INTERNATIONAL ASSOCIATION OF INSURANCE SUPERVISORS

Compiled Comments on Draft definition and high-level principles to inform the criteria that will be used to assess whether the AM provides comparable outcomes to the ICS

09-Nov-20 to 23-Jan-21

Organisation	Jurisdiction	Confidential	Answer
Q1 Comment on draft definition of comparable outcomes			
1. Insurance Europe	Europe	No	Insurance Europe appreciates that the ICS framework could not be deemed truly international unless key jurisdictions such as the US were committed to it. From this perspective, it understands the IAIS agreement to consider the AM that was proposed by the US and assess it for comparability with the ICS. Ultimately, in order to be able to claim that the ICS and the AM provide together comprehensive comparable outcomes. Therefore, the assessment of comparability between the ICS and the AM needs to be done in a very thorough and consistent manner. The reference to both results and supervisory action is positive. However, additional specifications are needed to the current proposals, to ensure that a level playing field can be achieved through comparability of both quantitative results and the supervisory ladder of intervention at the group level. Specifically, Insurance Europe notes that: - The IAIS should clarify what is meant by "results". There are two elements that need considerations: 1. In light of ICS Principle 10*, and prior to identifying what results refers to, it is key to clarify that "target criteria for regulatory capital requirements", which produce the "results", are the same. Specifically, the ICS 2.0 target criteria is a 99.5% Value at Risk (VaR), over a one-year time horizon, of adverse changes in the IAIG's qualifying capital resources. 2. Capital adequacy (as referred to in ICS principle 5**) should be one of the elements that defines what "results" means. - The IAIS should insert a clear reference to the AM ensuring the same level of policyholder protection as the ICS, in light of ICS Principle 2***. Therefore, the following change should me made: "similar, but not necessarily identical, results" should be replaced with "the same level of policyholder protection". - The IAIS should clarify what it means by "the triggering of supervisory action". Insurance Europe believes that it should be clearly stated that the ladder of supervisory intervention should be similar for the ICS and the AM. This means that similar supervisory actions should be taken, and these should be triggered at the equivalent solvency control levels**** for both the ICS and the AM. The future consultation package on assessment criteria should spell out specific group-level

			supervisory actions that will be benchmarked in the assessment. Comparability can only be confirmed if it can be confirmed that the similar results would be obtained under a full range of economic and other conditions both "normal" and "stressed". At a minimum a set of scenarios should be defined for which outcomes will be compared eg high/low interest rates, high/low spreads, pure life vs pure non-life vs mixed entities, different size groups, different asset mixes, mature low growth/ high growth company, etc. In addition, it is important that the AM and ICS remain comparable over time and would therefore benefit from continuous follow-up monitoring to ensure the same level of policyholder protection. In light of the above, the definition should be amended to read as follows: "Comparable outcomes to the ICS means that the Aggregation Method (AM) would produce the same targeted level of policyholder protection and triggers similar supervisory actions over time - and at the same point in time under stressed conditions - by the group supervisor, including any enforceable action when the PCR is no longer complied with, on group capital adequacy grounds." * ICS Principle 10: The capital requirement in the ICS is based on appropriate target criteria which underlie the calibration. The level at which regulatory capital requirements are set reflects the level of solvency protection deemed appropriate by the IAIS. ** ICS Principle 5: The ICS aims at comparability of outcomes across jurisdictions and therefore provides increased mutual understanding and greater confidence in cross-border analysis of IAIGs among group-wide and host supervisors. Applying a common means to measure capital adequacy on a group-wide consolidated basis can contribute to a level playing field and reduce the possibility of capital arbitrage. *** ICS Principle 2: The main objectives of the ICS are protection of policyholders and to contribute to financial stability. The ICS is being developed in the context of the IAIS Mission, which is to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to global financial stability. **** See Insurance Core Principle (ICP) 17.4 which defines a PCR as a solvency control level above which the supervisor does not intervene on capital adequacy grounds. As the ICS is designed as a minimum standard, national supervisory

