this should be part of an ICP.
252. American Property Casualty Insurance Association (APCIA)	USA	No	The Guidance should make clear that any required liquidity stress testing should be directly related to particular risk exposures that can realistically have a negative impact on financial stability and the broader economy through an identified transmission channel. This focus is particularly important when determining whether non-life insurers should be required to undergo stress testing. Non-life insurers' cash flows reflect the simple fact that claims are payable only when due to claimants under the underlying insurance policy after investigation and, for liability claims, after settlement negotiations. Claimants have no right to be paid

			on demand. Moreover, covered events triggering significant property-casualty insurance liabilities (e.g., hurricanes, wildfires, etc.) are rarely, if ever, correlated to risks in the broader financial system, with the resulting claims payments occurring over months, quarters, and for the largest events, years. By contrast, for other types of insurers cash flows can be significantly impacted by macroprudential factors such as changes in interest rates and yield curves. Therefore, the stadard should recognize that traditional non-life insurance activities are not a significant source of systemic risk and therefore liquidity stress testing for non-life insurers would provide limited value to supervisors in this context, unless a company is engaged in an activity with a material exposure to liquidity risk. In addition, proportionality should be emphasized here; please refer to our comments on proportionality in Q1. The definition of a "contingency funding plan" is not clear. This could be quite burdensome for many companies.
253. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	The "more detailed liquidity risk management processes" in Standard 16.9 is in relation to Standard 16.8 which "requires the insurer's ERM framework to address liquidity risk and to contain strategies, policies and processes to maintain adequate liquidity". However, a reader who has not been involved in drafting this work may not easily make the association, so it may be helpful to add something more explicit to make it clear what the "more" is referring to. Suggest adding the following as a new first sentence to Guidance 16.9.2: "Some insurers require more detailed liquidity risk management processes as compared to those processes set out in Standard 16.8."
Q39 Comment on Guidance ICP 16.9.3			
254. EIOPA	European Union	No	N/A
255. American Council of Life Insurers	U.S.	No	In addition to the characteristics of insurance contracts that may affect policyholder behavior around lapse, withdrawal, or renewal, other factors also often contribute to the low liquidity risk of certain cash value products, including the purpose for which the product was purchased, the potential inability to reobtain coverage or price implications, and potential tax consequences.
256. American Academy of Actuaries	United States of America	No	We suggest adding insurance market and region to the examples: "Increased liquidity risk exposure [delete 'may'; insert 'could'] depend on, for example, the magnitude of potential collateral or margin calls from derivatives or other transactions, the use of securities financing transactions [insert ',' ; delete 'or'] the characteristics of insurance contracts that may affect policyholder behavior around lapse, withdrawal or renewal, [insert 'or the particular insurance market and region where the company is exposed/targeting that may affect policyholder's behavior.']" *Bracketed materials signify an Academy suggested addition/deletion.

Q40 Comment on Guidance ICP 16.9.4			
257. EIOPA	European Union	No	N/A
258. Global Federation of Insurance Associations	Global	No	Although GFIA agrees that certain situations or the nature of insurance portfolios could lead supervisors to increase or decrease intensity, the guidance is too vague on the criteria that should be utilized to inform such judgement. GFIA recommends inclusion of criteria and examples that could lead to such situations.
259. American Council of Life Insurers	U.S.	No	Although we agree that certain situations or the nature of insurance portfolios could lead supervisors to increase or decrease intensity, the guidance is too vague on the criteria that should be utilized to inform such judgement. We recommend deleting this section, as elsewhere it is made clear that the liquidity analysis will necessarily vary among insurers based upon complexities and other factors.
260. American Property Casualty Insurance Association (APCIA)	USA	No	Although we agree that certain situations or the nature of insurance portfolios could lead supervisors to increase or decrease intensity, the guidance is too vague on the criteria that should be utilized to inform such judgement. We recommend inclusion of criteria and examples that could lead to such situations.
Q41 Comment on Guidance ICP 16.9.5			
261. Insurance Europe	Europe	No	HQLA is a banking concept which is mainly used to measure if a bank has sufficient high-quality liquid assets (HQLA) to survive a significant stress scenario lasting for 30 days. Insurance Europe does not believe this is relevant to the insurance business. Cash flow patterns in case of stress over 30 days in the banking sector justify such considerations, whereas insurance stresses are in their vast majority unwinding beyond this time horizon, and do not call for similar or identical consideration regarding assets' liquidity. Due to the longer horizon, cash flows generated by assets (e.g. coupons, redemptions, dividends, rents) are also important to face liquidity engagements in stressed situations. HQLA relies on a pure asset liquidation basis in a very short-term time horizon and is obviously not consistent with insurance time horizons. In addition, such strict bucket approaches should be avoided. It would conflict with principle and risk-based frameworks such as SII where investments and ALM are not pre-judged.

262. EIOPA	European Union	No	N/A
263. Global Federation of Insurance Associations	Global	No	It is not clear who would determine what constitutes a "high quality asset". GFIA takes the view that it should be left up to the company, subject potentially to supervisory review. HQLA is a banking concept which is mainly used to measure if a bank has sufficient high-quality liquid assets (HQLA) to survive a significant stress scenario lasting for 30 days. GFIA does not take the view that this is relevant to insurance business. Cash flow patterns in case of stress, over 30 days in the banking approach, justifies such consideration, whereas insurance stresses are in their vast majority unwinding beyond this time horizon, and do not call for similar or identical consideration regarding assets' liquidity. Due to the longer horizon, cash flows generated by assets (e.g. coupons, redemptions, dividends, rents) are also important to face liquidity engagements in stressed situation. HQLA relies on a pure asset liquidation basis in a very short-term time horizon and is obviously not consistent with insurance time horizons. In addition, such strict bucket approaches should be avoided. It would conflict with principle and risk-based frameworks such as SII where investments and ALM are not pre-judged.
264. The Geneva Association	International	No	The final sentence should be deleted as it would not be appropriate for supervisors to develop their own general criteria for high quality liquid assets. The approach to the quality of liquid assets should be determined by an insurers liquidity risk appetite statement, and not be specified by supervisors
265. Swiss Re	Switzerland	No	As per Q36, "high quality" may not be defined consistently across insurers and may bear different meanings from one institution to the other. Also, it may be difficult for Supervisors to define "high quality" characteristics and instead we would strongly recommend the IAIS relies on insurers´ own criteria rather than develop new ones. Therefore, we suggest deleting "high quality" in the second last sentence and deleting the last sentence entirely.
266. Association of British Insurers	United Kingdom	No	The final sentence should be deleted as it would not be appropriate for supervisors to develop their own general criteria for high quality liquid assets. The approach to the quality of liquid assets should be determined by an insurer's own liquidity risk appetite statement (which is already shared with supervisors in the UK context) and not be specified by supervisors.
267. American Property Casualty Insurance Association (APCIA)	USA	No	It is not clear who would determine what constitutes a "high quality asset". We believe it should be left up to the company, subject potentially to supervisory review.
Q42 Comment on ComFrame Standard CF16.9.a			

268. EIOPA	European Union	No	N/A
269. Global Federation of Insurance Associations	Global	No	During the stakeholder session it seemed as though stress testing is to be done by the insurer for the benefit of the insurer. Yet this provision gives great power to the supervisor.
270. International Actuarial Association	International	No	The CF additions contain many more detailed explanations and requirements on stress testing, high quality liquid assets, contingency funding plan and reporting which are also applicable to solo entities and we therefore wonder why this is not included in 16.9.
271. The Life Insurance Association of Japan	Japan	No	The group-wide supervisor requires the Head of the IAIG to conduct stress tests against "severe but plausible liquidity stresses." Is it correct to assume that individual insurers can determine the stress scenario under the stress test?
272. Swiss Re	Switzerland	No	This comment applies to the entirety of 16.9.a-d (liquidity in ComFrame). In CF 16.9.c.3 and 16.9.d.2 references are made to quantitative liquidity metrics. In line with our comments for the Consultation on the Holistic Framework in January 2019, we instead suggest to introduce a liquidity gap analysis. We believe this is a more appropriate tool for the management of liquidity risk in insurance, as it projects the liquidity situation of an insurer over time (short, medium and long term). The liquidity gap analysis should capture the levels of liquidity over time and account for the specificities of the firm's business model and its treasury operations, in accordance with the overall approach to ERM in a given jurisdiction. We do not support the banking sector liquidity ratios (NSFR and LCR) as they are not adapted to the insurance business model. In addition, while these ratios appear simple on the surface, they are informed by a significant range of data points.
273. American Property Casualty Insurance Association (APCIA)	USA	No	During the stakeholder session it seemed as though stress testing is to be done by the insurer for the benefit of the insurer. Yet this provision gives great power to the supervisor. We also refer the IAIS to our comments in Question 74 on the inappropriateness of liquidity testing for property casualty (non-life) insurers.
274. National Association of Insurance	USA, NAIC	No	CF 16.9a states: "The group-wide supervisor requires the Head of the IAIG to assess the IAIG's resilience against severe but plausible liquidity stresses to determine whether current exposures are within the IAIG's liquidity risk appetite." However, most of the guidance provided under this standard focuses on stress testing. In order to help show that there are other tools available to perform the assessment, suggest adding to the guidance under CF 16.9a: "The liquidity assessment should

Commissioners (NAIC)			consider results of additional tools such as various liquidity metrics, analysis of cash flow statements, cash flow projections as well as the level of readily available liquid assets."
Q43 Comment on ComFrame Guidance CF16.9.a.1			
275. Insurance Authority (IA)	China, Hong Kong	No	A Typo. Should read: "Forward-looking"
276. EIOPA	European Union	No	N/A
Q44 Comment on ComFrame Guidance CF16.9.a.2			
277. EIOPA	European Union	No	N/A
Q45 Comment on ComFrame Guidance CF16.9.a.3			
278. EIOPA	European Union	No	N/A
279. Aegon NV	The Netherlands	No	Caution should be exercised around supervisory suggestions or requirements for IAIGs to run specific liquidity scenarios. Multiple liquidity scenarios can easily become operationally burdensome.
Q46 Comment on ComFrame Guidance CF16.9.a.4			
280. EIOPA	European Union	No	N/A
281. The Geneva Association	International	No	CF 16.9a.4 seems too detailed and prescriptive. We believe this level of detail would be better placed in an application paper, not least as the proposed revisions, particularly on stress testing, are already quite detailed
282. American Council of Life Insurers	U.S.	No	The considerations do not mention the likelihood or probability of a scenario occurring, which is a key consideration. When performing stress testing, consideration needs to be given as to the reasonability of the scenario. For example, many insurers would fail stress tests if rates fell to negative 10%, but this would not be considered a plausible scenario at any confidence interval. The guidance should state that the IAIG may incorporate probabilities (and vary these probabilities) so as to achieve difficult but not impossible stresses.
Q47 Comment on ComFrame Guidance CF16.9.a.5			

283. EIOPA	European Union	No	N/A
284. The Geneva Association	International	No	CF 16.9a.5 seems too detailed and prescriptive. We believe this level of detail would be better placed in an application paper, not least as the proposed revisions, particularly on stress testing, are already quite detailed
Q48 Comment on ComFrame Guidance CF16.9.a.6			
285. EIOPA	European Union	No	N/A
286. General Insurance Association of Japan	Japan	No	Whether the IAIG is vulnerable to the liquidity risk depends on its business model. While we understand to some extent the necessity to determine its net stressed cash outflows, as described in our comments on Q11, the guidance should be applied in a proportionate manner and allow difference in the granularity of the evaluation.
Q49 Comment on ComFrame Standard CF16.9.b			
287. Insurance Europe	Europe	No	The standard to maintain an adequate level of unencumbered liquid assets should be applied in a proportionate manner and should depend on the risk profile of each IAIG (compare also comment on Q32 and Q36). This requirement also exceeds the prudent person principle and gives too much power to supervisors on the asset mix of IAIGs. The reference to "unecumbered high quality liquid assets' should be amended to "unecumbered liquid assets'. The quality of those assets should be determined by insurers' liquidity risk appetite and the time horizon which could - for example - permit lower-quality unencumbered liquid assets subject to appropriate haircuts and stresses and depending on the time horizons considered.
288. EIOPA	European Union	No	N/A
289. Global Federation of Insurance Associations	Global	No	It is not clear who would determine what constitutes a "high quality asset". GFIA is of the view that it should be left up to the company, subject potentially to supervisory review. The standard to maintain an adequate level of unencumbered high quality liquid assets should not be mandatory for all IAIGs but should depend on the risk profile (compare also comment on Q32 and Q36). The reference to "unencumbered high quality liquid assets' should be amended to "unencumbered liquid assets'. The quality of those assets should be determined by insurers' liquidity risk appetite which could for example permit lower quality unencumbered liquid assets subject to appropriate haircuts and stresses and depending on the time horizons considered.

290. The Geneva Association	International	No	The reference to "unencumbered high quality liquid assets' in CF16.9.b is subjective and should be amended to reflect "unencumbered liquid assets'. The quality of those assets should be determined by the insurers liquidity risk appetite which could for example permit lower quality unencumbered liquid assets subject to appropriate haircuts and stresses and depending on the time horizons considered
291. General Insurance Association of Japan	Japan	No	As described in our comments on Q1, the application of this standard should not be decided on whether or not the insurer is an IAIG, but if it is a group/insurer with significant exposures that may potentially lead to a systemic impact.
292. Swiss Re	Switzerland	No	As per Q36 and Q41, we consider that the concept of high-quality liquid assets (HQLA) stems from the banking world and is not universally accepted. Accordingly, we suggest to remove the reference "high-quality" to keep the definition as at "unencumbered liquid assets". In addition, the term "locations" may be misinterpreted as it could refer to a number of meanings such as legal entities, jurisdictions or institutions such as banks. In case the IAIS has a specific meaning in mind, we would recommend to hereby specify it.
293. Association of British Insurers	United Kingdom	No	The reference to "unecumbered high quality liquid assets' should be amended to "unecumbered liquid assets'. The quality of those assets should be determined by insurers' liquidity risk appetite which could for example permit lower quality unencumbered liquid assets subject to appropriate haircuts and stresses and depending on the time horizons considered.
294. American Property Casualty Insurance Association (APCIA)	USA	No	It is not clear who would determine what constitutes a "high quality asset". We believe it should be left up to the company, subject potentially to supervisory review.
Q50 Comment on ComFrame Guidance CF16.9.b.1			
295. EIOPA	European Union	No	N/A
Q51 Comment on ComFrame Guidance CF16.9.b.2			
296. EIOPA	European Union	No	N/A

Q52 Comment on ComFrame Guidance CF16.9.b.3			
297. EIOPA	European Union	No	N/A
Q53 Comment on ComFrame Guidance CF16.9.b.4			
298. EIOPA	European Union	No	N/A
Q54 Comment on ComFrame Guidance CF16.9.b.5			
299. EIOPA	European Union	No	N/A
300. General Insurance Association of Japan	Japan	No	Even if the IAIG holds a portfolio of high-quality liquid assets of a certain size, unless the IAIG "holds a considerable share of the market", it will not necessarily be subject to a large loss due to the inability to monetize its assets as planned. Therefore, it is not necessary to require "its portfolio of high-quality liquid assets is sufficiently diversified". Therefore, the first sentence "The Head of the IAIG should ensure that its portfolio of high-quality liquid assets is sufficiently diversified. This may include looking through to the underlying assets to determine the extent of concentration risk" should be deleted.
301. Aegon NV	The Netherlands	No	The guidance references a "portfolio" (singular) of high quality liquid assets. We believe that, as long as the assets can be clearly identified and demonstrated to be unencumbered, it should be possible to spread them over multiple portfolios.
Q55 Comment on ComFrame Guidance CF16.9.b.6			
302. EIOPA	European Union	No	N/A
Q56 Comment on ComFrame Guidance CF16.9.b.7			
303. EIOPA	European Union	No	N/A
304. International Actuarial Association	International	No	The requirement that "The Head of the IAIG should ensure that liquidity is available to legal entities within the group when needed" should be amended to be applicable "in reasonably foreseeable circumstances in accordance with its stated risk appetite"

305. Swiss Re	Switzerland	No	As noted in our comment in Q1, ComFrame should in general better account for the different approaches to capital and liquidity management within insurance groups, and their resulting group-wide supervisory practices. In particular, the ability of insurance groups to pool liquidity to the benefit of the whole group (and not at the expense of entities) should be fairly accounted for. That is, both the entity view and the group views and their interplay need to be accounted for regarding liquidity. Group liquidity management needs to account for the entities, and the entity liquidity management needs to adequately account for liquidity pooling at the group. Therefore, we suggest the following revision to the guidance: "Liquidity is not always freely transferable within a group when needed. For insurance groups that pool liquidity, the Head of the IAIG should ensure that liquidity is available to legal entities within the group when needed, subject to any applicable legal, regulatory or operational constraints, including cross-border constraints, and the legal entities should participate in the pooling mechanism in support of the group in accordance with applicable legal, regulatory or operational constraints."
Q57 Comment on ComFrame Guidance CF16.9.b.8			
306. EIOPA	European Union	No	N/A
Q58 Comment on ComFrame Standard CF16.9.c			
307. Insurance Europe	Europe	No	The standard to maintain a contingency funding plan should be applied in a proportionate manner and should depend on the risk profile of each IAIG (compare also comment on Q32 and Q36).
308. EIOPA	European Union	No	N/A
309. Global Federation of Insurance Associations	Global	No	Again, the definition of "contingency funding plan" is not clear. How is it drafted, by whom and is it a free standing or included in other documents? The standard to maintain a contingency funding plan should not be mandatory for all IAIGs but should depend on the risk profile (compare also comment on Q32 and Q36).
310. General Insurance Association of Japan	Japan	No	As described in our comments on Q1, the application of this standard should not be decided on whether or not the group/insurer is an IAIG, but on if it is a group/insurer with significant exposures that may potentially lead to a systemic impact. As we commented in ICP16.9, we understand that the content of a contingency funding plan is not necessarily limited to

			funding and other measures such as assets sale and transfer between entities within the group can also be taken. We would like to clarify whether this understanding is correct.
311. American Property Casualty Insurance Association (APCIA)	USA	No	The definition of "contingency funding plan" is not clear. How is it drafted, by whom and is it free standing or included in other documents?
Q59 Comment on ComFrame Guidance CF16.9.c.1			
312. Insurance Authority (IA)	China, Hong Kong	No	Editing comment. Suggest to add "full stop" after "IAIG's contingency funding plan requirements".
313. EIOPA	European Union	No	N/A
Q60 Comment on ComFrame Guidance CF16.9.c.2			
314. EIOPA	European Union	No	N/A
315. Institute of International Finance	Global	No	ICP 16.0.9 should note that contingency plans should provide a set of plausible options to a company to limit business disruption and losses resulting from an adverse financial event or operational event. The exact course of action to be taken under a contingency plan depends upon the nature, timing and impact of the event and cannot be determined in advance. Management should have the discretion and flexibility to take the course of action it deems most appropriate under the circumstances, coordinating with the insurer's primary or group supervisor. The foregoing comment is also relevant to, and should be reflected in, ComFrame 16.9.c.2, ICP 16.15 and ComFrame 16.15.a.
316. General Insurance Association of Japan	Japan	No	When the IAIG is managing funds in a way that can maintain liquidity even under the probable worst-case stress scenarios, the IAIG does not necessarily need to detail the strategies for addressing liquidity shortfalls in stress situations. Therefore, this guidance should be revised as follows: In case where there are liquidity shortfalls in stress situations, a contingency funding plan should detail the strategies including the methods that the IAIGs would use to access alternative sources of funding.

Q61 Comment on ComFrame Guidance CF16.9.c.3			
317. EIOPA	European Union	No	N/A
318. American Academy of Actuaries	United States of America	No	We propose adding the regulatory restrictions: "A contingency funding plan should include quantitative metrics that the IAIG would use to identify a liquidity stress event, including the level and nature of the effect it would have on the IAIG's liquidity position [insert 'reflecting the regulatory restrictions of the relevant host regulatory authority'] and on sources of available funding." *Bracketed materials signify an Academy suggested addition/deletion.
Q62 Comment on ComFrame Guidance CF16.9.c.4			
319. EIOPA	European Union	No	N/A
Q63 Comment on ComFrame Guidance CF16.9.c.5			
320. EIOPA	European Union	No	N/A
321. The Life Insurance Association of Japan	Japan	No	In Guidance CF16.9.c.5, it states that "the IAIG's contingency funding plan can be developed as part of a recovery plan." Can the liquidity stress test also be developed as part of a recovery plan as well?
Q64 Comment on ComFrame Standard CF16.9.d			
322. Insurance Authority (IA)	China, Hong Kong	No	Propose to clarity that reporting is to the group-wide supervisor.
323. EIOPA	European Union	No	N/A
324. The Geneva Association	International	No	It is mentioned that the group-wide supervisor shall require the Head of the IAIG to report, at least annually, on its management of liquidity risk (CF 16.9.d). We assume that this reporting is not meant to imply any kind of public disclosure. We urge that this to be clearly specified.

			Any public disclosure without proper context could be misleading to both investors and policyholders.
325. General Insurance Association of Japan	Japan	No	As described in our comments on Q1, the application of this standard should not be decided on whether or not the group/insurer is an IAIG, but on if it is a group/insurer with significant exposures that may potentially lead to a systemic impact. As stated in CF16.9.d.1, there are cases where it is deemed sufficient if the group-wide supervisor can obtain the necessary information in effect through other reports and data. Therefore, this standard should be revised as follows: CF 16.9.d. The group-wide supervisor requires the Head of the IAIG to report, at least annually, on its management of liquidity risk. The report may be substituted with other forms of information provided by the IAIG, which includes items such as the following: In addition, reference to "liquidity risk limits" in the second bullet should be deleted or replaced with other terms such as "quantitative management". In general, liquidity risk is not compatible with the concept of "risk amount" which assesses impact on capital, and is calculated statistically. Further, when the Head of the IAIG is required to assess and report the macroeconomic stress and the impact of counterparty risk, the ORSA should be able to replace the report on its management of liquidity risk.
326. The Life Insurance Association of Japan	Japan	No	Regarding Liquidity Risk Management Reporting: In CF16.9.d, the Head of IAIG is required to include "at least" 6 items in its annual liquidity risk management report to the group-wide supervisor. However, the content of the liquidity risk management plan should be determined based on each individual insurer's different risk profiles and should be indicated as illustrative examples by adding words such as "for example." For example, as the 5th item to be reported under CF16.9.d, "a discussion of potential vulnerabilities in the IAIG's liabilities as well as the means of enhancing the liquidity position" is required to be included. However, it is inappropriate to require such item because, in general, this is not customary practice of liquidity risk management and it is unclear how to specifically include such "discussions" in the report.
327. Swiss Re	Switzerland	No	It is possible for a liquidity framework to be based on limits only and not rely on explicit risk appetite statements. Therefore, we would recommend the IAIS to make this standard less prescriptive and combine the conditions listed in the first and second bullets. Rather than list separately "a liquidity risk appetite statement" and "established liquidity risk limit" we would suggest to merge both bullets into one that would read:

			"established liquidity risk limits and/or a liquidity risk appetite statement".
328. Aegon NV	The Netherlands	No	The standard requires the Head of the IAIG to report, at least annually, on its management of liquidity risk (CF 16.9.d). We assume that this reporting is to the supervisor rather than the general public and request that this be clarified.
Q65 Comment on ComFrame Guidance CF16.9.d.1			
329. EIOPA	European Union	No	N/A
330. International Actuarial Association	International	No	In the last sentence reference is made to "other risk management policies and/or the ORSA report'. We suggest this is amended to "other risk management policies, risk reporting and/or the ORSA report.'
Q66 Comment on ComFrame Guidance CF16.9.d.2			
331. EIOPA	European Union	No	N/A
Q67 Comment on Standard ICP 16.12			
332. EIOPA	European Union	No	N/A
333. Global Federation of Insurance Associations	Global	No	A reference to proportionality here would be appreciated as well as examples of criteria for determining "as necessary".
334. Institute of International Finance	Global	No	ICP 16.12 calls for the supervisor to require the insurer's ORSA to, as necessary, assess aggregate counterparty exposures and analyse the effect of stress events on material counterparty exposures through scenario analysis or stress testing. While we acknowledge the need to assess aggregate counterparty exposures and take into consideration the effect of stress events on material exposures, we do not believe that scenario analysis or stress testing is well suited to this assessment. We believe that risk limits, combined with a review of exposures both gross and net of reinsurance, represents what is feasible and reasonable to address counterparty risks. Insurers generally have limited information on counterparties and this information may change rapidly, rendering any scenario analysis or stress test obsolete.

335. General Insurance Association of Japan	Japan	No	A prescriptive requirement on the insurer's ORSA process could result in constraining the insurer's ability to design appropriate stress scenario and diminishing the effect of the ORSA to assess the insurer's own risk. Therefore, this standard should be revised as follows: · encompass all reasonably foreseeable and relevant material risks including items such as insurance, credit, market, concentration, operational and liquidity risks and (if applicable) group risk; and Counterparty exposure could be assessed by methods other than stress test such as credit management. Therefore, the fourth bullet should be deleted or amended to allow for methods other than stress tests and stated as guidance provisions.
336. Swiss Re	Switzerland	No	The standard remains too directional and includes items that make the ORSA a prescriptive exercise. The ORSA should remain a reflection of an insurer's own risk and solvency assessment. For insurance groups, this includes also allowing the ORSA to be reflective of the overall group structure and steering mechanisms. In particular, for groups who centrally manage capital and liquidity, a group ORSA should be the basis for any local ORSAs, and supervisors should avoid onerous requirements that hinder consistency between Group and local ORSAs.
337. Aegon NV	The Netherlands	No	While we support and employ counterparty risk limits, we do not consider stress testing to be an essential or even necessarily useful tool in the context of counterparty risk.
338. American Academy of Actuaries	United States of America	No	Explicit Own Risk and Solvency Assessment (ORSA) consideration of non-macroeconomic stresses which also contribute to the volatility in sources or uses of cash is needed. Possible additional wording to the third bullet is provided below: "assess the insurer's resilience against severe but plausible macroeconomic stresses [insert 'or other drivers of volatility in the sources or uses of cash'] through scenario analysis or stress testing; and" *Bracketed materials signify an Academy suggested addition/deletion.
Q68 Comment on Guidance ICP 16.12.3			
339. EIOPA	European Union	No	N/A
340. Aegon NV	The Netherlands	No	It is important for the ORSA to remain an "own" assessment in order to avoid creating improper risk management assessments.
341. American Academy of Actuaries	United States of America	No	In the following proposed paragraph, the asset allocation mechanism may not need to be limited to the automatic asset allocation mechanism. We suggest adding the same language proposed for 16.12 (Q 67) in 16.12.3 to expand the macroeconomic exposure to cover other drivers:

			"In deciding whether it is [delete 'necessary to require'; insert 'appropriate to perform'] scenario analysis or stress testing as part of the ORSA, and the frequency, scope and type of such scenario analysis or stress testing, the supervisor [delete 'should'; insert 'may want to'] take into account, for example, the nature, scale and complexity of the insurer, its business model and products and the size of the insurer's exposures, both in absolute terms and relative to the insurer's portfolio. For macroeconomic exposure, relevant factors [delete 'may'; insert 'might'] include the characteristics of the guarantees the insurer provides and the extent to which such guarantees are matched or hedged, the characteristics of any [delete 'automatic'] asset reallocation mechanisms, the use of dynamic hedging, the insurer's activity in derivatives markets, [insert 'or other drivers of volatility in the sources or uses of cash']. For counterparty exposure, particular attention [delete 'should be'; insert 'is often'] paid to financial sector counterparties, as these may be more likely to contribute to the build-up systemic risk, and to off-balance sheet exposures or commitments, as these may be more likely to materialize during stress." *Bracketed materials signify an Academy suggested addition/deletion.
Q69 Comment on ComFrame Standard CF16.12.b			
342. Insurance Europe	Europe	No	The relationship between CF 16.2.b and CF 16.12.b is not clear as both require macroeconomic stress tests. Insurance Europe suggest merging both ComFrame elements.
343. EIOPA	European Union	No	N/A
344. Global Federation of Insurance Associations	Global	No	The relationship between CF 16.2.b and CF 16.12.b is not clear as both require macroeconomic stress tests. GFIA suggests merging both ComFrame elements.
345. General Insurance Association of Japan	Japan	No	Counterparty exposure could be assessed by methods other than stress test such as credit management. Therefore, the second bullet should be deleted or amended to allow for methods other than stress tests and stated as guidance provisions.
346. Aegon NV	The Netherlands	No	While we support and employ counterparty risk limits, we do not consider stress testing to be an essential or even necessarily useful tool in the context of counterparty risk.
347. Liberty Mutual Insurance Group	USA	No	The requirements regarding the use of stress testing in this standard are overly prescriptive and do not consider whether stress testing would be productive and cost effective. This should be subject to the discretion of the GWS, exercised only after consultation with an IAIG's management to determine the appropriate stress testing scenarios to be analyzed.

Q70 Comment on ComFrame Guidance CF16.12.b.1			
348. EIOPA	European Union	No	N/A
349. Aegon NV	The Netherlands	No	It is important for the ORSA to remain an "own" assessment in order to avoid creating improper risk management incentives. We also do not consider stress testing to be meaningful, useful, or relevant in the context of counterparty risk.
Q71 General Comment on revisions to ICP 20			
350. Association of Bermuda Insurers and Reinsurers	Bermuda	No	Generally speaking, ABIR believes that the public disclosure of systemic risk may create unintended consequences due to the lack of sophistication of potential users of the information.
351. Insurance Europe	Europe	No	Insurance Europe would caution that, with respect to liquidity risk, public disclosure could also have negative and procyclical effects. Disclosing an increasing liquidity risk could unduly lessen the confidence in an insurer and could thereby amplify the risk. If enforced, reporting on liquidity should be limited to supervisory reporting (ICP9) to avoid such procyclical effects. In contrast with banks, there is no standardised liquidity risk measure for insurers. In addition, insurance products and asset liability management approaches will vary from firm to firm, making it difficult to compare liquidity risk measures between insurers.
352. EIOPA	European Union	No	N/A
353. Global Federation of Insurance Associations	Global	No	GFIA highlights that, with respect to liquidity risk, public disclosure could trigger negative and procyclical effects. If enforced, reporting on liquidity should be limited to supervisory reporting (ICP 9) to avoid such procyclical effects.
354. Institute of International Finance	Global	No	While we agree in principle to the value of public reporting of high-level, easily understandable quantitative information on risk exposures - including liquidity - we caution against an undue emphasis on quantitative information that is not well understood by the average investor or policyholder. At a more fundamental level, public disclosure requirements for many insurers and nearly all insurance groups are dictated by the securities regulators and/or listing authorities and it is not necessary or appropriate for insurance supervisors to impose duplicative and potentially conflicting requirements which could confuse end-users. (This latter point is relevant to ICP 20.11.) Careful consideration should be given to the types of information that are appropriate for public disclosure and information

			that should be restricted to regulatory reporting to the jurisdictional or group-wide supervisor. The latter category includes information that is confidential or commercially sensitive, as well as detailed quantitative information that may be confusing to broader market participants, the disclosure of which could be destabilizing to a company or to the broader sector.
355. The Life Insurance Association of Japan	Japan	No	Please refer to our comments for Q74 and Q75
356. Swiss Re	Switzerland	No	Public disclosure by individual firms has not contributed to the containment and management of systemic risk (c.f. public disclosure on ABS/MBS ahead of the great financial crisis) and it is unlikely to do so in the future. For this reason, while the disclosure to the supervisory community of quantitative and qualitative information e.g. on liquidity is warranted, additional public disclosure requirements, if any, should be well-considered and coordinated with relevant other bodies.
357. American Council of Life Insurers	U.S.	No	ACLI agrees in principle with the majority of the objectives set out in ICP 20. However, ACLI remains concerned with a number of issues related to the proposal, which we have previously raised. ACLI recognizes that the comments below reference portions of the ICPs that are not part of the current consultation, but nonetheless, we believe the following issues are important and should be reiterated: - Excessive disclosure requirements: In many instances, the extent and detail of reporting recommended by ICP 20 runs counter to ICP 20's own sound guidance in 20.0.10 that disclosure should "deliver key information rather than unnecessary volumes of data." And in some instances, the level of reporting recommended runs counter to 20.0.11-12, which states that "an appropriate balance between…meaningful disclosure and the protection of proprietary and confidential information." We believe areas of such inconsistency, such as calls for broader public disclosure of quantitative information on liquidity risk, should be struck from the ICPs (see e.g., 20.3.5, 20.5.5, 20.8.4, 20.11, 20.12, and related guidance). - Failure to adequately distinguish insurance supervisory from market supervisory reporting: ICP 20 fails to recognize the complexity and interaction of reporting at the group level and the subsidiary level in different jurisdictions, especially where group level reporting is required by a non-insurance authority. (See e.g., 20.0.3, 20.0.13, 20.0.14, and 20.8) - Failure to adequately emphasize that public disclosure required by other authorities at the group level should be considered equivalent for ICP implementation purposes. In these circumstances, duplicate reporting at the subsidiary level should be avoided at all costs. (See e.g., 20.0.3, 20.8, and 20.9) - Failure to adequately address identification of proprietary and confidential information and highlight the need to protect it from public disclosure. (See e.g., 20.3.5, 20.5, 20.6.3)
358. American Property	USA	No	While several of these topics are not in the scope of the current consultation, we remain concerned with a number of issues related to the proposal that the IAIS should address prior to the incorporation of this material into ICP 20:

Casualty Insurance Association (APCIA)			- Excessive disclosure requirements: In many instances, the extent and detail of reporting recommended by ICP 20 runs counter to ICP 20's own sound guidance in 20.0.10 that disclosure should "deliver key information rather than unnecessary volumes of data." And in some instances, the level of reporting recommended runs counter to 20.0.11-12, which states that "an appropriate balance between…meaningful disclosure and the protection of proprietary and confidential information" should be struck. (See e.g., 20.3.5, 20.5.5, 20.8.4, 20.11, and 20.12). - Failure to adequately distinguish insurance supervisory from market supervisory reporting: ICP 20 fails to recognize the complexity and interaction of reporting at the group level and the subsidiary level in different jurisdictions, especially where group level reporting is required by a non-insurance authority. (See e.g., 20.0.3, 20.0.13, 20.0.14, and 20.8). - Failure to adequately emphasize that public disclosure required by other authorities at the group level should be considered equivalent for ICP implementation purposes. In these circumstances, duplicate reporting at the subsidiary level should be avoided at all costs. (See e.g., 20.0.3, 20.8, and 20.9). - Failure to adequately address identification of proprietary and confidential information and highlight the need to protect it from public disclosure. (See e.g., 20.3.5, 20.5, 20.6.3).
Q72 Comment on Standard ICP 20.2			
359. Association of Bermuda Insurers and Reinsurers	Bermuda	No	With respect to ICP 20.2, we believe that publicly disclosing certain information (e.g. liquidity risk), could create adverse scenarios that could amplify the risk. We would support the reporting of such information to the supervisor.
360. EIOPA	European Union	No	N/A
361. Global Federation of Insurance Associations	Global	No	To achieve the objective, GFIA is of the view that reporting on the management of systemic risk to supervisors is more important than public disclosure.
362. General Insurance Association of Japan	Japan	No	We believe that public disclosure of information on liquidity risk should not be established at a standard level for the following reasons: - Developing uniform standards would be in conflict with the current ICP 20, which states disclosure should take into account the nature, scale and complexity of the insurers.

			- Liquidity risk manifests in different ways depending on the nature of products and liabilities. This is why disclosure based on uniform standards may lead to misunderstandings by the users and cause unnecessary confusion in markets. - In addition, to achieve the objective of dealing with systemic risk, we think reporting to supervisors the information of liquidity risk is more important than public disclosure.
363. Swiss Re	Switzerland	No	As covered in Q71, Public disclosure by individual firms is unlikely to contribute to the containment and management of systemic risk. For this reason, while the disclosure to the supervisory community of quantitative and qualitative information e.g. on liquidity to the supervisory community is warranted, additional public disclosure requirements, if any, should be well-considered and coordinated with relevant other bodies. We therefore suggest to change the first sentence FROM: "Insurers disclose, at least annually and in a way that is publicly accessible, appropriately detailed information on their:" TO: "Insurers disclose, at least annually and in a way that is publicly accessible and understandable by the intended audience, appropriately detailed information on their:" Finally, standard 20.2 sets out for public disclosures to be "accessible". Public disclosures should be accessible and understandable by the intended audience(s).
364. Aegon NV	The Netherlands	No	We continue to oppose the public reporting of detailed liquidity risk information, as the risk of misinterpretation and unintended contagion is likely to outweigh the perceived benefits of market discipline.
365. American Council of Life Insurers	U.S.	No	We oppose the public reporting of detailed liquidity risk information, as the risk of misinterpretation and unintended contagion is likely to outweigh the perceived benefits of market discipline.
366. Liberty Mutual Insurance Group	USA	No	As we have said in response to previous consultations, the list of documents and information this provision would require an insurer to disclose is inappropriate and needlessly costly and time consuming. These materials do not provide information necessary for informed purchase decisions by consumers. Supervisors can, and in many cases do, obtain this amount and type of information. However, there is no compelling public policy objective served by extensive and broader public disclosure. In fact, in many cases, such disclosures would require release of proprietary information which could be anti-competitive and detrimental to healthy insurance markets.
Q73 Comment on Guidance ICP 20.8.1			
367. EIOPA	European Union	No	N/A

Q74 Comment on Standard ICP 20.11			
368. Insurance Europe	Europe	No	While Insurance Europe does not object to public reporting of qualitative information on liquidity risk, the inclusion of quantitative measures in supervisory standards is too prescriptive and should be removed. Prescribed metrics should be avoided for liquidity since these can give a distorted view. Most existing liquidity metrics that work in assessing bank balance sheets, would not be appropriate to apply to insurers. In the development of any liquidity metrics, the unique nature of life insurers and their ability to invest in illiquid assets that match illiquid liabilities should be taken into account. Accounting standards, such as IFRS should be deferred to in respect of quantitative reporting.
369. EIOPA	European Union	No	N/A
370. Global Federation of Insurance Associations	Global	No	The inclusion of quantitative measures for liquidity in supervisory standards is too prescriptive and should be removed. Prescribed metrics should be avoided for liquidity since these can create a distorted view. Overall the Standard is overly prescriptive and unnecessarily burdensome, especially for smaller insurance companies. The Standard requires all insurers–without regard to proportionality–to provide disclosures with detailed quantitative and qualitative information concerning liquidity risk. The Standard should incorporate the principle of proportionality by recognizing that conventional non-life insurance activities are not a significant source of liquidity risk. Non-life insurers' cash flows reflect the simple fact that claims are payable only when due to claimants under the underlying insurance policy after investigation and, for liability claims, after settlement negotiations. Claimants have no right to be paid on demand. Moreover, covered events triggering significant non-life insurance liabilities (e.g., hurricanes, wildfires, etc.) are rarely, if ever, correlated to risks in the broader financial system, with the resulting claims payments occurring over months, quarters, and for the largest events, years. For many smaller non-life insurance companies, the cost of requiring detailed disclosures on liquidity risk would likely outweigh any expected benefits. Consistent with the principle of proportionality, the Standard should require consideration of factors such as the insurer's business model and size before an insurer is required to provide a detailed disclosure on liquidity risk. In addition, to achieve the objective, GFIA takes the view that reporting on the management of systemic risk to supervisors is more important than public disclosure.
371. The Geneva Association	International	No	We recognize the importance of adequate public disclosure and transparency to the market however, the key focus of the Holistic Framework is ensuring supervisors have access to information to perform macroprudential assessments, which will better enable them to assess and mitigate potential sources of systemic risk. As such, we disagree with the inclusion of a call for expanding public disclosures on liquidity related risks to broader market participants. In particular, we believe the inclusion of quantitative measures in supervisory standards is too prescriptive and should be removed. Of particular concern is the potential for average market participants to insufficiently or misunderstand the information