			authorities may elect to take a more prudent approach and set a PCR that is higher than the ICS PCR (as stated in the ICS Level 1 Document).
2. Global Federation of Insurance Associations (GFIA)	Global	No	The Global Federation of Insurance Associations (GFIA) supports the overall commitment set out by the IAIS to compare the AM and ICS on the basis of supervisory action and capital adequacy. We strongly believe that the fundamental purpose of capital standards is policyholder protection and so the point at which supervisory intervention is triggered will be important. It is important that both the ICS and AM offer comparable group capital levels and supervisory intervention. We suggest that the comparison acknowledges the broader context of the supervisory regimes in which AM and ICS will operate in once implemented at the jurisdictional level. Overall, and with respect to supervisory intervention, both the ICS and AM should provide robust signals that enable all the relevant supervisors involved to take coordinated actions.
3. International Actuarial Association (IAA)	International	No	The IAA is supportive of the draft definition of comparable outcomes.
4. General Insurance Association of Japan (GIAJ)	Japan	No	We understand that both ICS and AM results will be used as a trigger of supervisory action. However, we think that the expression "produce similar results 'over time" " is unclear. We think this should be clarified when considering the criteria for the comparability assessment. With regard to what kind of situation envisaged by the phrase "similar results", we understand that such situation can be interpreted as ICS and AM results being used on the same footing as a basis of determining the solvency of an insurance group. In other words, investors and rating agencies etc. believe that they can duly judge the solvency of an insurance group based on either result.
5. American Council of Life Insurers (ACLI)	U.S.A.	No	ACLI supports several features of the draft definition. At a high level, the definition provides a viable path for an alternative approach for group capital adequacy for IAIGs. It accommodates a longer-term, through-the-cycle analysis that accommodates different accounting frameworks for long-term insurance businesses. It is also consistent with the notion

			that the AM is a general standard that different jurisdictions across the globe can adopt. We nevertheless have some reservations about the draft definition. First, it assumes that the AM is to be measured against the ICS rather than assessing the AM's ability to fulfill policy objectives of increased understanding and promoting greater confidence among supervisors in different jurisdictions. In addition, confusion is created by the clause "that trigger supervisory action on group capital adequacy grounds." While we acknowledge that the ICS is being developed as a PCR, the inclusion of this phrase suggests that the assessment incorporates specific supervisory actions that would be triggered by each standard, rather than focusing solely on the substance of the standard. Focusing on supervisory actions requires consideration of jurisdictional laws and other tools that supervisors may have, which is outside the scope of either the AM or the ICS. Consequently, we recommend changing the final clause of the definition to "results over time that inform supervisory action based on jurisdictional laws and regulations." Finally, in line with our general comment that the assessment should be utility-focused, we recommend that "results" should be considered in terms of supervisory outcomes relating to prudential safety and soundness in different scenarios, rather than a narrow comparison of capital ratios and their quantitative components.
7. Association of British Insurers (ABI)	United Kingdom	No	The ABI supports the high-level principles for comparability that were agreed by the IAIS in 2019 and, building on these principles, the development of more detailed criteria. It is important that these criteria are well defined to ensure an adequately robust comparison. Currently many of the terms used in the high-level principles are open to interpretation and so should be clarified by the IAIS. It would be useful if the IAIS, when setting more detailed criteria, could also publish a glossary of agreed terms. Supervisory intervention mapped to pre-determined capital ratios is an essential aspect of many risk-based capital regimes and so it is right that the IAIS has identified this as a key aspect for comparing the ICS and AM. It would be useful if the IAIS could set out what is meant more precisely by "results" and what "supervisory action" is being referred to. We support the view that these capital requirements should be "similar" in order to be considered comparable and that this comparison should be undertaken on an aggregate basis. For example, we do not believe that the IAIS should compare the result of each individual risk module to ensure every risk is capitalised in the same way, but rather firms' overall capital requirement is sufficiently similar.