			reported which could cause unintended, adverse impacts to insurers, the sector, financial markets and market participants. Disclosure requirements under jurisdictional accounting standards, such as IFRS and U.S. GAAP, should be deferred to in respect of quantitative reporting and disclosures.
372. General Insurance Association of Japan	Japan	No	As stated in 20.0.5, the supervisor's application of disclosure requirements should be dependent on the nature, scale and complexity of insurers. Minimum disclosure requirements at a standard level must be consistent with the requirements in accounting standards of the jurisdiction. Therefore, this standard should be revised as below and mentioned in the guidance provisions. The supervisor may require disclosures about the insurer's liquidity risk as necessary considering the unintended consequences of disclosures. Disclosures include sufficient quantitative and qualitative information to allow a meaningful assessment by market participants of the insurer's material liquidity risk exposures.
373. The Life Insurance Association of Japan	Japan	No	On Information disclosure of liquidity risk: In ICP20.11, the supervisor requires that disclosures about the insurer's liquidity risk include sufficient quantitative and qualitative information. However, if such disclosures are based on a uniform standard which does not reflect individual situation of the insurance market, it might create misleading results and cause unintended consequences (please also refer to the LIAJ's comments submitted for the November 2018 Public Consultation). Therefore, the LIAJ requests a revision of this ICP to ensure a proportional consideration of the individual situation of the insurance sector in each country to be included so as to avoid a "one-size-fits-all" disclosure standard.
374. Swiss Re	Switzerland	No	As covered in Q71 and Q72, Public disclosure by individual firms is unlikely to contribute to the containment and management of systemic risk. For this reason, while the disclosure to the supervisory community of quantitative and qualitative information e.g. on liquidity to the supervisory community is warranted, additional public disclosure requirements, if any, should be well-considered and coordinated with relevant other bodies. In general, public disclosure, including on liquidity risk, should be concerned with aggregate figures. Specifically, surrender values should only be accounted for in aggregate.
375. Aegon NV	The Netherlands	No	We continue to oppose the public reporting of detailed liquidity risk information, as the risk of misinterpretation and unintended contagion is likely to outweigh the perceived benefits of market discipline.
376. American Council of Life Insurers	U.S.	No	We oppose the public reporting of detailed liquidity risk information, as the risk of misinterpretation and unintended contagion is likely to outweigh the perceived benefits of market discipline. Although ACLI agrees with the principle that public disclosures should contain meaningful information relating to liquidity risk, ACLI believes that such disclosures should focus on qualitative information, rather than quantitative information. ACLI believes that disclosure requirements should be limited to information necessary and useful for the addressees. Excessive

			requirements over what is currently provided for in the current public disclosures regarding liquidity risk would be overly burdensome and could make public reports more complex and confusing for average market participants, thereby triggering unintended consequences and/or destabilizing markets. In addition, ACLI believes that the requirements of this proposal exceed what is necessary to achieve ICP 20 objectives and runs counter to ICP 20.0.10 guidance that public disclosure should "deliver key information rather than unnecessary volumes of data." Given these concerns, ACLI proposes the following modifications to ICP 20.11: 20.11.1 Disclosures on liquidity risk should include: qualitative information on the insurer's liquidity risk exposures, management strategies, policies, and processes.
377. Association of British Insurers	United Kingdom	No	While we do not object to public reporting of qualitative information on liquidity risk, the inclusion of quantitative measures in supervisory standards is too prescriptive and should be removed. Prescribed metrics should be avoided for liquidity since these can give a distorted view. Most existing liquidity metrics that work in assessing bank balance sheets, would not be appropriate to apply to insurers. In the development of any liquidity metrics, the unique nature of life insurers and their ability to invest in illiquid assets that match illiquid liabilities should be taken into account. Accounting standards, such as IFRS should be deferred to in respect of quantitative reporting.
378. American Property Casualty Insurance Association (APCIA)	USA	No	The Standard is overly prescriptive and unnecessarily burdensome, especially for smaller non-life insurance companies. The Standard requires all insurers–without regard to proportionality–to provide disclosures with detailed quantitative and qualitative information concerning liquidity risk. The Standard should incorporate the principle of proportionality by recognizing that traditional non-life insurance activities are not a significant source of liquidity risk. Non-life insurers' cash flows reflect the simple fact that claims are payable only when due to claimants under the underlying insurance policy after investigation and, for liability claims, after settlement negotiations. Claimants have no right to be paid on demand. Moreover, covered events triggering significant non-life insurance liabilities (e.g., hurricanes, wildfires, etc.) are rarely, if ever, correlated to risks in the broader financial system, with the resulting claims payments occurring over months, quarters, and for the largest events, years. For many smaller non-life insurance companies, the cost of requiring detailed disclosures on liquidity risk would likely outweigh any expected benefits. Consistent with the principle of proportionality, the Standard should require consideration of factors such as the insurer's business model before an insurer is required to provide a detailed disclosure on liquidity risk. Please also refer to our comments on proportionality in Q1.

379. CNA	USA	No	CNA recommends that proportionality, after it is appropriately defined, be included in the guidance discussing liquidity stress testing. We feel this clarity is necessary as non-life insurance exposures are not a source of liquidity risk since claimants have no ability to be paid on demand. In addition, covered events triggering significant non-life insurance liabilities (e.g., hurricanes, wildfires, etc.) are rarely, if ever, correlated to risks in the broader financial system, with the resulting claims payments occurring over months, quarters, and for the largest events, years.
Q75 Comment on Guidance ICP 20.11.1			
380. EIOPA	European Union	No	N/A
381. The Life Insurance Association of Japan	Japan	No	The LIAJ disagrees with Guidance ICP20.11.1 which requires insurers to include "the surrender value of insurance policies" as part of the quantitative information to be disclosed as liquidity risk. If the insurer's liability liquidity is determined only by the amount of the surrender value, it will give a false impression to the policyholders and will be misleading. Therefore, the LIAJ can not support such a biased disclosure requirement.
382. American Council of Life Insurers	U.S.	No	Disclosure of surrender value of insurance policies, without more, will not give a meaningful view of liquidity risk, as liquidity risk varies widely across products that have surrender value. In addition to the features of the insurance contract, other relevant factors include the purpose for which the product was purchased, the potential inability to reobtain coverage or price implications, and potential tax consequences, which will influence policyholder behavior.
383. Northwestern Mutual	USA	No	With respect to Guidance ICP 20.11.1, we observe that reporting surrender value alone, without a reasonable categorization of the types of insurance policies at issue, will not provide a meaningful view of liquidity risk, given the wide variation in liquidity risk across products. If it is desired that this information be reported, we suggest that such reporting be done on the basis of a reasonable categorization of policies.
384. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Suggest adding some additional text on what qualitative information disclosures should include: "qualitative information on the insurer's liquidity risk issues and concerns and management strategies, policies, and processes to address those."
Q76 Comment on Guidance ICP 20.11.2			
385. EIOPA	European Union	No	N/A

386. The Life Insurance Association of Japan	Japan	No	We would like the following sentence to be added to this Guidance ICP: "What information to be disclosed should be considered from a viewpoint of whether such disclosure would contribute to mitigation of systemic risk." Please also refer to our comments for Q74 and Q75
Q77 General Comment on revised ICP 24			
387. Insurance Europe	Europe	No	Insurance Europe has always argued that conventional insurance is not systemically risky, and that systemic risk can only originate from a very limited number of activities undertaken on a large scale in the wrong conditions. A greater focus on potentially systemic activities of the insurance sector as a whole is therefore warranted. However, the size of individual insurers is still considered a source of systemic risk. An individual insurer's size should not be a focus in its potential contribution to systemic risk since conventional insurance business contributes very little to systemic risk; rather the focus should be on the size or scale of actual systemic activity. There is still a lack of articulation around the nature of systemic risk in the insurance sector. For any activity to be deemed potentially systemically risky there needs to be a clear transmission channel into wider financial markets, with the quantification of the nature, scale and materiality of activities/exposures in the context of the size of the market as a whole. Insurance Europe believes that guarantees, derivatives etc. should not be viewed in isolation as sources of systemic risk, but should instead be viewed in the context of the overall Asset Liability Management and Risk Management frameworks of the insurer, with techniques such as stress testing used to identify their contribution to systemic risk. It is therefore not necessarily helpful to individually identify these items. In terms of global collaboration and cross-sectoral consistency, it is not clear how this will work in practice. In particular, there were several issues raised with the draft indicators proposed in the previous Holistic Framework consultation in terms of identifying and mitigating systemic risk and it is therefore impossible to express a view on monitoring without seeing a more concrete framework for monitoring, application of supervisory powers and disclosure. Throughout the standards in ICP 24 reference is made to "The supervisor' which creates the potential that supervisors of different parts of an insurance group may seek to assess systemic importance separately for the parts they supervise, rather than focusing on the group as a whole. We therefore recommend that reference to "The supervisor' is replaced with "The supervisor, or for an insurance group the group supervisor'.
388. EIOPA	European Union	No	N/A
389. Gibraltar Financial	Gibraltar	No	Our general comment is that ICP 24 may be overly burdensome for smaller jurisdictions. The ICP, in parts, is relatively prescriptive in terms of what the supervisor needs to undertake. There does not appear to be any scope or reference to

Services Commission			proportionality given the size and composition of the insurance market in any particular jurisdiction. Smaller jurisdictions may also struggle to find the relevant macro-prudential expertise e.g. economists to carry out or assist in performing macro-prudential supervision. The ICP does not take into account the volume of data that certain jurisdictions may already be receiving through regulatory returns e.g. Solvency II returns on assets etc. In addition, in smaller jurisdictions where insurance companies conduct their business in other territories, the amount of any such business would not necessarily be the cause of systemic or macro-prudential issues.
390. Global Federation of Insurance Associations	Global	No	GFIA has always argued that conventional insurance is not systemically risky, and that systemic risk can only originate from a very limited number of activities undertaken on a large scale in the wrong conditions. A greater focus on potentially systemic activities of the insurance sector as a whole is therefore warranted. However, the size of individual insurers is still considered a source of systemic risk. An individual insurer's size should not be a focus in its potential contribution to systemic risk since conventional insurance business contributes very little to systemic risk; rather focus should be on the size or scale and materiality of actual systemic activity. There is still a lack of articulation around the nature of systemic risk in the insurance sector. For any activity to be deemed potentially systemically risky there needs to be a clear transmission channel into wider financial markets with a quantification of the nature, scale and materiality of activities/exposures in the context of the size of the market as a whole. GFIA takes the view that guarantees, derivatives etc. should not be viewed in isolation as sources of systemic risk but should instead be viewed in the context of the overall Asset Liability Management and Risk Management frameworks of the insurer, with techniques such as stress testing used to identify their contribution to systemic risk. It is therefore not necessarily helpful to individually identify these items. Additionally, it is critical that guidance on proportionality such as that included in ICP 24.0.5 be strengthened and included in the Overarching Concepts section of the Introduction to the ICPs. While "proportionality" is referred to in the ICPs, systemic risk introduces a new dimension to proportionality than was previously considered in the ICPs' supervisory measures. For an assessment of systemic risk, it is necessary for a supervisor to consider particular activities or exposures from a macroprudential perspective. Therefore, GFIA suggests a change to section 24.0.5, and GFIA also asks that this concept of proportionality from a macroprudential perspective be included in the Overarching Concepts section of the Introduction to the ICPs. In terms of global collaboration and cross-sectoral consistency, it is not clear how this will work in practice. In particular, there were several issues raised with the draft indicators proposed in the previous Holistic Framework consultation in terms of identifying and mitigating systemic risk and it is therefore impossible to express a view on monitoring without seeing a more concrete framework for monitoring, application of supervisory powers and disclosure. Throughout the standards in ICP 24 reference is made to "The supervisor' which creates the potential that supervisors of

			different parts of an insurance group may seek to assess systemic importance separately for the parts they supervise, rather than focusing on the group as a whole. GFIA therefore recommends that reference to "The supervisor' is replaced with "The supervisor, or for an insurance group the group supervisor'.
391. Institute of International Finance	Global	No	the current material subject to consultation provides an incomplete view of the Holistic Framework that the IAIS intends to adopt in November, which makes it difficult to fully assess its appropriateness. In light of this point, we note the importance of distinguishing between the expected responsibilities of local supervisors and the anticipated role of the IAIS, particularly its Macroprudential Committee. We believe that local supervisors should be tasked with identifying activities that could be potential material sources of systemic risk in their respective markets. Local supervisors are best positioned to exercise judgement on how the proportionality principle should be applied in practice. In parallel, and by leveraging the work of jurisdictional supervisors to the greatest extent possible, the IAIS should focus on determining if potential sources of systemic risk are approaching aggregate levels that could threaten global financial stability. At both the jurisdictional and global levels, this work should include appropriate consideration of the insurance sector relative to other financial services sectors. A cross-sectoral perspective on systemic risk is of critical importance, as activities that may contribute to potential systemic risks often are not conducted by one sector alone and may be conducted by entities outside of the financial services regulatory perimeter. A broad view of activities across markets would help to identify all sources of potential systemic risk and assist in determining the materiality of insurance sector activities and their relative contribution to market-wide activities that are of concern to financial services supervisors. The IIF believes that for any activity to be systemically risky, there must be evidence of a connection via the transmission channels of asset liquidation or counterparty exposure and the magnitude of the risk transmitted must be material in terms of the potential impact on the financial system or real economy. We would propose revising ICP 24 to reflect the channels through which systemic risk can be transmitted to the broader financial markets or real economy, as follows: The supervisor identifies, monitors and analyzes market and financial developments and other environmental factors that may impact insurers and the insurance sector, uses this information to identify vulnerabilities that could be transmitted to the global financial system or real economy via the systemic risk transmission channels of asset liquidation or counterparty exposure and addresses, where necessary, the build up of those risks where they could materially impact the financial system or real economy. Similarly, we would revise the second sentence of ICP 24.0.2 to refer to the buildup of vulnerabilities in the sector as a whole that can be transmitted to the financial sector or real economy through the transmission channels of asset liquidation or counterparty exposure where they could materially impact the financial system or real economy. Throughout the standards and guidance in ICP 24, the reference to "the supervisor" should be clarified to refer to the group or leadsupervisor in the case of insurance groups. This would clarify that the group or lead supervisor is responsible for coordinating an overall group-wide view of potential systemically important activities and avoid the possible perception that host supervisors should conduct an independent assessment of the systemic importance of insurance entities under their jurisdiction.

392. The Geneva Association	International	No	- Throughout the standards in ICP 24 reference is made to "The supervisor' which creates the potential that supervisors of different parts of an insurance group may seek to assess systemic importance separately for the parts they supervise, rather than focusing on the group as a whole. We therefore recommend that reference to "The supervisor' is replaced with "The supervisor, or for an insurance group the group supervisor' - We would furthermore encourage greater alignment in the text within this particular ICP, to better reflect draft ICP 24.0.4, we suggest to rephrase ICP 24 as follows: Macroprudential Surveillance and Insurance Supervision : The supervisor identifies, monitors, and analyzes market and financial developments and other environmental factors that may impact insurers and the insurance market sectors, and uses this information to identify how those vulnerabilities could be transmitted via the systemic risk transmission channels and address, where necessary, the possible transmission of those risks where they could materially impact the financial sector or real economy.
393. General Insurance Association of Japan	Japan	No	In considering systemic risk in the insurance sector, in particular, the fact that the degree of systemic risk in the insurance sector is smaller than that in the banking sector should be noted. For example, regarding potential systemic risk that may simultaneously occur in both the banking sector and the insurance sector, developing and assessing common indicators are important from a macro-prudential point of view. On the other hand, the dimensions of the banking and insurance sectors and their activities are significantly different. As such, treating them the same in terms of data collection and policy measures may be an excessive limitation that will impede the sound development of the insurance sector. For the above reasons, data collection frameworks and policy measures should cautiously take the differences in the sizes and main activities of the banking sector and the insurance sector into consideration. In addition, assessment of systemic risk should be conducted across the financial sector, including other sectors such as banking and securities, rather than the insurance sector alone. Also, when applying regulations in each country in the future, predictability and fairness to insurers should be ensured, and consistency across jurisdictions should be secured to prevent arbitrary operation of regulations by authorities.
394. American Council of Life Insurers	U.S.	No	We again reiterate that the Holistic Framework for Systemic Risk is generally a more appropriate means of addressing potential systemic risk in the insurance sector, and further encourage moving away from entity-based designations. That said, the ICPs and ComFrame include substantial language focusing on the size of individual insurers. We believe that a narrow consideration of size alone is not constructive in addressing potential systemic risk. We support macroprudential supervision, but it must be proportional, targeted and efficient. We strongly urge that ICP 24 be substantially shortened and that it confines itself to articulating the general purposes and goals of macroprudential supervision, and set forth the range of tools that may be utilized by a supervisor to meet these purposes and goals. At the same time, the macroprudential expectations for insurance supervisors need to be grounded in a cross-sectoral perspective. While it is not reasonable to expect insurance supervisors to be on the look-out for systemic risk in other parts of the financial sector, at the same time it is essential that the efforts of insurance supervisors are framed as part of a cross-sectoral whole. Put another way, the potential for systemic risk arising from the activities of an insurer cannot be understood unless viewed in the context of the broader financial system. This is an essential part of ensuring that insurance supervisory

			efforts are proportional. We do not see any mechanisms within this text to ensure that insurance supervisors' macroprudential work is informed by the broader cross-sectoral perspective. We also believe that for any activity to be deemed systemically risky, there must be evidence of a connection via the transmission channels of liquidity and counterparty exposure. We support the definition of systemic risk provided in 24.04 and its statement that systemic risk may originate from the transmission channels related to liquidity risk and interconnectedness. We do not, however, believe lack of substitutability is a relevant consideration for the insurance sector. We encourage greater alignment of the specific language in the text of ICP 24 to directly reflect 24.04. Therefore, we suggested modifying the text to ICP 24 as follows: "ICP 24: Macroprudential Surveillance and Insurance Supervision: The supervisor identifies, monitors, and analyzes market and financial developments and other environmental factors that may impact insurers and the insurance market sectors, and uses this information to identify how those vulnerabilities could be transmitted via the systemic risk transmission channels and address, where necessary, the possible transmission of those risks at the individual insurer and at the sector-wide levels to the financial sector or real economy." Finally, ACLI believes future implementation assessments must focus on substance over form and avoid attempting to supersede the decisions of jurisdictional supervisors regarding the appropriateness of a policy measure for their market or how the proportionality principle is applied in practice.
395. Association of British Insurers	United Kingdom	No	The Holistic Framework for Systemic Risk is a leap forward in the IAIS's regulation of systemic risk in the insurance sector. We welcome the move towards an activities-based approach and the move away from designating firms as globally systemic largely based on their size. It is encouraging to see a greater focus on potentially systemic activities of the insurance sector as a whole. However, the size of individual insurers is still considered a source of systemic risk. An individual insurer's size should not be a focus in its potential contribution to systemic risk since traditional insurance business is not systemic; rather focus should be on the size or scale and materiality of genuinely systemic activity. There is still a lack of articulation around the nature of systemic risk in the insurance sector. For any activity to be deemed potentially systemically risky there should be evidence of an associated transmission channel, yet there is no mention of transmission channels in the updates to ICP 24 or other ICPs relevant to the Holistic Framework. More work is therefore needed to: identify specific transmission mechanisms of potential systemic risk from a product, activity or insurance company failure into the wider financial market that constitutes a systemic concern; and to quantify the magnitude of any such risks to determine whether they could plausibly give risk to a material impact. The focus on the management and reporting of liquidity risk and systemic risk is justified and welcome, as is the IAIS' clear commitment to proportionality. Systemic and liquidity risk reporting and management, building on existing tools already used

			by many insurers globally, would likely enhance the understanding and mitigation of macroprudential risks. Proportionality will of course need to be embedded in the approach of individual jurisdictions and the IAIS should attempt to ensure consistency in this regard with a commonly agreed definition. In terms of global collaboration and cross-sectoral consistency, it is not clear how this will work in practice. In particular, there were several issues raised with the draft indicators proposed in the previous Holistic Framework consultation in terms of identifying and mitigating systemic risk and it is therefore impossible to express a view on monitoring without seeing a more concrete framework for monitoring, application of supervisory powers and disclosure. Throughout the standards in ICP 24, reference is made to "The supervisor' which creates the potential that supervisors of different parts of an insurance group may seek to assess systemic importance separately for the parts they supervise, rather than focusing on the group as a whole. We therefore recommend that reference to "The supervisor' is replaced with "The supervisor, or for an insurance group the group supervisor'.
396. Lloyd's of London	United Kingdom	No	We agree that review and revision of ICP 24 in the light of experience is justified. Our main concern is that the proposed detailed guidance on macroprudential supervision could lead to the imposition of onerous reporting and other obligations on insurers and considerable additional work on the part of the supervisors. If the concept of systemic risk in the insurance sector is not well understood by supervisors, all this effort will be at best of limited utility, as supervisors will not know what they are looking for. Guidance on systemic risk in the ICP is quite vague. For example, it retains reference to the "lack of substitutability' of a distressed or failing insurer as a characteristic that risks amplifying or transmitting shocks to the financial system or real economy. However, the IAIS's 2011 paper indicates that "insurance markets tend to be competitive" and that substitutability "does not appear to be an issue in most national markets, and probably even less so in global markets". No evidence has since been adduced to support the existence, or material prevalence, of such an issue. It thus appears that the inclusion of this guidance within the revisions to the supervisory material serves an academic, rather than practical purpose, and should therefore be discarded as superfluous. We therefore welcome statements such as those in 24.1.1, emphasising the need for efficiency and proportionality in data collection.
397. American Property Casualty Insurance Association (APCIA)	USA	No	It is critical that guidance on proportionality such as that included in ICP 24.0.5 be strengthened and included in the Overarching Concepts section of the Introduction to the ICPs (see also our response to Q1). While "proportionality" is referred to in the ICPs, systemic risk introduces a new dimension to proportionality than was previously considered in the ICPs' supervisory measures. For an assessment of systemic risk, it is necessary for a supervisor to consider particular activities or exposures from a macroprudential perspective. Therefore, we suggest a change to section 24.0.5, and we also ask that this concept of proportionality from a macroprudential perspective be included in the Overarching Concepts section

			of the Introduction to the ICPs. Additionally, inquiries into activities that could potentially pose systemic risk should be limited to particular risk exposures that can realistically have a negative impact on financial stability and the broader economy through an identified transmission channel. Accordingly, we agree with the definition of systemic risk provided in ICP 24.0.4, as the definition specifically references negative consequences to the broader economy through an identified transmission channel. Finally, there is still substantial language in the consultation document focusing on individual insurers and their size. As a result, more work is necessary to move away from an entity-based focus and toward an activities-based approach for addressing potentially systemic risk. We believe that a narrow consideration of size alone is not constructive in addressing potential systemic risk.
398. CNA	USA	No	As a firm that has not previously been subject to the IAIS systemic risk assessment process, CNA has significant concerns regarding how the proposed Holistic Framework will be implemented in practice. Our concern is related to the fact that the proposed standard is heavily reliant on supervisory judgement, making it difficult to predict if an activity may be deemed systemic, exposing a firm to substantial unforeseen regulatory action. The unpredictable nature of this assessment is even more problematic during a period of stress or a financial crisis where a firm's senior management wants to understand all risks the firm is exposed to in order to develop a reasonable and appropriate recovery plan. In order to provide clarity in this critical area, CNA requests that the IAIS expand on its definition of proportionality and provide greater clarity regarding how this proposed standard will be implemented in practice, both in assessment of systemic activities and supervisory responses.
399. Liberty Mutual Insurance Group	USA	No	Liberty Mutual supports the development of an activities-based approach to the supervision of systemic risk. However, as designed the Framework is too complex and costly. It is not properly balanced with the level of system risk the insurance industry produces or is exposed to. Critical elements and language are missing from the current draft Holistic Framework that may leave too much room for supervisors to stray from the cornerstone definition of systemic risk. In actuality, the catalogue of potential systemically risky activities engaged in by insurance groups is likely to be limited, narrowly drawn, and non-insurance in nature. Accordingly, the design of the Holistic Framework should adhere much more closely to the FSB's definition of systemic risk - i.e., the risk of widespread disruption to the financial system which can cause serious negative consequences for the real economy. The proposed list of exposures set out in the Framework cannot be reconciled with this definition. To be considered material for purposes of the assessing system risk, a risk must be detrimental to insurers or insurance markets, of sufficient magnitude for that detrimental impact to be widespread, and of a nature that is likely to be transmitted. The current draft Framework lacks this discipline. It seems to consider almost every possible solvency risk to be potentially systemically important. Additionally, the Framework does not seem to consider whether a practical likelihood exists that a potential systemically important risk would ever actually occur.

			The IAIS should revise the manner in which the Holistic Framework will be implemented by tying it more closely to the level of systemic risk in the insurance sector. This would be more realistic given the practical challenges the Framework would create for supervisors and the lack of legal authority for the IAIS (or NAIC) to replace supervisors. As proposed, the roles for supervisors are not realistic and may well undermine the value of the transition to an activities-based approach. In particular, supervisors lack the legal authority, staffing and funding resources, and expertise to carry out the systemic risk analysis contemplated in ICP 24. An insurance supervisor's role also must defer to existing governmental authority related to systemic risk. Furthermore, the Holistic Framework does not specify the role of the IAIS in its implemention. In the stakeholder session on July 2, 2019, IAIS representatives indicated the IAIS would coordinate analysis of risks and the mitigation actions of supervisors. We are concerned that the structure envisioned for the IAIS will, over time, take on a life of its own and lead to development of a large bureaucracy with no controls or accountability to either supervisors or to the public at large. The current draft is imbued with broad authority to investigate any potential systemic risk without regard to its magnitude or likelihood. Controls or guardrails should be inserted now to prevent that from happening as described further in our responses to ICP 24.
400. Northwestern Mutual	USA	No	Our comments to revised ICP 24, detailed in responses to certain questions below, address three concerns: (1) that this supervisory material express that policyholder protection is the first priority objective; (2) that the need for a cross-sectoral perspective be incorporated so that insurance supervisory efforts are proportionate and effective; and (3) that references to the liquidity risk associated with insurance products with cash value be clarified. Regarding the priority of policyholder protection, we are concerned that in a crisis an action proposed for a macroprudential purpose (to address perceived systemic risk) may conflict with microprudential objectives (policyholder protection). An extreme case could be the movement of capital from a regulated insurance entity to elsewhere in the group to satisfy creditors of the group. We believe that in such a circumstance, insurance regulators should act in the interests of policyholder protection first. To do otherwise would not only threaten the policyholders of the directly affected insurer, but could upset policyholder expectations in the insurance market and, in jurisdictions with insurer-funded guaranty systems, cause financial harm to other insurers and their policyholders. The new supervisory material is not clear on this point. Accordingly, we suggest that a sentence be added to Guidance ICP 24.4.2 to the effect that: "In the event a conflict arises between microprudential and macroprudential objectives, the insurance supervisor should prioritize policyholder protection." Regarding the cross-sectoral perspective, the IAIS acknowledged the importance of taking into account a cross-sectoral view of systemic risk in its November 2018 consultation on the Holistic Framework for Systemic Risk in the Insurance Sector. This aligns with the recognition that the business of insurance is acknowledged generally to have low potential to contribute to systemic risk. Added data collection, analysis, assessments, and supervisory responses should be done in a proportionate manner, avoiding efforts that will not have a material impact on risk to the financial system. To understand

			where the material impacts are, macroprudential efforts need to be considered from a cross-sectoral perspective. Yet, the proposed supervisory material does not incorporate this perspective. Accordingly, we suggest that text be added to the Introductory Guidance in ICP 24.0 to the effect that: "In order for macroprudential supervision to be performed in a proportionate manner, the supervisory framework for macroprudential supervision takes account of a cross-sectoral perspective."
Q78 Comment on Guidance ICP 24.0.1			
401. EIOPA	European Union	No	N/A
402. American Council of Life Insurers	U.S.	No	We believe that the introductory guidance in ICP 24 departs significantly from how the IAIS described what macroprudential surveillance was in Paragraph 69 of its prior February consultation: "IAIS holistic approach consultation, Paragraph 69: Macroprudential surveillance can be considered the starting point for the supervisory process of mitigating systemic risk, providing a powerful diagnostic tool for risks that are building up either at a sector-wide level or at the level of an individual insurer. It also provides for a solid foundation for the use of policy measures based on a macroprudential concern. Finally, Macroprudential surveillance serves as a basis to assess the effectiveness of policy measures." We suggest that the IAIS reassert its previous language with respect to the introductory guidance. At a minimum, we recommend more emphasis be placed on the activities of one or more insurance companies, rather than the company itself. We believe macroprudential risk can only arise from activities that create counterparty or liquidity exposure and that on balance, the sector serves as a source of economic stability.
403. Liberty Mutual Insurance Group	USA	No	The introductory guidance overlooks the importance of considering the magnitude of potentially systemic risk and the degree of likelihood it can be transmitted to or from the insurance sector. In the absence of both of these factors, devoting any of the limited time and resources of supervisors and the industry on the analysis of risks that are likely immaterial is unnecessary.
404. Northwestern Mutual	USA	No	For the reasons set forth in our General Comment on revised ICP 24, we suggest that text be added to the Introductory Guidance in ICP 24.0 to the effect that: "In order for macroprudential supervision to be performed in a proportionate manner, the supervisory framework for macroprudential supervision takes account of a cross-sectoral perspective."
Q79 Comment on Guidance ICP 24.0.2			
405. Insurance Europe	Europe	No	From our perspective it is important that additional data collection from insurers should be minimised and already available data should be taken into account (e.g. Solvency II data). Double queries should be avoided (also with regard to different institutions such as NSA, ECB).

406. EIOPA	European Union	No	N/A
407. Global Federation of Insurance Associations	Global	No	From GFIA's perspective, it is important that additional data collection from insurers should be minimised and already available data should be taken into account. Double queries should be avoided (also with regard to different institutions).
408. Institute of International Finance	Global	No	We would revise the second sentence of ICP 24.0.2 to refer to the buildup of vulnerabilities in the sector as a whole that can be transmitted to the financial sector or real economy through the transmission channels of asset liquidation or counterparty exposure where they could materially impact the financial system or real economy.
409. Swiss Re	Switzerland	No	As mentioned in Q24 - reproduced below for your convenience - and Q37, it is imperative that, in a next step, the IAIS precisely defines the potentially systemically risky activities and the conditions under which their potential for systemic risk can manifest itself. --- Q24: While we generally agree with the proposed systemic risk framework, certain capital market and other non-insurance activities may entail maturity transformation and expose insurers to market value variation of assets and/or hedges independent of liability values. Examples include securities lending with illiquid collateral reinvestment, or providing life insurance products with excessive/complex guarantee features. To be effective, the systemic risk framework should identify and adequately monitor and mitigate the risks caused by such activities. It is therefore imperative that, in a next step, the IAIS precisely defines the potentially systemically risky activities and the conditions under which their potential for systemic risk can manifest itself. Policy measures should target the underlying activity to be maximally effective and avoid unintended consequences.
410. American Council of Life Insurers	U.S.	No	We suggest that this section be revised to read as follows: "It identifies and, where necessary, addresses both vulnerabilities of the insurance sector to shocks (inward risks) and the build-up of vulnerabilities linked to systemic risk transmission channels across the sector (outward risks)."
Q80 Comment on Guidance ICP 24.0.3			
411. Insurance Authority (IA)	China, Hong Kong	No	Suggest to make the following textual editing in the second sub-bullet point to provide more clarity (i.e. in term of the number but not the size of insurers) and to make it consistent with the wording used in paragraph 24.2.10.

			- collective actions or distress of a sufficiently large "number" (replacing "group") of insurers undertaking similar activities and thus exposed to common risks."
412. EIOPA	European Union	No	N/A
413. Global Federation of Insurance Associations	Global	No	GFIA disagrees with the statement that the size of a company is relevant to the amplification and transmission of shocks to the financial system or real economy. As explained in paragraph 59 of the IAIS consultation on a Holistic Approach to Systemic Risk, it is not the size of an activity, but how it is managed, that determines its level of risk. An activity could be carried out by one firm or many and the level of risk should be measured by the amount of liquidity or counterparty exposure it creates.
414. Swiss Re	Switzerland	No	The analysis of vulnerabilities of individual insures and/or of the insurance market to macroeconomic shocks is sensible. Such analyses are regularly carried out by insurers and they are widely required by jurisdictional regulations today. In the Swiss Solvency Test, for instance, interest rate risk is fully accounted for. The possible resulting supervisory actions however are not laid out tangibly in the proposed systemic risk framework. While central banks control macroeconomic drivers like interest rates to address vulnerabilities in the banking sector with a view to the real economy (monetary policy), insurance supervisors lack any comparable instrument. Furthermore, insurers' exposure to macroeconomic factors is not necessarily a source of systemic risk, unless transmission channels do exist to transfer the exposure to the financial markets and the real economy. In that context, the systemic risk framework ought to differentiate between sources or amplifiers of systemic risk and recipients of systemic risk. Accordingly, the IAIS should indicate that the purpose of studying such exposures is to determine whether they indeed are a source of systemic risk. To that effect, the IAIS should focus on specific activities or products.
415. American Council of Life Insurers	U.S.	No	We oppose the statement that the size of a company is relevant to the amplification and transmission of shocks to the financial system or real economy. As explained in paragraph 59 of the IAIS consultation on a Holistic Approach to Systemic Risk, it is not the size of an activity, alone, but also how it is managed, that determines its level of risk. An activity could be carried out by one firm or many and the level of risk should be measured by the amount of liquidity or counterparty exposure it creates. For instance, derivatives activities with sufficient collateral and other hedging techniques, are less risky than a much lower size of activity not properly managed. We propose replacing the current sub-bullet stating, "the size, complexity, lack of substitutability" with the following text, "The materiality of build-up of vulnerabilities in the insurance sector linked to systemic risk transmission channels."
416. Association of British Insurers	United Kingdom	No	We are unconvinced by the argument that systemic risk stems from a lack of substitutability; we see this predominantly as a competition issue. An insurer's size alone is also a poor indicator of systemic risk, rather the focus should be on an identified systemic activity with a clear transmission channel into the wider financial market and then the scale of this activity that could plausibly give rise to a material systemic impact.

417. American Property Casualty Insurance Association (APCIA)	USA	No	With respect to the final two indented bullets in this section, there appears to be an attempt to maintain both an entity-based approach (the first of those bullets) and an activities-based approach (the second of those bullets). We suggest that both be replaced with the following: "actions of one or more insurers/groups undertaking similar activities thus exposed to common risks and through identifiable transmission channels."
Q81 Comment on Guidance ICP 24.0.4			
418. Insurance Europe	Europe	No	Insurance Europe is unconvinced by the argument that systemic risk stems from a lack of substitutability; we see this predominantly as a competition issue. An insurer's size is also a poor indicator of systemic risk, rather the focus should be on an identified systemic activity, the size of this specific activity and then a transmission channel into wider financial markets.
419. EIOPA	European Union	No	N/A
420. Global Federation of Insurance Associations	Global	No	GFIA is unconvinced by the argument that systemic risk stems from a lack of substitutability; GFIA sees this predominantly as a competition issue. An insurer's size is also a poor indicator of systemic risk, rather the focus should be on an identified systemic activity, the size of this specific activity and then a transmission channel into wider financial markets.
421. General Insurance Association of Japan	Japan	No	As for substitutability, considering the fact that underwriters can be replaced easily etc. in highly competitive general insurance markets, the probability of a lack of substitutability to occur is low. Therefore, it is unlikely to be a cause of systemic risk and "lack of substitutability" should be deleted.
422. Swiss Re	Switzerland	No	We find the reference to "serious negative consequences" (see also guidance 9.1.8 and CF 9.2.b.1 and our comments) open to interpretation. We recommend the seriousness of the negative consequence to be specified, probably here in ICP24, and illustrated with examples. In addition, as mentioned in Q24, Q37 and Q79, it is imperative that, in a next step, the IAIS precisely defines the systemically risky activities.
423. American Council of Life Insurers	U.S.	No	The text notes that systemic impact may originate from "individual or sector-wide exposures" to certain risks. While this statement is theoretically true, it is incomplete, as an understanding of insurers' risk exposures within the broader financial sector is needed to understand whether insurers' risks exposures (individually or collectively) could have a systemic impact. We suggest that the text be supplemented to acknowledge that a cross-sectoral perspective is necessary to gauge the potential for a systemic impact to result from insurer risks.

424. Association of British Insurers	United Kingdom	No	We are unconvinced by the argument that systemic risk stems from a lack of substitutability; we see this predominantly as a competition issue.
425. Lloyd's of London	United Kingdom	No	The definition provided of "systemic risk" is very broad. The first part is largely uncontroversial, as it follows the FSB's definition, laid down in 2009. It then goes on to talk about how systemic risk may originate. This description is quite generic and does not seem to be talking about systemic risk in the insurance sector, which is not the same as systemic risk in the banking sector. We note above our concerns about the reference to "lack of substitutability" as a cause of systemic risk, which, so far as insurance is concerned, is contrary to available evidence. Additionally, there is no guidance provided on the identification of sector-wide exposures, the implication being that these are the same as those at individual institution level. We do not agree. The FSB's work immediately after the 2009 financial crisis pointed out that assessing systemic risk in markets "presents more conceptual challenges" than assessing it in institutions. The definition makes no reference to "size" as a factor in the identification of systemic risk. We agree that the size of an institution on its own should not be the determining factor in whether it is viewed as systemically risky. However, the volume of financial activities is an important element in their impact on the real economy and should be included in any guidance on systemic risk.
426. American Property Casualty Insurance Association (APCIA)	USA	No	APCIA agrees with the definition of systemic risk provided in the Guidance. We believe it is critical that a supervisor's assessment of activities that could potentially pose systemic risk be limited to particular risk exposures that can realistically have a negative impact on financial stability and the broader economy through an identified transmission channel. Since the definition of systemic risk specifically references negative consequences to the broader economy through an identified transmission channel, APCIA supports the definition in the Guidance.
427. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	In the last sentence it is not clear what "these" refers to. Based on the previous sentence it seems "these" refers to exposures but then exposures is mentioned in the last sentence which would read in a circular manner. Suggest clarifying.
Q82 Comment on Guidance ICP 24.0.5			
428. EIOPA	European Union	No	N/A

429. Global Federation of Insurance Associations	Global	No	GFIA agrees that supervisory measures based on macroprudential concerns should be proportionate to the nature, scale and complexity of the identified exposures or activities. Proportionality should be understood in the context of the broader financial system. Insurer activities that are not likely to result in an impairment to the financial system with the potential to have serious negative consequences for the real economy should not be the subject of macroprudential regulation. Similarly, data requirements should not be applied in the name of macroprudential supervision unless the data addresses activities that are likely to result in such an impairment. With the holistic approach to systemic risk embedded in the ICPs and ComFrame, it is critical that guidance such as that included in this section be strengthened and included in the Overarching Concepts section of the Introduction to the ICPs. While "proportionality" is referred to in the ICPs, systemic risk introduces a new dimension to proportionality that was previously not necessary to consider in applying supervisory measures from a microprudential perspective. For an assessment of systemic risk, it is necessary for a supervisor to consider particular activities or exposures from a macroprudential perspective. Therefore, GFIA suggests the following change, but also asks that this be included in the Overarching Concepts section of the Introduction to the ICPs. The suggested change is as follows: "Macroprudential supervision can help identify the need for supervisory measures. Supervisory measures based on macroprudential concerns should be proportionate to the nature, scale and complexity of the identified exposures or activities on the financial system as a whole, while considering which activities contribute to that aggregate exposure. In its macroprudential supervision, the supervisor should also take into account the risks that non-insurance legal entities and activities may pose to insurance legal entities, insurance groups and the wider financial system."
430. American Council of Life Insurers	U.S.	No	We appreciate and support the acknowledgement that supervisory measures based on macroprudential concerns should be proportionate to the nature, scale and complexity of the identified exposures or activities. As noted above, proportionality should be understood in the context of the broader financial system. Insurer activities that are not likely to result in an impairment to the financial system with the potential to have serious negative consequences for the real economy should not be the subject of macroprudential regulation. Similarly, data requirements should not be applied in the name of macroprudential supervision unless the data addresses activities that are likely to result in such an impairment.
431. Lloyd's of London	United Kingdom	No	We support the explicit inclusion here of the guidance that "[s]upervisory measures based on macroprudential concerns should be proportionate to the nature, scale and complexity of the identified exposures or activities". This aligns with accepted practice. However, we question the instruction that supervisors "should also take into account the risks that non-insurance legal entities and activities may pose to insurance legal entities, insurance groups and the wider financial system". Some supervisory authorities may focus their activities entirely on the supervision of insurance and therefore not have the expertise to assess risks presented in other sectors. For some markets, the scale of non-insurance activity may be small, but the subject matter remains diffuse, thereby necessitating an irreducible minimum critical mass of resource to achieve such analysis. Whilst noting that this guidance is

			phrased in normative terms, a supervisor choosing to acquire the expertise required to analyse such diffuse fields of expertise could face significant additional costs which would be passed on to industry and therefore represent a disproportionate burden in such markets. Consequently, we would advise, at a minimum, altering the terms of this guidance to state that supervisors "may also take into account […]".
432. American Property Casualty Insurance Association (APCIA)	USA	No	With the holistic approach to systemic risk embedded in the ICPs and ComFrame, it is critical that guidance such as that included in this section be strengthened and included in the Overarching Concepts section of the Introduction to the ICPs. While "proportionality" is referred to in the ICPs, systemic risk introduces a new dimension to proportionality that was previously not necessary to consider in applying supervisory measures from a microprudential perspective. For an assessment of systemic risk, it is necessary for a supervisor to consider particular activities or exposures from a macroprudential perspective. Therefore, we suggest the following change, but also ask that this be included in the Overarching Concepts section of the Introduction to the ICPs. The suggested change is as follows: "Macroprudential supervision can help identify the need for supervisory measures. Supervisory measures based on macroprudential concerns should be proportionate to the nature, scale and complexity of the identified exposures or activities on the financial system as a whole, while considering which activities contribute to that aggregate exposure. In its macroprudential supervision, the supervisor should also take into account the risks that non-insurance legal entities and activities may pose to insurance legal entities, insurance groups and the wider financial system."
Q83 Comment on Guidance ICP 24.0.6			
433. EIOPA	European Union	No	N/A
Q84 Comment on Standard ICP 24.1			
434. Insurance Europe	Europe	No	The commitment to cost-benefit analysis as well as proportionate data requests based on the nature, scale and complexity of the insurer is welcome. The supervisory definition of proportionate is likely to differ between jurisdictions and so the IAIS should elaborate on what it means by proportionate and then attempt to ensure consistent outcomes.
435. EIOPA	European Union	No	N/A
436. Global Federation of Insurance Associations	Global	No	The commitment to cost-benefit analysis as well as proportionate data requests based on the nature, scale and complexity of the insurer is welcome. The supervisory definition of proportionate is likely to differ between jurisdictions and so the IAIS should elaborate on what it means by proportionate and then attempt to ensure consistent outcomes.