			"Supervisory action" can come in many forms with a gradual ramping up of measures as capital levels drop below pre-defined points. It would be useful to clarify if the IAIS intends to compare multiple points of supervisory action or just intervention triggered by capital falling beyond the ICS PCR.
9. NAMIC	United States	No	General Comments - The following comments are provided by the National Association of Mutual Insurance Companies (NAMIC). NAMIC very much appreciates the ability to provide comments to the IAIS on this important workstream concerning high-level principles to inform the criteria that will be used to assess whether the Aggregation Method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS). The National Association of Mutual Insurance Companies is the largest property/casualty insurance trade group with a diverse membership of more than 1,400 local, regional, and national member companies, including seven of the top 10 property/casualty insurers in the United States. NAMIC members lead the personal lines sector representing 66 percent of the homeowner's insurance market and 53 percent of the auto market. 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. NAMIC continues to have foundational concerns with the ICS and its lack of jurisdictional flexibility and the use of ICS 2.0 as the reference formula by which to compare all other approaches, including the AM method. The "Kuala Lumpur Agreement" decided that a comparison of an approach that aggregates legal entities capital requirements, such as the recently adopted NAIC Group Capital Calculation or the Federal Reserve's proposed Building Block Approach would be considered over the five-year monitoring period. The current ICS does not provide sufficient flexibility to adequately respect key elements of other jurisdictional frameworks, most importantly the U.S. system. While we understand that the IAIS has no intention of providing a "free pass" to the AM, NAMIC believes the AM will withstand rigorous scrutiny and alleviate any discussion of dual-regulatory reporting in this regard. While we may reiterate throughout these comments, several overarching points need to be made. 1.) An AM should be determined to be comparable to an ICS standard when appropriate review and ascertainment is completed. 2.) The assessment approach should include qualitative as well as quantitative assessment criteria and consider the appropriate balance that should be provided in view of jurisdictional differences to each. 3.) Sufficient jurisdictional flexibility and totality should be incorporated in the understanding and underlying principles in adopting AM as a potential comparable outcome; and 4.) While it is the desire of the IAIS to achieve a consistent, comparable group capital standard for internationally active

			insurance groups, it is an unachievable goal with the remaining differences between jurisdictions; however, the two standards or approaches do not have to mirror each other to achieve a result where the estimation of group capital may not differ materially from one another. However, and in the spirit of additional dialogue on this important topic, NAMIC provides comments with the understanding that the document itself has yet to be fully expounded upon via definitions and other undiscerned principles that might cause alterations or additional comments to positions provided herein at this time. NAMIC also believes this process should not be rigid in that it should be amenable to flexibility in approach as situations develop through the monitoring period and lessens are learned from existing or potentially other issues that may develop over time. The draft definition of comparable outcomes does not comport with the U.S. system of risk-based capital standards which are based at the legal entity level. The notion of triggering supervisory action based on group capital adequacy grounds leads to difficulties in comparing any such standard to the one employed in the U.S. NAMIC supports a system flexible enough to accommodate different regulatory systems, including aggregation. The agreements elicited by the IAIS in Kuala Lumpur and Abu Dhabi were expressly obtained to compare the Aggregation Method (AM) and ICS for ultimate compatibility in regulatory prudential schemes. The underlying concern of policyholder protection is a concept that insurers likewise undertake on a daily basis. NAMIC understands that there needs to be common principles but not necessarily approaches that result in appropriate regulatory response to a given capital concern. By definition, comparable standards will not be identical, and various laws and regulatory authority should be reconciled with appropriate jurisdictional understanding and approach. Many jurisdictions already have well developed and highly successful regulatory responses to needed intervention for insurer solvency. For example, in the U.S., the NAIC RBC formula, a uniform standard among the states, generates a regulatory minimum amount of capital that a company is required to maintain to avoid regulatory action. There are four levels of action that a company can trigger under the formula: company action, regulatory action, authorized control, and mandatory control levels. Each RBC level requires some particular action on the part of the regulator, the company, or both. It is important to note that these action levels are only triggered at the legal entity level and that there is no such trigger for supervisory action on a group level. Even the recently developed Group Capital Calculation doesn't prescribe regulatory action at the group level. NAMIC strongly supports the inclusion of an Aggregation Approach to the ICS. The U.S. aggregation approach, whether that is the BBA as proposed by the U.S. Federal Reserve or the NAIC GCC both fully incorporate existing state-based insurance RBC requirements and other aspects of state law. In addition, the AM provides insight into the details of the group and allows for back-testing of the capital information. The BBA appropriately leverages legal entity RBC