			Data collections under this Standard should be limited to identifying risk exposures that can realistically pose a systemic risk to the broader economy through an identified transmission channel. Any macroprudential data collections should be viewed as a starting point for a forward-looking, cross-sectoral analysis. Cross-sectoral (i.e., insurance, banking, securities firms, etc.) data is necessary when conducting macroprudential supervision. Otherwise, insurance supervisors would not have the data necessary to determine whether an insurer's activities may realistically pose a risk to the broader economy. Activities that could have systemic importance can be carried on across the financial sector, not just in the insurance industry. And exposures that may look large within the insurance industry may look significantly smaller when compared with other financial service providers. Therefore, supervisors should be required to coordinate their macroprudential analysis with banking and other financial sector supervisors.
437. Institute of International Finance	Global	No	In the absence of full information about contemplated data collections under the Holistic Framework, it is not possible to fully comment on the appropriateness of this section of the ICPs. That said, we believe the focus of the IAIS should be on providing broad guidance on the types of information that could be helpful to local supervisors and jurisdictions in achieving macroprudential objectives. The IAIS should encourage the use of publicly available data and/or information within existing supervisory tools or reports whenever practical and possible. Such an approach should also be employed for purposes of any data collection the IAIS performs as part of its efforts to identify, assess and mitigate potential aggregate sources of risk that could disrupt global financial stability. An overarching issue with respect to data collections is the sharing of data among the jurisdictional supervisors and with the IAIS. We believe that ICP 24 should focus on the sharing of aggregate industry data that could point to collective exposures that may give rise to systemic risk. We understand that the IAIS has initiatives underway to resolve impediments to data sharing and would encourage those efforts, along with appropriate measures to preserve the confidentiality of insurer data. We appreciate the language in ICP 24.1.1 regarding the efficiency of data collections. In designing data calls, supervisors should carefully consider what data is needed, from what source(s) and for what purpose. A primary focus should be on data that is likely to assist supervisors with the identification of vulnerabilities that could be transmitted to the broader financial markets and real economy through the asset liquidation and counterparty exposure transmission channels. Data points that are collected or available from public sources or from insurers' regulatory reports should not be overlooked and, when there is a need to gather data from insurers beyond what is already available, data calls should be carefully tailored to avoid undue burden and to protect confidential or commercially sensitive information or data that is subject to privacy rules. The overly broad language in ICP 24.1 (and, particularly, ICP 24.1.5) runs counter to the IAIS' stated goal of first surveying publicly available information before imposing burdensome data calls on the industry.
438. The Life Insurance Association of Japan	Japan	No	Data collection for macroprudential supervision purposes should be strictly limited to data necessary to achieve its objective, and should not impose any additional burden for the sake of collecting data. Please refer to our comments for Q85 onwards for specific details.

439. American Council of Life Insurers	U.S.	No	While data collection is a sound starting point, we believe this should be viewed as the first step underpinning a broader, forward-looking, cross-sectoral discussion and analysis. References to the discussion of cross-sectoral analysis and transmission channels would be welcome. We support the cost-benefit approach to data collection and the emphasis on drawing from existing data sets.
440. Association of British Insurers	United Kingdom	No	The commitment to cost vs benefit analysis as well as proportionate data requests based on the nature, scale and complexity of the insurer is welcome. The supervisory definition of proportionate is likely to differ between jurisdictions and so the IAIS should elaborate on what it means by proportionate and then attempt to ensure consistent application with a commonly agreed definition.
441. American Property Casualty Insurance Association (APCIA)	USA	No	Data collections under this Standard should be limited to risk exposures that can realistically pose a systemic risk to the broader economy through an identified transmission channel. Any macroprudential data collections should be viewed as a starting point for a forward-looking, cross-sectoral analysis. Cross-sectoral (i.e., insurance, banking, securities firms, etc.) data is necessary when conducting macroprudential supervision. Otherwise, insurance supervisors would not have the data necessary to determine whether an insurer's activities may realistically pose a risk to the broader economy. Activities that could have systemic importance can be carried on across the financial sector, not just in the insurance industry. And exposures that may look large within the insurance industry may look significantly smaller when compared with other financial service providers. Therefore, supervisors should be required to coordinate their macroprudential analysis with banking and other financial sector supervisors. In addition, we appreciate that the Guidance in ICP 24.1.1 specifically recognizes the principle of proportionality. Proportionality is important in this context as expansive data collection exercises can be time and resource intensive. Supervisors should first make use of all available data. Then, all data requests should be tailored to assist with identifying particular exposures linked to systemic risk transmission channels, and all requests must be proportionate to the nature, scale, and complexity of exposures identified. Please also refer to our comments on proportionality in Q1.
442. Liberty Mutual Insurance Group	USA	No	The Framework's approach to data collection is over broad and not sufficiently focused on obtaining information that has a reasonable relation to the detection of systemic risk or the likelihood such risk would be transmitted. As discussed in our comments to Q.85, a template for assessing the need for particular data elements would help data collection to be better focused.
Q85 Comment on Guidance ICP 24.1.1			
443. Insurance Europe	Europe	No	Insurance Europe agrees that data collection should examine costs and benefits and data requests should be proportionate. It should be reminded that the amount of data collected by the IAIS has significantly increased over the past few years even though it was explained that such data collection should be streamlined. Data collected should be strictly limited to those relevant to construct market indicators.

444. EIOPA	European Union	No	N/A
445. Global Federation of Insurance Associations	Global	No	Proportionality is important in this context as expansive data collection exercises can be time and resource-intensive. Any additional data requested should be proportionate to the nature, scale and complexity of the exposures identified. It should be reminded that the amount of data collected by the IAIS has significantly increased over the past few years, even though it was explained that such data collection should be streamlined. Data collected should be strictly limited to those relevant to construct market indicators. GFIA is of the view that leveraging existing data collections is key to the Global Monitoring Exercise. Any data collected should have a clear nexus to an identified regulatory goal. GFIA also strongly urges refraining from a focus on individual insurers. Regarding the efficiency of data collection, GFIA takes the view that the supervisor should always examine costs and benefits when considering data collection. The supervisor should make use of all available data sources and calibrate its data requests and data processing capabilities so that the data requests are proportionate to the nature, scale and complexity of exposures identified. The supervisor should first determine what data points are likely to assist with the identification of the build-up of vulnerabilities linked to systemic risk transmission channels. To avoid overlap and duplication in data gathering, the supervisor should then perform a gap analysis to understand whether and to what extent such data is available from existing sources.
446. General Insurance Association of Japan	Japan	No	As the first bullet point notes, we agree with "Efficiency of data collection: the supervisor should examine costs and benefits when considering data collection". For instance, taking insurers´ workload into account, supervisors may set a certain quantitative threshold regarding systemic risk using data from disclosed documents. Supervisors should only require insurers/groups that exceed the threshold to submit the detailed data. This narrows down the scope of data collection for insurers/groups that do not exceed the threshold. Moreover, when requiring detailed data, supervisors should target insurers only after carefully selecting indispensable data in light of the purpose. They should firstly consider making do with the data they already have and require additional data only if they find it insufficient. In addition, even when supervisors collect ad hoc data stated in the sixth bullet point, the supervisor should make use of all available data sources and asks insurers to collect data at a level that will not impose an excessive burden on insurers.
447. The Life Insurance Association of Japan	Japan	No	The LIAJ requests that the concept of efficiency in data collection stated in Guidance ICP24.1.1 ("…the supervisor should examine costs and benefits when considering data collection. Data collections should be aligned with their respective usage") be properly reflected in other areas of the Supervisory Material, such as ICP24.5 or Guidance ICP24.5.1. We request that the efficiency of data collection to be always ensured. Specifically, data collected to serve the objective of macroprudential supervision should not be used for other purposes such as individual insurer's quantitative comparison. Also, as mentioned above, insurers should not be unnecessarily required to report excessive data.

448. Swiss Re	Switzerland	No	For sector-wide assessments, either at the global level or within a given jurisdiction, we suggest to analyse 80% of the local insurance market, by volume (premiums and/or assets). We propose a cut-off of 80% since, for most markets, the "80/20" rule tends to hold, so that only 20% of the insurance groups would need to be assessed in order to account for 80% of the market. It is important to capture a sizable share of the market, since a "tsunami effect" may well be propagated by smaller insurers.
449. American Council of Life Insurers	U.S.	No	ACLI is generally supportive of the IAIS approach to identifying and mitigating systemic risk. However, we believe leveraging existing data collections is key to the IAIS' Global Monitoring Exercise. While data collection is of course important we caution against simply collecting data for the sake of collecting data. Any data collected should have a clear nexus to an identified regulatory goal and in the context of systemic risk the liquidity and/or counterparty exposure transmission channels. We strongly urge refraining from a focus on individual insurers. Regarding the efficiency of data collection, we believe the supervisor should always examine costs and benefits when considering data collection. The supervisor should make use of all available data sources and calibrate its data requests and data processing capabilities so that the data requests are proportionate to the nature, scale and complexity of exposures identified. The supervisor should first determine what data points are likely to assist with the identification of the buildup of vulnerabilities linked to systemic risk transmission channels. To avoid overlap and duplicate data gathering, the supervisor should then perform a gap analysis to understand whether and to what extent such data is available from existing sources.
450. Lloyd's of London	United Kingdom	No	We support the statement of general principles for data collection at 24.1.1, particularly the refence to "efficiency of data collection". Much of the data that could be used in macroprudential supervision is probably already collected by supervisors. "Consistency" should be balanced by "efficiency". Where particular variables become materially irrelevant over time or become calculable from other sources, the supervisor should consider removing the collection of such variables to proportionately decrease the burden on firms. This could be explicitly recognised within the guidance.
451. Liberty Mutual Insurance Group	USA	No	The IAIS should develop a data template for assessing the factors that would identify the need to collect specific data elements or documents. Data and document requests should be tied to the need for information related to identifying systemic risks, analysing their significance, and formulating appropriate mitigation measures. The factors listed in this ICP for when data collection is necessary fall short by not being tied to the purpose or objective of the requested data. The reason the data is needed and how it is tied into a particular systemic risk issue should be decided before being collected. Without this, data collection will be scatter-shot, inefficient at best, and needless at its worst for both insurers and supervisors.

452. Northwestern Mutual	USA	No	Guidance ICP 24.1.2 refers to "information on the surrender value of insurance products, product features that increase or decrease the propensity for early pay outs under certain circumstances (such as penalties or delays in the ability to access the cash value of a policy)". While the examples given in the parenthetical are helpful, they are incomplete. Liquidity risk associated with insurance products with surrender value will vary based upon a variety of attributes, including attributes outside of the contract itself. Accordingly, we suggest that the parenthetical be broadened by adding: "or other factors contributing to reduced propensity for surrender".
Q86 Comment on Guidance ICP 24.1.2			
453. Insurance Europe	Europe	No	Asset-liability management is at the heart of insurers' investment management and risk management, so it is unlikely liquidity mismatch will be a material or systemic issue for most internationally active groups. Life insurers in particular invest in long-term illiquid assets in order to match them with long-term illiquid liabilities. Measuring the overall "degree of liquidity" of the assets is likely to prove meaningless and this should only be considered relative to liability liquidity, i.e. liquidity mismatch. Insurance Europe would also point out that the current approach lacks empirical evidence regarding the dynamic of surrender in the insurance business. The ECB recently published historical data observed during liquidity crisis and the dynamic of cash outflows in the banking industry. The IAIS should perform a similar analysis for the insurance industry to construct a more sensible approach to liquidity matters. Regulators should collect more evidence and share information on historic or present examples of insurers presenting liquidity issues. It would be good practice to build up evidence where this has been the case and share this more widely with industry and between regulators.
454. EIOPA	European Union	No	24.1.2 EIOPA believes that the reference to the liquidity mismatch is one of the dimensions to be taken into account for the assessment of the liquidity position of (re)insurers, but also analysis on the asset and liabilities in isolation can be performed. In order not to limit the scope of analysis EIOPA suggests to rephrase as follow: "To support the assessment of liquidity risk, the supervisor should collect data that provide sufficient indications of the liquidity of assets and liabilities both at individual and sector-wide level."
455. Global Federation of Insurance Associations	Global	No	Liquidity of the assets needs to be considered in the context of liability liquidity, i.e. taking account of the degree of liquidity mismatch. Features of micro-prudential regimes already encourage good liquidity risk management and ensure that long-term illiquid assets are matched with long-term illiquid liabilities. Any additional macroprudential tools should therefore be developed in line with existing micro-prudential regimes to ensure there is no duplication.

			GFIA would also point out that the current approach lacks empirical evidence regarding the dynamic of surrender in the insurance business.
456. General Insurance Association of Japan	Japan	No	As described in ICP 24.1.1, the supervisor should examine costs and benefits and collect data taking efficiency into account. For instance, taking insurers' workload into account, supervisors may set a certain quantitative threshold using data available from disclosed documents. Supervisors should only require insurers/groups that exceed the threshold to submit the detailed data. This narrows down the scope of data collection for insurers/groups that do not exceed the threshold.
457. The Life Insurance Association of Japan	Japan	No	In Guidance ICP24.1.2, "penalties or delays in the ability to access the cash value of a policy" is cited as an example of product features that increase the propensity for early pay outs under certain circumstances. However, as mentioned in paragraph 4.24 of IAIS' policy document "Systemic Risk from Insurance Product Features (previously referred to as Non-traditional Non-insurance activities and products)" published on June 16th, 2016, the liquidity of surrender value should be assessed in a holistic manner considering various aspects such as the purpose of the insurance policies, existence of de-facto economic penalties embedded in high-guarantee rate products, characteristics of individual and group insurance policies, or existence of policyholder protection schemes and mechanisms, etc.
458. American Council of Life Insurers	U.S.	No	Liquidity risk is certainly an important element to consider when measuring the potential for systemic risk. However, the references to surrender values and early pay outs, without the benefit of the complete context surrounding the product features, may be imply a degree of liquidity risk that is misplaced and prejudicial to certain long duration savings products. Thus, while we appreciate the acknowledgment that product features may increase or decrease the propensity for early pay outs, we suggest that the cited examples specifically acknowledge that other factors (beyond product features)–the purpose for which the product is purchased, potential inability to reobtain coverage or price implications, tax consequences, etc.–may significantly reduce the likelihood of surrender. Likewise, the potential for liquidity risks associated with the degree of liquidity of assets and potential for margin call on derivatives needs to be understood in the context of the associated product liabilities and the specific terms associated with derivatives transactions. Individual jurisdictions are best equipped to determine the amount and types of information that needs to be collected to properly evaluate liquidity.
459. Association of British Insurers	United Kingdom	No	Liquidity of the assets needs to be considered in the context of liability liquidity, i.e. taking account of the degree of liquidity mismatch. Features of micro-prudential regimes, such as the Solvency II Matching Adjustment, already encourage good liquidity risk management and ensures that long-term illiquid assets are matched with long-term illiquid liabilities. Any additional macroprudential tools should therefore be developed in line with existing micro-prudential regimes to ensure there is no duplication.
460. Lloyd's of London	United Kingdom	No	The guidance here does not recognise the materially different application of liquidity risk between life and non-life business. Most non-life insurance is provided on an annual basis and a large proportion of non-life insurance investment is in highly liquid assets to match the resulting liabilities. The IAIS has not explained what it means by liquidity risk in the non-life sector.

			It should be explicit that liquidity risk in the non-life sector will be addressed primarily through risk-based solvency requirements and that it would not be judicious to attempt to assess liquidity risk in the same way throughout the whole of the insurance market (i.e., across life and non-life markets). Inclusion of this paragraph suggests that liquidity risk is predominantly seen as a matter of macroprudential rather than microprudential supervision. There is a risk that data collection introduced for macroprudential reasons is maintained for general supervisory purposes and justifies information collection exercises across insurance markets and supervisory action on exposures that are some way below the level of systemic risk.
461. CNA	USA	No	CNA proposes excluding traditional non-life products from the liquidity risk disclosure since they are typically shorter in duration and do not possess cash surrender features found in life and annuity products.
Q87 Comment on Guidance ICP 24.1.3			
462. EIOPA	European Union	No	N/A
463. General Insurance Association of Japan	Japan	No	As described in ICP 24.1.1, the supervisor should examine costs and benefits and collect data taking efficiency into account. For instance, taking insurers' workload into account, supervisors may set a certain quantitative threshold using data available from disclosed documents. Supervisors should only require insurers/groups that exceed the threshold to submit the detailed data. This narrows down the scope of data collection for insurers/groups that do not exceed the threshold.
464. American Council of Life Insurers	U.S.	No	ACLI questions the collection of data of a "sufficiently granular level" to analyze macroeconomic shocks. Some level of stress testing (for example in connection with liquidity) may be appropriate if properly constructed and tailored. Stress testing, like any valuable tool, can be put to overuse. Testing extreme scenarios that render every insurer insolvent serves no purpose. As noted earlier, it is preferable to focus on liquidity stress testing that is meaningful, based on difficult, but not impossible, assumptions.
Q88 Comment on Guidance ICP 24.1.4			
465. EIOPA	European Union	No	N/A
466. General Insurance Association of Japan	Japan	No	As described in ICP 24.1.1, the supervisor should examine costs and benefits and collect data taking efficiency into account. For instance, taking insurers' workload into account, supervisors may set a certain quantitative threshold using data available from disclosed documents. Supervisors should only require insurers/groups that exceed the threshold to submit the detailed data. This narrows down the scope of data collection for insurers/groups that do not exceed the threshold.

467. American Council of Life Insurers	U.S.	No	ACLI does not believe the proposed language relating to counterparty exposure, which appears to call for extending bank-centric analyses to insurance supervision, is necessary or appropriate.
468. CNA	USA	No	While analysis of such information is critical for prudent risk management, CNA questions the value of providing this information on an annual basis to applicable supervisors. CNA recommends that the frequency of collection be limited to period of extreme stress impacting the industry or during routine financial reviews or examination of a firm.
Q89 Comment on Guidance ICP 24.1.5			
469. EIOPA	European Union	No	N/A
470. Global Federation of Insurance Associations	Global	No	GFIA is of the view that this paragraph should be deleted as it does not link with the preceding sections focusing on liquidity risk, macroeconomic exposures and counterpart risk. The microeconomic data to be collected under this Guidance is backward-looking and unconnected to particular risk exposures that can realistically have a negative impact on financial stability and the broader economy through an identified transmission channel. Further, companies do not necessarily already publish all of the data required to be collected, so compliance with this data call would be unnecessarily burdensome.
471. Institute of International Finance	Global	No	The microeconomic information collection referenced in ICP 24.1.5 lacks a necessary forward-looking macroeconomic context for the assessment of systemic risk and does not link with the preceding sections that focus on liquidity risk, macroeconomic exposures and counterparty risk. The broad list of data is insurance-specific, historical and backward-looking, and does not include the full range of cross-sectoral, cross-market activities or exposures that could potentially contribute to systemic risk (e.g. excessive leverage). Moreover, the collection of this microeconomic data would not further the interests of the IAIS in collecting consistent information across jurisdictions for the purpose of assessing sources of potential insurance sector systemic risk. A better articulation of the types of information that would be useful to supervisors is contained in ICPs 24.2.9. In this section, both inward and outward risks are considered, and a clearer macroeconomic link is established. These provisions could be augmented by a recognition of the need to consider activities across the broader market (including activities conducted by non-insurers). We encourage the IAIS to replace existing ICP 24.1.5 with the following language: The supervisor should consider forward-looking data on the activities of insurers, including data related to non-insurance activities, when assessing insurers' exposures to liquidity risk, interconnectedness (macroeconomic and counterparty exposure) and other risks, both inward and outward. The supervisor should also consider similar data on these activities across the financial services sector (e.g. activities conducted by banks and asset managers) in order to determine the materiality of the activities of insurers compared to other financial services sectors. The supervisor should only consider actions to limit the activities of insurers in cases where it is demonstrated clearly that (i) the activity has the clear potential to

			transmit systemic risk to the global financial system or real economy, and (ii) insurers are engaged in those activities to a significant and material extent.
472. The Geneva Association	International	No	The scope of the data asked for in this section is too big and not proportional. It furthermore does not link with the preceding sections focusing on liquidity risk, macroeconomic exposures and counterparty risk. It is unclear how the information listed would be relevant in a macroeconomic context and we therefore suggest ICP24.1.5 be deleted.
473. General Insurance Association of Japan	Japan	No	As described in ICP 24.1.1, the supervisor should examine costs and benefits and collect data taking efficiency into account. For instance, taking insurers' workload into account, supervisors may set a certain quantitative threshold using data available from disclosed documents. Supervisors should only require insurers/groups that exceed the threshold to submit the detailed data. This narrows down the scope of data collection for insurers/groups that do not exceed the threshold. Also, collecting all the microeconomic data described in this item may be excessive. Deciding whether or not to do so should be judged according to the materiality within each insurer. Therefore, we believe that the sentence "the supervisor should collect microeconomic data" should be revised to "the supervisor should collect microeconomic data as needed".
474. The Life Insurance Association of Japan	Japan	No	In Guidance ICP24.1.5, examples of microeconomic data that might be collected by the supervisor are listed. However the relation between these data and the necessity for macroprudential supervision is unclear. It is a concern that the supervisor is requiring insurers to provide overly unnecessary data. Therefore, the LIAJ requests deletion of this Guidance or a modification to clarify the relation between the collectable data and the necessity for macroprudential supervision.
475. Swiss Re	Switzerland	No	The idea of processes and communication channels on data collection (and exchange) should be developed further.
476. Aegon NV	The Netherlands	No	Many of the proposed microeconomic data elements seem to have a tenuous relationship to systemic risk (e.g. underwriting, expenses, claims inflation). Greater attention should be paid to elements that relate to liquidity risk, counterparty exposure, and macroeconomic exposure.
477. American Council of Life Insurers	U.S.	No	This text suggests collection of a very detailed set of insurer business information without making any connection to the macroprudential objective. Data collection in the name of macroprudential supervision should be limited to data with an established connection to systemic risk transmission channels. We recommend deleting this paragraph, as others within ICP 24 are more appropriately targeted to the subject of systemic risk.
478. Association of British Insurers	United Kingdom	No	This section does not link with the proceeding sections focusing on liquidity risk, macroeconomic exposures and counterparty risk. It is unclear how the information listed would be relevant in a macroeconomic context and we therefore suggest ICP24.1.5 is deleted.
479. Lloyd's of London	United Kingdom	No	The guidance says that supervisors should collect microeconomic data, including insurance pricing, underwriting, expenses, claims inflation, reinsurance and intra-group transactions. This was not mentioned in the November 2018 consultation and

			will therefore be subject to less scrutiny as a proposition than other elements of the revisions to the supervisory material. The rationale for including such measures is not made clear. Further, the granularity at which the data may be required is not clear. Collecting data at the level of individual policies or transactions would be disproportionately onerous for supervisors and undertakings alike. Insurers' balance sheets are assessed for solvency by risk-based capital requirements. Collection of data at the microeconomic level will need to be carefully targeted if it is to identify systemic risk that is not apparent at an aggregate level. As with 24.1.2, it is unclear whether the application of this paragraph in the context of global systemic risk should be confined to life insurance. It is hard to see how information about the pricing and underwriting of non-life risks, for example, will contribute to assessment of systemic risk. Such data should only be collected at an aggregate level and in a proportionate manner considering its potential additional utility.
480. American Property Casualty Insurance Association (APCIA)	USA	No	APCIA believes this paragraph should be deleted. The microeconomic data to be collected under this Guidance is backward-looking and unconnected to particular risk exposures that can realistically have a negative impact on financial stability and the broader economy through an identified transmission channel. Further, companies do not necessarily already publish all of the data required to be collected, so compliance with this data call would be unnecessarily burdensome.
Q90 Comment on Guidance ICP 24.1.6			
481. EIOPA	European Union	No	N/A
482. Swiss Re	Switzerland	No	As per Q89, we question whether the supervisor should collect data for material jurisdictions or if this would exceed territorial authority. In fact, this may overlap and exceed local jurisdictional requirements. The idea of processes and communication channels on data collection (and exchange) should be developed further and should provide a mechanism for aggregating data collected by supervisors of the various jurisdictions in which any given insurance group operates.
Q91 Comment on Standard ICP 24.2			
483. EIOPA	European Union	No	EIOPA thinks that the forward looking perspective is not sufficiently emphasised in the standard, hence the introduction of a new second bullet is suggested (being aware that the forward-aspect is addressed in 24.2.7): "is forward-looking" OR "is forward looking and therefore includes different possible future scenarios"

484. Liberty Mutual Insurance Group	USA	No	We are concerned that ICP 24.2's vision for how insurance supervisors might engage in macro-prudential insurance sector analysis may well be unrealistic. Most jurisdictions will not have the capability to perform the sometimes unnecessarily broad, highly complex and technical macro-prudential analysis called for in this draft. Consequently, this approach will probably not prove practical unless revised. Moreover, before any of the analysis proposed in ICP 24.2 could be undertaken, supervisors will need expanded legal authority and more financial and personnel resources than they have now. We doubt that additional authority and staffing will be forthcoming to implement this ICP, given already existing demands on very tight budgets of state and country insurance supervisors. If the Framework was more reasonably tied to the actual level of systemic risk that the insurance sector generates or is exposed to, then the Framework would be able to assign responsibilities to IAIS members that would be more feasible for them to carry out.
Q92 Comment on Guidance ICP 24.2.1			
485. EIOPA	European Union	No	N/A
486. Liberty Mutual Insurance Group	USA	No	Most insurance supervisors are not likely to have the resources to determine how activities by their regulated entities impact "externalities to the wider financial system" in the complex manner proposed by the Framework. This global perspective requires sophisticated macro-prudential economic tools and expertise that are largely outside the reasonable budget expectations for most insurance regulatory agencies. The IAIS and the NAIC can coordinate assistance, but are not legally authorized to do the required analysis in place of local jurisdictional supervisors. This problem could be solved if the Framework were better balanced with the actual level of systemic risk in the insurance sector.
Q93 Comment on Guidance ICP 24.2.2			
487. EIOPA	European Union	No	N/A
488. CNA	USA	No	While, in general, horizontal reviews can provide useful insights into sector-wide vulnerabilities and potential sources of systemic risk, supervisors should consider carefully the need for, and benefits to be gained from, large-scale industry horizontal reviews. ICP 24.2.4 should be reworded to state that, "the supervisor may consider horizontal reviews…" as one of many different methods of quantitative analysis (as noted in ICP 24.2.2). The language of ICP 24.3.4 regarding the need to consider carefully the composition of insurer peer groups is equally appropriate in the design of horizontal reviews and should be repeated in this section.
Q94 Comment on Guidance ICP 24.2.3			

489. EIOPA	European Union	No	N/A
Q95 Comment on Guidance ICP 24.2.4			
490. Insurance Europe	Europe	No	A pragmatic approach should be taken when compiling relative rankings and identifying outliers. Benchmarking across industry should not result in everyone being moved to the most onerous position since the most conservative approach is not always the right one.
491. EIOPA	European Union	No	N/A
492. Global Federation of Insurance Associations	Global	No	The Guidance should provide a much more limited scope and frequency of horizontal reviews. Horizontal reviews should be limited to exposures that can realistically pose a systemic risk through an identified transmission channel, and the reviews should be proportionate to the nature, scale, and complexity of exposures. Further, it is unclear how supervisors are going to obtain the information necessary to accomplish a horizontal review and keep that information confidential, since supervisors will not have direct regulatory authority over all groups in a horizontal review. The Guidance also implies that there should be supervisory action taken against insurers that are outliers in a horizontal review. However, a company may be an outlier as a result of its niche or unique business model and activities that are unrelated to vulnerabilities warranting a supervisory response. Therefore, the Guidance should make clear that supervisors should first consider why a firm is an outlier, whether the reason for being an outlier raises a particular regulatory concern, and any measures or processes that the company has in place to mitigate the company's risk related to being an outlier. Any supervisory action against an outlier must be taken after this company-specific analysis.
493. Institute of International Finance	Global	No	While, in general, horizontal reviews can provide useful insights into sector-wide vulnerabilities and potential sources of systemic risk, supervisors should consider carefully the need for and benefits to be gained from large-scale industry horizontal reviews. ICP 24.2.4 should be reworded to state that, "the supervisor may consider horizontal reviews…" as one of many different methods of quantitative analysis (as noted in ICP 24.2.2). The language of ICP 24.3.4 regarding the need to consider carefully the composition of insurer peer groups is equally appropriate in the design of horizontal reviews and should be repeated in this section. ICP 24.2.4 raises the implication that an outlier firm should be targeted for a supervisory response, which may not necessarily be an appropriate conclusion. A firm may be an outlier for a number of reasons related to its business model or mix of activities or its focus on a niche market. Supervisors should be encouraged to first engage in a discussion with the identified firm to better understand the reasons for the outlier results, to assess whether the firm has measures in place to mitigate any risks arising from the outlier activities, and to determine whether a formal supervisory response is required.

494. The Life Insurance Association of Japan	Japan	No	We would like the second sentence of this Guidance ICP to be revised as follows: "A horizontal review may provide a relative ranking to determine which insurers are outliers who are likely to cause systemic risk, and as such provides the supervisor with a reference for potential further actions."
495. Aegon NV	The Netherlands	No	We encourage caution around "horizontal reviews," as we consider the existing G-SII assessment methodology, which employs such an approach, as fundamentally flawed. First, an insurer's systemic importance should not be a function of other insurers. Second, risk is not assessed holistically. Finally, several of the indicators have a tenuous connection to systemic risk.
496. American Council of Life Insurers	U.S.	No	ACLI is not supportive of the "horizontal reviews" as articulated in the ICP. Relative rankings based on common subjects in order to identify "outliers" runs the very real risk of misinforming regulators, analysts and other stakeholders as to the financial health of an insurer or group. For example, "outlier" results may not be indicative of greater risk. Further, relative ranking - particularly in the context of systemic risk - is inherently flawed as it overstates the risk of an individual institution given the limited sample size and absence of a cross sectoral perspective.
497. Association of British Insurers	United Kingdom	No	Insurers often justifiably take different views of risk using internal models which are rigorously assessed and approved by their home regulator, with the involvement of the supervisory college. As such, the value of horizontal reviews can be limited. Relative rankings and determining outliers are not the same thing. A relative ranking suggests a race to the top and would likely lead to jurisdictions imposing conservatism where it may not be justified. Again, identifying outliers should be undertaken in the context that internal model firms often take different approaches but via a diligent process that improves rather than diminishes risk management.
498. Lloyd's of London	United Kingdom	No	The guidance implies that insurers viewed as "outliers" are by their nature less prudent. This position is not necessarily accurate. There may be differences due to particular types of innovation at a firm or simply due to an unusual business model. At a macroprudential level, it may be sensible to have some diversity of assumptions, as this can contribute to a more resilient system on aggregate. The guidance should note that outlier analysis should be employed as a heuristic for further investigation, rather than to rank firms according to heterogeneity.
499. American Property Casualty Insurance Association (APCIA)	USA	No	ACPIA believes the Guidance should provide a much more limited scope and frequency of horizontal reviews. Horizontal reviews should be limited to exposures that can realistically pose a systemic risk through an identified transmission channel, and the reviews should be proportionate to the nature, scale, and complexity of exposures. Further, it is unclear how supervisors are going to obtain the information necessary to accomplish a horizontal review and keep that information confidential, since supervisors will not have direct regulatory authority over all groups in a horizontal review. The Guidance also implies that there should be supervisory action taken against insurers that are outliers in a horizontal review. However, a company may be an outlier as a result of its niche or unique business model and activities that are unrelated to vulnerabilities warranting a supervisory response. Therefore, the Guidance should make clear that supervisors

			should first consider why a firm is an outlier, whether the reason for being an outlier raises a particular regulatory concern, and any measures or processes that the company has in place to mitigate the company's risk related to being an outlier. Any supervisory action against an outlier must be taken after this company-specific analysis.
500. CNA	USA	No	ICP 24.2.4 raises the implication that an outlier firm should be targeted for a supervisory response, which may not necessarily be an appropriate conclusion. A firm may be an outlier for a number of reasons related to its business model or mix of activities or its focus on a niche market. Supervisors should be encouraged to first engage in a discussion with the identified firm to better understand the reasons for the outlier results, to assess whether the firm has measures in place to mitigate any risks arising from the outlier activities, and to determine whether a formal supervisory response is required.
501. Liberty Mutual Insurance Group	USA	No	The instruction that supervisors should conduct "horizontal reviews" in the complex manner described in this ICP is another example of the impracticality in the current draft, going well beyond the resources of most government agencies. In addition, any requirement regarding conduct of this supervision must be sufficiently flexible to acknowledge and accommodate existing agencies with authority for assessing systemic risk within their jurisdictions, such as the Financial Stability Oversight Council in the United States. As a both a practical and legal matter, insurance supervisors will have to defer to these authorized government authorities. The Holistic Framework will have to focus on global risks outside the scope of national supervisory organizations and focus only on risks of significant magnitude with a demonstrated likelihood of broad, cross-border transmission.
502. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Given that the first sentence addresses "horizontal reviews to reveal the range of practices among insurers", it would make more sense for the example to use insurers (plural): "appropriateness of insurers' assumptions".
Q96 Comment on Guidance ICP 24.2.5			
503. Insurance Authority (IA)	China, Hong Kong	No	A typo observed in third bullet point: "fora".
504. EIOPA	European Union	No	Reference to the complexity is made in the last bullet of the guidance. EIOPA shares the content of the message which reflects the broader concept of proportionality. EIOPA suggest to include reference to the criterion of materiality to be used to calibrate the complexity by redrafting the first sentence of the last bullet as follows: "horizontal reviews need not always be complex exercises and can therefore be proportionate to the expected materiality of the risk under review"

505. American Council of Life Insurers	U.S.	No	If the IAIS is insistent on preserving horizontal reviews, we urge that special care should be taken if designing a horizontal review to avoid overly simplistic quantitative data gathering for comparison purposes. As emphasized in Para 59 of the IAIS Consultation on a Holistic Framework for Systemic Risk, the actual exposure of a vulnerability depends not on its size but on "how such an activity is managed." Thus, the point of any horizontal review should be to identify best practices as well as any exposures that would lead to an analysis of what are the best practices that would appropriately mitigate or reduce that potential transmission of risk via the recognized transmission channels as stated in 24.04.
506. American Property Casualty Insurance Association (APCIA)	USA	No	Where this Guidance recommends the use of horizontal reviews with regard to whether a peer group is used, we urge that special care should be taken to avoid overly simplistic quantitative data gathering for comparison purposes. As emphasized in Para 59 of the IAIS Holistic Framework consultation, the actual exposure of a vulnerability depends not only on its size but on "how such an activity is managed." Thus, horizontal reviews should focus on identifying best practices for the management of activities that could potentially transmit risk.
507. Liberty Mutual Insurance Group	USA	No	Local insurance supervisors are required by existing laws and the political reality of their jurisdictions to focus on how insurance markets function with respect to the interests of their citizens. They are not, absent a significant change in their statutory authority and direction, likely to gain the capability to "form a global perspective." Use of such terminology may have a theoretical appeal, but should be tempered by the very practical considerations faced by all insurance supervisors. A re-balanced Framework, as we have suggested in other comments, would possibly be more aligned with supervisory capabilities and local priorities.
Q97 Comment on Guidance ICP 24.2.6			
508. EIOPA	European Union	No	N/A
509. General Insurance Association of Japan	Japan	No	As for supervisory stress tests, top-down stress tests should in principle be conducted because, judging by their roles, precisely calculating each insurer´s figures is not very important. Conducting bottom-up stress tests should be limited to cases where there is a need to consider elements specific to individual insurers.
510. American Property Casualty Insurance Association (APCIA)	USA	No	APCIA has serious concerns regarding the feasibility of requiring supervisors to conduct stress testing exercises. Since stress testing non-life insurance products meaningfully requires granular zip-code level data, we question how it would be possible for regulators to conduct stress testing themselves. Given this limitation, we are concerned that supervisors would have to begin requiring companies to conduct standardized stress tests in their ORSAs in order to comply with this Guidance. Requiring standard stress testing in ORSAs would belie the purpose of an ORSA, which, of course, is intended to be a company's own risk assessment. Since it would be infeasible for supervisors to conduct meaningful stress testing themselves, we are concerned with the unintended consequences of this Guidance and therefore suggest that it be removed.

			In addition, we believe that stress testing for non-life insurers will have very limited value to supervisors. Rather, supervisors would be better served to understand and assess the stress testing that is already performed by the insurer itself, summarized in ORSAs, to gauge any likelihood of a risk that could rise to level of systemic importance for a firm. Should a scenario modelled by an insurer result in such a finding, it could then be assessed on a sectoral basis. The Guidance should recognize that traditional non-life insurance activities are not a significant source of systemic risk and therefore stress testing for non-life insurers would provide limited value to supervisors in this context, unless a company is engaged in activities other than traditional non-life insurance that could give rise to systemic risk through an identified transmission channel. Any required stress testing should be directly related to particular risk exposures that can realistically have a negative impact on financial stability and the broader economy. Otherwise, this Guidance would go beyond what is necessary to achieve its purpose.
511. CNA	USA	No	As a firm that has not previously been subject to the IAIS systemic risk assessment process, CNA has significant concerns regarding how the proposed Holistic Framework will be implemented in practice. Our concern is related to the fact that the proposed standard is heavily reliant on supervisory judgement, making it difficult to predict if an activity may be deemed systemic, exposing a firm to substantial unforeseen regulatory action. The unpredictable nature of this assessment is even more problematic during a period of stress or a financial crisis where a firm's senior management wants to understand all risks the firm is exposed to in order to develop a reasonable and appropriate recovery plan. In order to provide clarity in this critical area, CNA requests that the IAIS expand on its definition of proportionality and provide greater clarity regarding how this proposed standard will be implemented in practice, both in assessment of systemic activities and supervisory responses
512. Liberty Mutual Insurance Group	USA	No	For the reasons set forth above, developing stress tests for application to "the insurance market as a whole" adds unnecessary complexity for measuring the exposure of the insurance sector to systemic risk and this proposal should be reconsidered. It is not practical for most insurance supervisors. Although the IAIS or NAIC conceivably could provide such resources to assist insurance supervisors, they do not have any legal authority to conduct, analyze, or interpret stress tests of the "insurance market as a whole".
Q98 Comment on Guidance ICP 24.2.7			
513. Insurance Authority (IA)	China, Hong Kong	No	A typo: please add hyphen for "Forward-looking".
514. EIOPA	European Union	No	N/A
Q99 Comment on Guidance ICP 24.2.8			

515. EIOPA	European Union	No	N/A
516. Liberty Mutual Insurance Group	USA	No	In order to be productive, stress tests must be customized to a particular insurer, its mix of business and risks presented. Sector-wide stress tests will probably not provide meaningful information to enable supervisors to "use stress tests to identify vulnerabilities and risks and assess impacts … for individual insurers."
Q100 Comment on Guidance ICP 24.2.9			
517. Insurance Authority (IA)	China, Hong Kong	No	Editing comment: please add "full stop" after "other risks".
518. Insurance Europe	Europe	No	Insurance Europe is unconvinced by the argument that systemic risk stems from a lack of substitutability; we see this predominantly as a competition issue.
519. EIOPA	European Union	No	N/A
520. Global Federation of Insurance Associations	Global	No	GFIA is unconvinced by the argument that systemic risk stems from a lack of substitutability; GFIA sees this predominantly as a competition issue.
521. General Insurance Association of Japan	Japan	No	As we commented on 24.0.4, "lack of substitutability" should be deleted.
522. Swiss Re	Switzerland	No	With regard to substitutability (the lack thereof) as a source of systemic risk, we point out that, in a properly functioning market, insurance services are readily substitutable. We propose that the IAIS explicitly recognizes both "barriers to entry AND exit" (William J. Baumol, John C. Panzar, & Robert D. Willig (1982). Contestable Markets and the Theory of Industry Structure) as a condition for lack of substitutability to become a source of systemic risk. Rationale: absent significant market entry (and exit) barriers, it is reasonable to assume that the market will function when a (major) insurance provider fails.
523. Association of British Insurers	United Kingdom	No	We are unconvinced by the argument that systemic risk stems from a lack of substitutability; we see this predominantly as a competition issue.