			requirements and includes very minimal eliminations and adjustments from state RBC requirements and state admitted capital. It would be inconsistent to state that results cannot be achieved by approaching these issues from different parameters and frameworks. Additionally, regulator frameworks should be looked at in their totality and not be one specific item of review. Holistic approaches to insurer review should be contemplated as a necessary step to avoid gaps in surveillance. Objectivity will be paramount in assessing the AM to foster support and viability for the decision-making process. Likewise, clarification should be made with usage of terms like "Supervisory action" which can manifest in many different ideations with appropriate regulatory response over a continuum of concern and concomitant enhanced and more invasive responses. Consequently, NAMIC would suggest modifying the definition of comparable outcomes to reflect the unique features of different regulatory environments that ultimately influence the solvency of companies doing business in those regulatory environments. We suggest a flexible approach that recognizes and improves understanding of diverse, successful approaches to solvency regulation and considers local capital requirements and differences in other regulatory requirements and supervisory tools. As such, we suggest the following change to the definition: "Comparable outcomes to the ICS means that as applied to Internationally Active Insurance Groups (IAIGs) the Aggregation Method would produce similar, but not necessarily identical, results over time that trigger supervisory action on group capital adequacy grounds." It is also unclear what is meant by "results". Ambiguity and ultimately concerns for a one-size-fits-all approach can cause confusion and lack of scope when discussing this objective.
10. Prudential Financial, Inc. Coalition	United States of America	No	We support the definition given its emphasis on achieving similar outcomes over-time as opposed to narrowly focusing on alignment of quantitative components of the different approaches to assessing group capital. While the definition suggests the ICS provides the "right" answer or measure of risk, we believe the basis for the assessment should be on the paramount objectives the IAIS aims to achieve (e.g., protecting policyholders and facilitating communication and cooperation among supervisors) and the process should emphasize substance over form.
11. U.S. Chamber of Commerce	United States of America	No	We support the draft definition of comparable outcomes. Importantly, the approach emphasizes a comparison of outcomes, which recognizes the objectives of the ICS can be achieved in multiple ways. We also appreciate that the definition of comparable outcomes does not rely on a quantitative evaluation or require identical results (i.e. capital ratio) for the AM to

			be measured against the ICS. The assessment of comparability for the AM should principally rely on if it meets the IAIS' stated objectives for the ICS.
12. American Property Casualty Insurance Association (APCIA)	USA	No	The draft definition should be revised as follows: "Comparable outcomes to the ICS means that the Aggregation Method (AM) and the ICS would produce similar results over time that trigger supervisory action on capital adequacy grounds." APCIA is concerned that the draft definition may be read to suggest that the AM is the only method to be evaluated, is to be compared only with the ICS, and with the ICS serving as the "ideal" (an absolute reference measure) such that any difference between the AM and the ICS will be considered a flaw of the AM. Such a reading of Principle 1 would be contrary to the agreement reached in Abu Dhabi, which is premised on the achievement of comparable outcomes across jurisdictions, and which calls for a process to determine comparability that would not preclude the AM at the outset. For this reason we have proposed an additional high-level principle, that the AM and ICS should each be compared to an independent standard, and we discuss the reasons for doing so in our response to Q8 on "general comments". We also suggest deletion of the phrase "but not necessarily identical" because it is unnecessary. "Similar" provides the same assurance.
13. Liberty Mutual Insurance Group	USA	No	The primary focus of comparability should be on ensuring similar supervisory outcomes as part of coordinated solvency oversight. An appropriate definition of "comparable outcomes" should emphasize the qualitative nature of the supervisory action that is initiated by the application of a particular methodology, not simply a quantitative comparison of the results produced by the methodologies. As a result, Liberty Mutual believes the draft definition of "comparable outcomes" is suitable, and should be adopted in the IAIS' final guidance, because it clearly and correctly focuses on whether different methods produce similar, but not necessarily identical, results over time that trigger supervisory action on group capital adequacy grounds. The definition correctly accepts that different methods will not necessarily produce identical quantitative results and avoids a quantitative comparison of the amount of a perceived shortfall in group capital. The definition reflects the common understanding that supervisory intervention can take varying forms, appropriate to the circumstances.
Travelers	USA	No	We do not object to the proposed definition of “comparable outcomes” but offer the following comments.