524. Lloyd's of London	United Kingdom	No	We would like to reiterate the point made earlier: lack of substitutability is not a source of systemic risk in the insurance sector.
Q101 Comment on Guidance ICP 24.2.10			
525. EIOPA	European Union	No	N/A
526. National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	The first sentence is quite long and seems to combine two ideas that could be separated: 1) monitoring liquidity of insurers in general; and 2) analyzing potential asset sales focusing on large insurers. Suggest: "The supervisor should monitor the liquidity of an insurer's invested assets relative to its insurance liabilities based on their characteristics. Additionally, the supervisor should analyse the potential that a large insurer's operations could require it, or a sufficiently large number of insurers, to engage in asset sales of a significant size."
Q102 Comment on Guidance ICP 24.2.11			
527. EIOPA	European Union	No	N/A
Q103 Comment on Guidance ICP 24.2.12			
528. EIOPA	European Union	No	N/A
529. Institute of International Finance	Global	No	With respect to ICP 24.2.12, it is not clear why "macroeconomic exposure in insurance liabilities" would be a function of the "complexity of the underlying risk/legal environment." We encourage the IAIS to clarify this reference or delete the phrase.
530. The Geneva Association	International	No	It is not clear why "macroeconomic exposure in insurance liabilities" would be a function of the "complexity of the underlying risk/legal environment." We therefore recommend that the first sentence of ICP 24.2.12 is deleted
531. Aegon NV	The Netherlands	No	It is not clear why "macroeconomic exposure in insurance liabilities" would be a function of the "complexity of the underlying risk/legal environment."
532. American Council of Life Insurers	U.S.	No	It is not clear why "macroeconomic exposure in insurance liabilities" would be a function of the "complexity of the underlying risk/legal environment."

Q104 Comment on Standard ICP 24.3			
533. EIOPA	European Union	No	N/A
534. Institute of International Finance	Global	No	The language of ICP 24.3 and the first sentence of ICP 24.3.1 are inconsistent with the IAIS proposal to abandon a binary approach for an approach "with a proportionate application of an enhanced set of policy measures to address activities and exposures that can lead to systemic risk targeted to a broader portion of the insurance sector" (See 3d Bullet, Paragraph 1, Executive Summary, IAIS Holistic Framework Consultation Document 4 November 2018). Therefore, consistent with our earlier comment, the language of ICP 24.3 and the first sentence of ICP 24.3.1 should be revised substantially to reflect this new direction. Moreover, use of the term "supervisor" implies that each jurisdictional supervisor should have a system in place to assess the systemic importance of individual insurers operating in its jurisdiction as well as to assess the systemic importance of the sector as a whole. This could have the knock-on effect of multiple designations of individual insurers, a lack of supervisory resources and, in some jurisdictions, a conflict where a non-insurance regulator or a committee of financial regulators has jurisdiction over systemic risk supervision. We would amend this reference to the supervisor to refer to "the group supervisor or other appropriate authority" and suggest the following revisions to 24.3 and 24.3.1: 24.3 The group or lead supervisor, or other appropriate authority, has an established process to assess the build-up of material risks and exposures from the activities of insurers and to demonstrate potential links to systemic risk transmission channels in the insurance sector. 24.3.1. The group or lead supervisor, or other appropriate authority should take a balance sheet approach when considering material risks and vulnerabilities from the activities of insurers and link these risks and vulnerabilities to identified and agreed systemic risk transmission channels and, consistent with Paragraph 59 of the 4 November 2018 Holistic Framework Consultation, the effective mitigation or management of such material risks or vulnerabilities. Supervisors may want to consider including derivatives trading and reliance on short-term funding and other banking-like market activity in assessing insurance sector risks and vulnerabilities. The supervisor should also consider the interconnectedness of insurers with other financial institutions, and the role of the insurance sector within the broader financial system. The concept of materiality should be incorporated into Standard 24.3 and the related guidance. Standard 24.3 should refer both to the potential systemic importance of the sector and the materiality of potentially systemic activities and exposures in light of the activities and exposures across the financial services market.
535. Aegon NV	The Netherlands	No	Because the ICPs are directed at supervisors of individual jurisdictions, Standard 24.3 seems to require that each jurisdiction establish a "Domestic SII" process. This concept could become unwieldy if applied literally, as situations could arise in which some parts of a group could be deemed systemically important, while other parts of the group would be free of such a designation. We would encourage additional reflection on whether the content of ICP 24.3 is appropriate to include in a set of supervisory principles that is intended to apply globally.

			In addition, the guidance for Standard 24.3 should include greater attention to materiality issues. It should not be presumed that in every jurisdiction that one or more systemically important insurers or that the insurance industry in every jurisdiction is systemically important.
536. Liberty Mutual Insurance Group	USA	No	For the most part, ICP 24.3 is a restatement of the entity-based approach the Holistic Framework is supposed to replace. This ICP should be deleted in its entirety with the possible exception of ICP 24.3.3.
Q105 Comment on Guidance ICP 24.3.1			
537. EIOPA	European Union	No	N/A
538. Global Federation of Insurance Associations	Global	No	The sentence "The supervisor should take a total balance sheet approach" should be deleted since the meaning of it is unclear.
539. Institute of International Finance	Global	No	As mentioned above in Q104, suggest the following revisions to 24.3.1: 24.3.1. The group or lead supervisor, or other appropriate authority should take a balance sheet approach when considering material risks and vulnerabilities from the activities of insurers and link these risks and vulnerabilities to identified and agreed systemic risk transmission channels and, consistent with Paragraph 59 of the 4 November 2018 Holistic Framework Consultation, the effective mitigation or management of such material risks or vulnerabilities. Supervisors may want to consider including derivatives trading and reliance on short-term funding and other banking-like market activity in assessing insurance sector risks and vulnerabilities. The supervisor should also consider the interconnectedness of insurers with other financial institutions, and the role of the insurance sector within the broader financial system.
540. General Insurance Association of Japan	Japan	No	"The supervisor should take a total balance sheet approach" should be deleted since the meaning of it is unclear.
541. Aegon NV	The Netherlands	No	We understand a "total balance sheet approach" in the context of an ICS-style solvency regime, where an insurer's capital requirements are a function of the change in a stressed market-value or market-adjusted balance sheet. It is not clear why this is necessary for "considering the potential systemic importance of an insurer," as a total balance sheet approach does not directly highlight interconnections with other financial institutions.

542. American Council of Life Insurers	U.S.	No	We understand a "total balance sheet approach" in the context of an ICS-style solvency regime, where an insurer's capital requirements are a function of the change in a stressed market-value or market-adjusted balance sheet. It is not clear why this is necessary for "considering the potential systemic importance of an insurer," as a total balance sheet approach does not directly highlight interconnections with other financial institutions.
Q106 Comment on Guidance ICP 24.3.2			
543. Insurance Europe	Europe	No	The overwhelming majority of insurers buy derivatives in order to hedge risks as part of prudent risk management rather than as speculative trades. Central clearing requirements introduced since the financial crisis have also mandated collateral to be posted against most derivatives, ensuring financial protection in the event of counterparty default. Taking both these facts into account, degree of engagement in derivatives is a poor indicator of systemic risk. The focus should instead be on identifying speculative derivatives or derivatives sold by groups of insurers to hedge the risks of other financial institutions, although it is not clear that any insurers are engaging in such activity.
544. EIOPA	European Union	No	N/A
545. Global Federation of Insurance Associations	Global	No	The overwhelming majority of insurers buy derivatives in order to hedge risks as part of prudent risk management rather than as speculative trades. Central clearing requirements introduced since the financial crisis have also mandated collateral to be posted against most derivatives, ensuring financial protection in the event of counterparty default. Taking both these facts into account, degree of engagement in derivatives is a poor indicator of systemic risk. The focus should instead be on identifying speculative derivatives or derivatives sold by groups of insurers to hedge the risks of other financial institutions, although it is not clear that any insurers are engaging in such activity.
546. Institute of International Finance	Global	No	The focus on derivatives activities in ICP 24.3.2 should distinguish between the activities of insurers as end-users of derivatives for appropriate asset/liability management and non-risk management purposes and other derivatives activity that could lead to excessive leverage or concerns regarding interconnected exposures.
547. Association of British Insurers	United Kingdom	No	The overwhelming majority of insurers buy derivatives in order to hedge risks as part of prudent risk management rather than as speculative trades. Central clearing requirements introduced since the financial crisis have also mandated collateral to be posted against most derivatives, ensuring financial protection in the event of counterparty default. Taking both these facts into account, the degree of overall use of derivatives is a poor indicator of systemic risk. The focus should instead be on identifying any speculative derivative trades or derivatives sold by groups of insurers to hedge the risks of other financial institutions.
548. Lloyd's of London	United Kingdom	No	Like 24.1.5, this paragraph is proposing analysis at a granular level ("consider the policies underwritten by insurers"). We question whether it is realistic to expect supervisors to examine the business undertaken by insurers policy-by-policy and whether, should they do so, they will gather any meaningful insights into systemic risk.

Q107 Comment on Guidance ICP 24.3.3			
549. Insurance Europe	Europe	No	A more horizontal view of systemic risk across all financial market activity is needed. The guidance under ICP 24.3 lacks contextualisation of the materiality of potential systemic risk, we therefore suggest that ICP 24.3.3 is amended as follows - "As part of its assessment, the supervisor should consider recent developments, such as changes in economic conditions or technological change that may affect the insurance sector's risk exposures. Additionally, the supervisor should cooperate and coordinate with other financial sector supervisors (such as banking, securities and pension supervisors, central banks and government ministries) to gain additional perspectives on the nature, scale and materiality of activities/exposures in the context of the size of the market as a whole in considering whether it has the potential to be systemic, and the potential change in the risk exposures of insurers stemming from evolutions of other markets'.
550. EIOPA	European Union	No	Transitional and physical risks stemming from climate change are heavily debated topics and might have material impact on the insurance industry. EIOPA believes that ESG risks are worth to be included among the examples provided at the end of the first sentence. Please refer to the following redrafting suggestion: "As part of its assessment, the supervisor should consider recent developments and emerging risks, such as changes in economic conditions, technological change or environmental, social and governance (ESG) risks, that may affect the insurance sector's risk exposures. Additionally, the supervisor should cooperate and coordinate with other …"
551. Global Federation of Insurance Associations	Global	No	A more horizontal view of systemic risk across all financial market activity is needed. The guidance under ICP 24.3 lacks contextualisation of the materiality of potential systemic risk, GFIA therefore suggests that ICP 24.3.3 is amended as follows - "As part of its assessment, the supervisor should consider recent developments, such as changes in economic conditions or technological change that may affect the insurance sector's risk exposures. Additionally, the supervisor should cooperate and coordinate with other financial sector supervisors (such as banking, securities and pension supervisors, central banks and government ministries) to gain additional perspectives on the nature, scale and materiality of activities/exposures in the context of the size of the market as a whole in considering whether it has the potential to be systemic, and the potential change in the risk exposures of insurers stemming from evolutions of other markets'.
552. Institute of International Finance	Global	No	We welcome the focus on cross-sectoral coordination and encourage its reflection in other guidance under ICP 24, as noted above. We also agree with the focus on changes in economic conditions or technical changes that may affect the insurance sector's risk exposure. However, we believe ICP 24.3.3 should be amended as follows in order to place the emphasis properly on the materiality of the activities of one or more insurers: "As part of its assessment, the supervisor should consider recent developments, such as changes in economic conditions or technological changes that may affect the insurance sector's risk exposures. Additionally, the supervisor should cooperate and coordinate with other financial sector supervisors (such as banking, securities and pension supervisors, central banks

			and government ministries) to gain additional perspectives on the nature, scale and materiality of activities/exposures in the context of the size of the market as a whole in considering whether those activities/exposures have the potential to give rise to systemic risk, and on the potential change in the risk exposures of insurers stemming from evolutions of other markets."
553. The Geneva Association	International	No	The guidance under ICP 24.3 lacks contextualisation of the materiality of potential systemic risk, we therefore suggest that ICP 24.3.3 is amended as follows - "As part of its assessment, the supervisor should consider recent developments, such as changes in economic conditions or technological change that may affect the insurance sector's risk exposures. Additionally, the supervisor should cooperate and coordinate with other financial sector supervisors (such as banking, securities and pension supervisors, central banks and government ministries) to gain additional perspectives on the nature, scale and materiality of activities/ exposures in the context of the size of the market as a whole in considering whether it has the potential to be systemic, and the potential change in the risk exposures of insurers stemming from evolutions of other markets".
554. Association of British Insurers	United Kingdom	No	A more horizontal view of systemic risk across all financial market activity is needed. The guidance under ICP 24.3 lacks contextualisation of the materiality of potential systemic risk. We therefore suggest that ICP 24.3.3 is amended as follows - "As part of its assessment, the supervisor should consider recent developments, such as changes in economic conditions or technological change that may affect the insurance sector's risk exposures. Additionally, the supervisor should cooperate and coordinate with other financial sector supervisors (such as banking, securities and pension supervisors, central banks and government ministries) to gain additional perspectives on the nature, scale and materiality of activities/exposures in the context of the size of the market as a whole in considering whether it has the potential to be systemic, and the potential change in the risk exposures of insurers stemming from evolutions of other markets'.
555. American Property Casualty Insurance Association (APCIA)	USA	No	We appreciate that the Guidance recognizes that, when assessing systemic importance, insurance supervisors should cooperate and coordinate with other financial sector supervisors (such as banking, securities and pension supervisors, central banks and government ministries) to gain additional perspectives. However, this Guidance does not go far enough. Cross-sectoral and macro-level data is critical to understanding a company's risk to the broader economy, and therefore such data is necessary for assessing the systemic importance of an insurer. Accordingly, insurance supervisors should be explicitly required to coordinate their macroprudential analysis with banking and other financial sector supervisors.
Q108 Comment on Guidance ICP 24.3.4			
556. EIOPA	European Union	No	N/A
557. Global Federation of Insurance Associations	Global	No	GFIA agrees that supervisors should communicate the findings of systemic-importance assessments to either individual insurers or the sector, as appropriate. However, where potential sources and transmission channels for systemic risk have been identified, the supervisor should provide evidence or greater clarity as to which activities within the business of insurance are the source or transmission channel of systemic risk.

558. Institute of International Finance	Global	No	While, in general, horizontal reviews can provide useful insights into sector-wide vulnerabilities and potential sources of systemic risk, supervisors should consider carefully the need for and benefits to be gained from large-scale industry horizontal reviews. ICP 24.2.4 should be reworded to state that, "the supervisor may consider horizontal reviews…" as one of many different methods of quantitative analysis (as noted in ICP 24.2.2). The language of ICP 24.3.4 regarding the need to consider carefully the composition of insurer peer groups is equally appropriate in the design of horizontal reviews and should be repeated in this section.
559. The Geneva Association	International	No	The guidance under ICP 24.3.4 mandates supervisors to require insurers to take action necessary to mitigate any particular vulnerabilities that have the potential to affect financial stability. No actual guidance is given as to how vulnerabilities could be mitigated
560. American Property Casualty Insurance Association (APCIA)	USA	No	We agree that supervisors should communicate the findings of systemic-importance assessments to either individual insurers or the sector, as appropriate. However, where potential sources and transmission channels for systemic risk have been identified, the supervisor should provide evidence or greater clarity as to which activities within the business of insurance are the source or transmission channel of systemic risk.
Q109 Comment on Standard ICP 24.4			
561. EIOPA	European Union	No	N/A
562. Global Federation of Insurance Associations	Global	No	The following should be added as Guidance: "When assessing systemic risk, supervisors should not assess the insurance sector alone, but rather the whole financial sector including banking and securities and make comparisons across them."
563. Institute of International Finance	Global	No	In line with our comments above, ICP 24.4 does not reflect the Holistic Framework concept set out in the 4 November 2018 Holistic Framework Consultation. The ICP should be reworded to refer to the potential systemic importance of insurance activities, rather than to the potential systemic importance of individual insurers. As we noted in our January 25, 2019 comments on the Holistic Framework, supervisors should first assess the efficacy of microprudential supervisory tools before adopting new macroprudential measures. Moreover, the guidance in ICP 10.2.6 should emphasize that preventive measures should be proportionate and targeted to address the activities and risks that are of concern. Further, the IAIS and local supervisors and jurisdictions must be mindful of the need to appropriately balance the responsibilities of protecting policyholders and preserving financial stability when developing and implementing

			macroprudential policy measures or taking related supervisory actions.Measures that may seem fully justified from a macroprudential standpoint, such as counterparty limits or restrictions on business activities or products, may have negative impacts on policyholders and may impact the availability of socially necessary or desirable products. The ICPs should emphasize the protection of policyholders as a important supervisory objective and supervisors should be advised to adopt measures that minimize adverse impacts on policyholders.
564. General Insurance Association of Japan	Japan	No	The following should be added as Guidance. "When assessing systemic risk, supervisors should not assess the insurance sector alone, but rather the whole financial sector including banking and securities and make comparisons across them."
Q110 Comment on Guidance ICP 24.4.1			
565. EIOPA	European Union	No	N/A
566. American Council of Life Insurers	U.S.	No	ACLI supports the development of supervisory tools that help achieve the objective of preserving financial stability. The use of powers of intervention based on macro-prudential surveillance should be subject to transparent triggers. More broadly, the powers should have a clear link to the risk exposure / transmission channel they are aiming to address with consideration given to the potential adverse impacts that may arise from exercising the powers. ACLI would oppose the ability of supervisors to take drastic unilateral action simply by declaring the existence of a crisis when no objective support is present. Moreover, only when it is clear that additional microlevel tools would be insufficient to respond to the objective should macroprudential tools be considered. We believe the IAIS should further elaborate on how they envision this element of the Holistic Framework working in practice in future consultations and application papers.
Q111 Comment on Guidance ICP 24.4.2			
567. Insurance Authority (IA)	China, Hong Kong	No	It would be helpful to include examples of "certain risk exposures" in the guidance.
568. Insurance Europe	Europe	No	Insurance Europe agrees that many "macroprudential tools are, in effect, microprudential instruments developed or applied with a macroprudential perspective in mind". This perspective and, more widely, the relationship between micro and macroprudential rules should be considered at every step of policymaking. It is essential that microprudential regulation does not unintentionally exacerbate macroprudential concerns and so it is crucial that these IAIS workstreams are not siloed. In addition, we suggest that the strong interconnection between the two objectives "policyholder protection" and "financial stability" is made clearer with a change of wording in the last sentence of 24.4.2: "By mitigating certain risk exposures, measures that are primarily intended to protect policyholders [DELETE: may also]

			[ADD: regularly] contribute to financial stability by decreasing the probability and magnitude of any negative systemic impact."
569. EIOPA	European Union	No	N/A
570. Global Federation of Insurance Associations	Global	No	GFIA agrees that many "macroprudential tools are, in effect, microprudential instruments developed or applied with a macroprudential perspective in mind". This perspective and, more widely, the relationship between micro and macroprudential rules should be considered at every step of policymaking. It is essential that microprudential regulation does not unintentionally exacerbate macroprudential concerns and so it is crucial that these IAIS workstreams are not siloed. In addition, GFIA suggests that the strong interconnection between the two objectives "policyholder protection" and "financial stability" is made clearer be a change of wording in the last sentence of 24.4.2: "By mitigating certain risk exposures, measures that are primarily intended to protect policyholders regularly (instead of "may also") contribute to financial stability by decreasing the probability and magnitude of any negative systemic impact."
571. American Council of Life Insurers	U.S.	No	As we noted in our January 25, 2019 comments on the Holistic Framework, supervisors should first assess the efficacy of microprudential supervisory tools before adopting new macroprudential measures. Moreover, the guidance in ICP 10.2.6 should emphasize that preventive measures should be proportionate and targeted to address the reasons for the firm's failure to meet regulatory requirements. Examples of the application of a proportionate and targeted approach would be helpful. Further, the IAIS and local supervisors and jurisdictions must be mindful of the need to appropriately balance the responsibilities of protecting policyholders and preserving financial stability when developing and implementing macroprudential policy measures or taking related supervisory actions. The ICPs should emphasize that protecting policyholders is insurance supervisors' top priority, and negative impacts to policyholders should be minimized.
572. Association of British Insurers	United Kingdom	No	We agree that "macroprudential tools are, in effect, micro-prudential instruments developed or applied with a macroprudential perspective in mind". More widely the relationship between micro and macroprudential perspectives should be considered at every step of policymaking. Poorly constructed micro-prudential measures could inadvertently induce systemic risk.
573. Lloyd's of London	United Kingdom	No	We agree that there is a big overlap between measures primary intended to protect policyholders and those contributing to financial stability. We suggest that the last sentence of this paragraph is amended to read "By mitigating certain risk exposures, measures that are primarily intended to protect policyholders contribute to financial stability by decreasing the probability and magnitude of any negative systemic impact."

			When considering how to adapt their supervisory frameworks to take account of a macroprudential perspective, supervisors should first of all assess existing microprudential supervisory requirements, which may well already provide them with the data they require for macroprudential assessment and the appropriate supervisory responses.
574. Northwestern Mutual	USA	No	For the reasons set forth in our General Comment on revised ICP 24, we suggest that a sentence be added to Guidance ICP 24.4.2 to the effect that: "In the event a conflict arises between microprudential and macroprudential objectives, the insurance supervisor should prioritize policyholder protection."
Q112 Comment on Guidance ICP 24.4.3			
575. Insurance Europe	Europe	No	The final sentence where an insurer or insurers are "determined to be systemically important" suggests this is a permanent determination that cannot be rescinded. The insurer or insurers should be given the opportunity to address the activity or aspect of their business deemed to be systemically relevant and so any extension of requirements should be potentially temporary. This would be more consistent with ICP 10.2.6 which details that insurers should "prepare a report describing actions it intends to undertake to address specific activities the supervisor has identified". The emphasis within the paragraph is on targeting measures at insurers or groups of insurers, whereas we consider the focus should be on the activities of insurers or groups of insurers that may individually or collectively have the potential to cause material levels of systemic risk. The IAIS needs to revisit the drafting of the paragraph in this context. The final sentence in particular should be amended as follows - "…the supervisor should extend certain requirements as necessary to insurers and/or a group of insurers that it has determined to be systemically important based on its assessment of the materiality of the potential systemic risk that the nature, scale and complexity of the activities could plausibly give rise to.'
576. EIOPA	European Union	No	N/A
577. Global Federation of Insurance Associations	Global	No	GFIA would challenge the appropriateness of the sentence which begins, "in jurisdictions where one or more insurers have been identified as systemically important". GFIA would urge the IAIS to avoid encouraging such designations which are contrary to the overarching spirit of the Holistic Framework. This sentence should be amended in a way that fosters more of a consistent activities-based approach at the jurisdictional level. The final sentence where an insurer or insurers are "determined to be systemically important" suggests this is a permanent determination that cannot be rescinded. The insurer or insurers should be given the opportunity to address the activity or aspect of their business deemed to be systemically relevant and so any extension of requirements should be potentially temporary.

			The emphasis within the paragraph is on targeting measures at insurers or groups of insurers, whereas GFIA considers the focus should be on the activities of insurers or groups of insurers that may individually or collectively have the potential to cause material levels of systemic risk. The IAIS needs to revisit the drafting of the paragraph in this context. The final sentence in particular should be amended as follows - "…the supervisor should extend certain requirements as necessary to insurers and/or a group of insurers that it has determined to be systemically important based on its assessment of the materiality of the potential systemic risk that the nature, scale and complexity of the activities could plausibly give rise to.'
578. Institute of International Finance	Global	No	We fundamentally disagree with the view that individual insurers can pose systemic risk to the financial system or real economy and that jurisdictions should pursue designations of individual insurers. To this end, ICP 24.4.3 should be redrafted to align with the IAIS' view that an ABA negates the need for the designation of individual insurers. Supervisory measures within this guidance should focus on the activities of groups of insurers that collectively may have the potential to cause material levels of systemic risk. In particular, the final sentence should be amended to read, "The supervisor should extend certain requirements as necessary to address activities in the market that are of concern based on its assessment of the materiality of the potential systemic risk taking into consideration the nature, scale and complexity of the activities." Consistent with our past comments, supervisors should be advised to review existing supervisory measures and only impose new measures when existing measures are shown to be inadequate or ineffective. Supervisory measures, particularly emergency measures, should be time-limited and subject to regular review as to whether they continue to be needed and, if so, whether they are effective in meeting the objectives for which they were designed.
579. The Geneva Association	International	No	- The emphasis within the paragraph is on targeting measures at insurers or groups of insurers, whereas we consider the focus should be on the activities of insurers or groups of insurers that may individually or collectively have the potential to cause material levels of systemic risk. The IAIS needs to revisit the drafting of the paragraph in this context. - The final sentence in particular should be amended as follows - "… The supervisor should extend certain requirements as necessary to insurers and/or a group of insurers that it has determined to be systemically important based on its assessment of the materiality of the potential systemic risk that the nature, scale and complexity of the activities could plausibly give rise to.'
580. General Insurance Association of Japan	Japan	No	We understand that the statement "one or more insurers have been identified as systemically important" is in line with the notion of EBA. However, in identifying systemically important insurers, supervisors should assess and identify them after prioritizing systemically important financial institutions across financial sectors including banking.
581. American Council of Life Insurers	U.S.	No	We believe the emphasis on individual insurance entities is misplaced–the focus should be on activities. We recommend replacing the phrase "individual insurers or the insurance sector" with "any relevant insurance activity of one or more insurers."

			This item also assumes that an insurance supervisor has jurisdiction over the designation and regulation of systemically important insurers or insurance groups. In some countries, however, a non-insurance regulator, or a committee of financial regulators, may have jurisdiction over the designation and oversight of systemically important financial institutions. Therefore, we recommend that CF 24.4.3 be revised to reflect the wide range of supervisory and regulatory frameworks that are in place around the globe.
582. Association of British Insurers	United Kingdom	No	We would challenge the appropriateness of the sentence which begins, "in jurisdictions where one or more insurers have been identified as systemically important". Although it is clear that domestic designation of insurers as systemically important is a jurisdictional discretion, we would encourage the IAIS to avoid encouraging such designations which are contrary to the overarching spirit of the Holistic Framework. This sentence should be amended in a way that fosters more of a consistent activities-based approach at the jurisdictional level. Similarly, the final sentence where an insurer or insurers are "determined to be systemically important" suggests this is a permanent determination that cannot be rescinded. The insurer or insurers should be given the opportunity to address the activity, products or aspect of their business deemed to be systemically relevant so that in practice any extension of requirements can be temporary. The emphasis within the paragraph is on targeting measures at insurers or groups of insurers, whereas we consider the focus should be on the activities of insurers or groups of insurers that may individually or collectively have the potential to cause material levels of systemic risk. The IAIS needs to revisit the drafting of the paragraph in this context. The final sentence in particular should be amended as follows - "…the supervisor should extend certain requirements as necessary to insurers and/or a group of insurers that it has determined to be systemically important based on its assessment of the materiality of the potential systemic risk that the nature, scale and complexity of the activities could plausibly give rise to.'
583. American Property Casualty Insurance Association (APCIA)	USA	No	The emphasis on the "systemic importance of individual insurers" seems misplaced given the general direction of the holistic framework, which is to replace the entity-based approach to systemic risk with an activities-based approach. In order to properly implement an activities-based approach, the reference to the systemic importance of particular companies should be removed. Instead, the Guidance should refer to the activities of insurers. This Guidance also assumes that an insurance supervisor has jurisdiction over the designation and regulation of systemically important insurers or insurance groups. In some countries, however, a non-insurance regulator, or a committee of financial regulators, may have jurisdiction over the designation and oversight of systemically important financial institutions. Therefore, we recommend that the Guidance be revised to reflect the wide range of supervisory and regulatory frameworks that are in place around the globe.
Q113 Comment on Guidance ICP 24.4.4			

584. EIOPA	EU	No	N/A
585. Global Federation of Insurance Associations	Global	No	The Guidance should make clear that, in applying the principle of proportionality to specific supervisory responses, it is critical that policy measures are not applied more broadly than necessary to address any existing systemic risk. For example, it would not be appropriate to require insurers, or a group of insurers, which have been identified based on thresholds unrelated to systemic risk such as those for IAIGs, to be subject to uniform supervisory responses or measures. The cost of compliance should not exceed the impact the firm's individual risk exposure has on the systemic risk being addressed because this will lead to unnecessary compliance costs which may adversely affect policyholders through higher rates without a corresponding benefit. Furthermore, in applying supervisory responses or measures, predictability and fairness to insurers should be ensured, and consistency across jurisdictions should be secured to prevent the arbitrary application of regulations by authorities.
586. Institute of International Finance	Global	No	ICP 24.4.4 references ICP 10, which provides for an extensive list of preventive and corrective measures and sanctions. ICP 10.2 and ComFrame 10.2.a provide that a supervisor should require preventive measures if the insurer seems likely to operate in a manner that is inconsistent with regulatory requirements. In effect, the IAIS seems to be suggesting that supervisors should have extensive powers to restrict, manage and dictate to insurers even if no legal requirement has been violated. We submit that the standard in ICP 10.3 is the correct standard (i.e. the supervisor requires corrective measures if the insurer fails to operate in a manner that is consistent with regulatory requirements). ICP 10.2 and ComFrame 10.2.a should be rephrased to direct supervisors to require the insurer or the Head of the IAIG to take preventive measures if the insurer or group operates in a manner that is inconsistent with regulatory requirements. We submit that the first bullet of ComFrame 10.2.a (a legal entity within the IAIG seems likely to operate in a manner that would have a material adverse effect on the IAIG as a whole) is unduly vague and subjective and should not form the basis for the imposition of such punitive measures. At a minimum, this bullet should be rephrased to refer to a legal entity that operates in a manner that has a material and quantifiable adverse impact on the IAIG as a whole. The broad supervisory powers in ICP 10.2 and, in particular, ICP 10.2.6, are at odds with the context of Principle 10.2, which is preventive measures. These sweeping powers could fundamentally disrupt an insurer's business based on a potentially faulty assumption that the company is likely to operate in a manner that does not meet regulatory requirements. Moreover, a perceived lack of supervisory confidence in a major insurer could also have contagion effects that would negatively impact the insurer's peers. It is true that, even in a typical "business as usual" situation, supervisors frequently act as gatekeepers in relation to an insurer's activities through review and approval mechanisms. However, that gatekeeper role is far from the role that supervisors could play if supervisors had the discretion to impose the far-reaching measures of ICP 10.2.6, which would enable supervisors to disrupt lawful business even absent a clear finding of a regulatory violation. For example, lifetime bans of key personnel or transfers of liabilities are inappropriate absent a clear violation of law or regulation. If a supervisor is concerned that an insurer seems likely to operate contrary to regulatory requirements, it should first engage in a discussion with senior management prior to taking potentially unwarranted action. The Introductory Guidance to ICP 10 emphasizes a proportionate, tailored and flexible approach to preventive and corrective actions and this approach should be carried

			through the subsequent ICPs and related guidance. ICP 10.2 should provide more appropriate differentiation between preventive and corrective measures and identify the appropriate use of each set of measures. Language should be added to ICP 10.2 that requires any preventive or corrective measure to be related to and proportionate to the underlying supervisory concern. As ICP 10.2 is currently drafted, supervisors could take actions that are not relevant to the underlying supervisory concern. For example, capital surcharges and buffers are blunt instruments of limited usefulness in addressing sources of insurance systemic risk. Capital measures can also be procyclical and distort level playing fields. The IAIS should describe how each measure in the supervisory toolkit can be responsive to potential sources of systemic risk; other measures could be described as possible measures that could be taken when they can demonstrably address a specific supervisory concern (e.g. the use of a capital surcharge to address concerns about excessive leverage).
587. General Insurance Association of Japan	Japan	No	When determining which insurers are to be subject to the supervisory responses and measures referred to in this item, decisions should be based on assessment of the systemic importance of the individual insurer and/or a group of insurers, as ICP24.4.3 states. For example, it is undesirable to require insurers, or a group of insurers, which have been identified based on thresholds unrelated to systemic risk such as those for IAIGs, to be subject to uniform supervisory responses or measures. Also, in applying supervisory responses or measures, predictability and fairness to insurers should be ensured, and consistency across jurisdictions should be secured to prevent arbitrary operation of regulations by authorities.
588. American Council of Life Insurers	U.S.	No	ACLI strongly disagrees with the current proposal in 10.2 and 24 generally (24.4.4 specifically mentions preventive or corrective measures and references ICP 10) if it is meant to grant insurance supervisors the unprecedented power to intervene and impose a broad array of corrective or preventative measures on an insurer absent a finding that an insurer has failed to meet some regulatory requirement, including financial condition or compliance with other prudential requirements. As drafted, the proposal appears to represent a significant expansion of supervisory authority and creates uncertainties that could have profound implications for the business of insurance generally. The proposed enhancement of supervisory power, without sufficient clarity, would fundamentally disrupt well-established expectations among all insurance industry stakeholders, including consumers, investors, and insurer management. Moreover, some of the measures proposed may actually hasten distress at the subject insurer and exacerbate the deterioration of broader, macroeconomic conditions. For instance, the imposition of preventative actions on an insurer (such as restrictions on business activities or capital reinforcement requirements) could be interpreted by the insurance and financial markets as an indication of idiosyncratic stress at the insurer, which could impair the insurer's ability to sell products or raise funds, or result in an unnecessary flight from quality. ACLI urges that any imposition of the more severe measures outlined in the subsections to 10.2 must be tied to an insurer's condition, activities, or breach of prudential requirements.

589. American Property Casualty Insurance Association (APCIA)	USA	No	APCIA has serious concerns with the reference here to ICP 10, which could greatly expand supervisors' authority to impose a wide range of corrective or preventative measures without a finding that the insurer failed to meet regulatory requirements. ICP 10.2 states that supervisors must apply preventive measures if an insurer "seems likely to" operate in a manner that is inconsistent with regulatory requirements. APCIA suggests that the ICP make it clear that the application of such measures should occur only where some regulatory requirement has been violated. Similarly, the Guidance should make clear that, in applying the principle of proportionality to specific supervisory responses, it is critical that policy measures are not applied more broadly than necessary to address any existing systemic risk. The cost of compliance should not exceed the impact the firm's individual risk exposure has on the systemic risk being addressed. Socialization of unnecessary compliance costs will adversely affect policyholders through higher rates without a corresponding benefit. Please also see our response to Q1.
Q114 Comment on Guidance ICP 24.4.5			
590. Insurance Europe	Europe	No	While Insurance Europe appreciates the removal of the ICS as a metric for assessing systemic risk, it is concerned that ICP 24.4.5 introduces the concept that supervisors may develop requirements that are time varying in nature depending on the economic environment. Insurance Europe believes that supervisors should exercise extreme caution in considering such measures as they potentially risk creating incentives for procyclical behaviour..
591. EIOPA	EU	No	N/A
592. Global Federation of Insurance Associations	Global	No	While GFIA appreciates the removal of the ICS as a metric for assessing systemic risk, it is concerned that ICP 24.4.5 introduces the concept that supervisors may develop requirements that are time varying in nature depending on the economic environment. GFIA takes the view that supervisors should exercise extreme caution in considering such measures as they potentially risk creating incentives for procyclical behaviour.
593. Institute of International Finance	Global	No	The language in ICP 24.4.5 on "time-varying requirements" references cyclical measures, which could be rules-based or discretionary. We are concerned that ICP 24.4.5 introduces the concept that supervisors may develop requirements that are time varying in nature depending on the economic cycle. We believe supervisors should exercise extreme caution in considering such measures as they potentially risk creating incentives for procyclical behavior. The IAIS should consider deleting this guidance.
594. The Geneva Association	International	No	ICP 24.4.5 introduces the concept that supervisors may develop requirements that are time varying in nature depending on the economic cycle. We believe supervisors should exercise extreme caution in considering such measures as they potentially risk creating incentives towards procyclical behaviour. Therefore, ICP 24.4.5 should be deleted.
595. General Insurance	Japan	No	This Guidance states that requirements to be applied on "the common exposures or behaviours of a group of insurers or across the sector" could be rules-based or discretionary. However, on top of regular assessment of their appropriateness, the activation of requirements should in principle be rules-based because, as pointed out, discretionary approach is not as

Association of Japan			transparent as rules-based approach. In addition, although this Guidance makes no mention of it, it should also be made clear that requirements on "the distress or disorderly failure of an individual insurer" are also rules-based.
596. The Life Insurance Association of Japan	Japan	No	In the Principle Statement of ICP10 ("The supervisor: requires and enforces preventive and corrective measures; and imposes sanctions which are timely, necessary to achieve the objectives of insurance supervision, and based on clear, objective, consistent, and publicly disclosed general criteria"), there is a certain restriction on the implementation of preventive and corrective measures by the supervisor. On the other hand, Guidance 24.4.5 states that under certain circumstances, there is a possibility that supervisory measures be discretionary, rather than a rules-based approach, and the LIAJ reads this sentence as contradictory to the Principle Statement of ICP 10. The LIAJ requests that the entire Supervisory Material be written in a consistent manner so that intervention by the supervisor will always be rules-based.
597. Association of British Insurers	United Kingdom	No	While we appreciate the removal of the ICS as a metric for assessing systemic risk, we are concerned that ICP 24.4.5 introduces the concept that supervisors may develop requirements that are time varying in nature depending on the economic cycle. We believe supervisors should exercise extreme caution in considering such measures as they potentially risk creating incentives for procyclical behaviour. As such we suggest that ICP 24.4.5 should be deleted.
Q115 Comment on Standard ICP 24.5			
598. EIOPA	EU	No	N/A
599. Institute of International Finance	Global	No	Any publication of high-level aggregate and anonymized data and statistics on the insurance sector should protect confidential or commercially sensitive information. Anonymization of data related to IAIGs may not be sufficient to conceal the identity of the reporting company, given that there are a limited number of directly comparable IAIGs in a heterogeneous market.
600. The Life Insurance Association of Japan	Japan	No	The LIAJ requests ICP24.5 to be modified so that it will be consistent with Guidance ICP 24.5.1 and Guidance ICP24.5.2 as follows: "The supervisor publishes relevant aggregated data and statistics on the insurance sector."
601. American Council of Life Insurers	U.S.	No	As we noted in prior comments on CF 9.2.1.5, anonymization of information in the context of IAIGs may not be sufficient to conceal the source, given the likely small number of IAIGs in any way comparable to another IAIG. Therefore, we strongly urge that CF 24.5 be revised to provide that supervisors must exercise great care to ensure that aggregated data and statistics are carefully reviewed prior to publication to ensure that no material, non-public information regarding a particular IAIG is inadvertently disclosed.

602. Lloyd's of London	United Kingdom	No	We agree on the importance of transparency and the publication by supervisors of relevant data and statistics. This is a point of general importance to the operation of effective insurance supervisory systems and it may be more appropriate for this section to appear elsewhere in the ICPs, perhaps under ICPs 1 or 2.
Q116 Comment on Guidance ICP 24.5.1			
603. EIOPA	European Union	No	N/A
604. Global Federation of Insurance Associations	Global	No	The anonymisation of information in the context of IAIGs may not be sufficient to conceal the source company, given the likely small number of IAIGs in any way comparable to another IAIG. Therefore, GFIA would strongly urge that Guidance should be revised to provide that supervisors must exercise great care to ensure that aggregated data and statistics are carefully reviewed prior to publication to ensure that no material non-public information regarding a particular insurer is inadvertently disclosed.
605. The Life Insurance Association of Japan	Japan	No	In Guidance ICP24.5.1, it states "the publication of data may serve as a market disciplining mechanism by facilitating comparisons of an individual insurer to the sector as a whole." This is a grave concern as it implies a possibility that proprietary and confidential information of the individual insurance company submitted to the supervisor for the purpose of disclosing insurance sector-wide information may be diverted or publicized without the explicit prior concent of the insurance company. The LIAJ requests the IAIS to take necessary measures when publicizing aggregated data and statistics, to limit disclosure to the sector-wide level only and not disclose any detailed data of individual insurance companies.
606. American Property Casualty Insurance Association (APCIA)	USA	No	The anonymization of information in the context of IAIGs may not be sufficient to conceal the source company, given the likely small number of IAIGs in any way comparable to another IAIG. Therefore, we strongly urge that Guidance should be revised to provide that supervisors must exercise great care to ensure that aggregated data and statistics are carefully reviewed prior to publication to ensure that no material, non-public information regarding a particular IAIG is inadvertently disclosed.
Q117 Comment on Guidance ICP 24.5.2			
607. EIOPA	European Union	No	N/A