			There are two aspects to supervisory action that are not addressed in the draft definition. The first aspect is transparency of capital adequacy to supervisors, i.e., the ability of the supervisor to identify a capital inadequacy, including the entity(ies) within a group having a capital inadequacy, the location of available capital within the group, and the applicable local jurisdictional supervisor. The second aspect is timeliness, i.e., the timeliness of supervisory intervention or action. Taking into account these two aspects, the proposed definition would generally favor the AM over the ICS. Capital is mostly held in the regulated entities within a group; the exception being capital that is held by a group's ultimate holding company or intermediate holding companies within a group. Because the ICS uses a consolidated approach to evaluate the sufficiency of capital, a groupwide regulator may be unaware of capital inadequacies of regulated entities within a group. For example, the capital may be held in the ultimate holding company or intermediate holding company(ies) such that the amount of capital resource held on a group basis results in an acceptable ICS while there are capital deficiencies within some or all regulated entities within the group (transparency). As a result, there may be no supervisory action on "group capital supervisory grounds" under the ICS (timing). Because the AM method utilizes a bottom-up approach, any capital deficiencies in the regulated entities in the group (transparency and timing) would be identified more quickly and supervisory action taken more quickly (timing) than under the ICS.
Q2 Comment on draft High-Level Principle 1			
14. Insurance Europe	Europe	No	High-level principle 1 requires material changes, as the current wording can be interpreted in an opposite way to comparability. For example: - Allowing the "quantum of change" between the ICS and the AM to differ can lead to cases where the change in one method (be it ICS or AM) would lead to supervisory actions (eg supervisory intervention, limitations on dividend distributions) and the other would not. Clearly such a scenario, which is contrary to what is envisaged in the definition of comparable outcomes, could not be considered a global, comparable, consistent approach to prudential supervision. - Using terminology such as short-term market fluctuations is misleading. As noted above, it can be short-term market fluctuations that lead to supervisory actions in some cases. Also, non-life business is usually short(er)-term so one should not exclude this business from the comparability assessment.

			- Using the "business cycle" as a reference comparison timeframe is also misleading, not least due to 1) the various perspectives of research on this term and 2) the global context. Clearly, an objective comparability cannot be assessed on the basis of such a vague term. Against the above, Insurance Europe proposes to: - Remove references to business cycle and short-term time horizons. Instead, assess responsiveness to changing conditions on the basis of reporting dates. - Remove the reference to the quantum of change. In light of the above, high-level principle 1 should be amended to read as follows: "AM and ICS results are significantly correlated in that they change similarly in response to changing economic and financial market conditions at the reporting dates."
15. GFIA	Global	No	GFIA supports the principle that the ICS and AM are correlated in response to economic and financial market conditions since both regimes should be sufficiently sensitive to these conditions as they develop over time. There is no standard definition of "business cycle" across jurisdictions and so this should be adequately defined by the IAIS, or removed given the absence of a widely accepted definition today. It is also not clear what "short-term" means. For example, a three-month fall and recovery in equity markets could be considered short-term in the context of long-term insurance liabilities and assets while it is long-term in other contexts. We would therefore ask the IAIS to clarify when developing criteria for comparability what would be a reasonable definition of short-term. It may be simpler and more useful to define this in relation to supervisory reporting periods.
16. IAA	International	No	The IAA is supportive of draft High-Level Principle 1.
17. GIAJ	Japan	No	The intention behind the phrase "correlated…over the business cycle, not short-term market fluctuations" is unclear. We think this should be clarified when considering the criteria for the comparability assessment. Specifically, we assume that this phrase refers to insurance liabilities, as market fluctuations of assets are immediately

			reflected on the capital and risk valuation even under the current capital regulation in the EU and the US etc. However, If the phrase "over the business cycle" may mean that the long-term insurance liabilities capture the market fluctuations over the course of realization of profits/losses until the maturity of contracts, then we think this is insufficient as one of the criteria to determine comparability.
18. ACLI	U.S.A.	No	While ACLI is supportive of what we perceive the intent of the principle to be, our support for the principle itself is contingent on improved wording. We support the concept of assessing comparability over a longer-term period. This recognizes that different regulatory accounting frameworks will show different degrees of sensitivity to changes in economic conditions and that a single point-in-time comparison may be misleading. We have concerns, however, with the term "significantly correlated." Every jurisdictional regulatory framework will have a different sensitivity to changes in economic conditions, and, under the AM, the overall sensitivity will be a function of the sensitivity of the underlying jurisdictional frameworks and will vary from insurer to insurer. Moreover, insurers will have tailored risk management to the jurisdictional frameworks to which they are legally subject, not the ICS, which will also impact a comparison of how the approaches perform over time and under different market conditions. We believe that the wording of this principle must be improved and suggest the prior "change similarly" language. It is also not entirely clear what a "business cycle" is in this context. We interpret it to mean "multiple years within the ICS monitoring period" and accordingly can support the term "business cycle" in the context of high-level principles as long as fulfillment of the resulting criteria can be realistically demonstrated within the period over which the comparability assessment is scheduled to occur. This is likely to require data beyond what is available from Volunteer Groups during the monitoring period. Finally, in assessing the relative behavior and properties of the Aggregation Method and ICS across the business cycle, it is important to not only consider downturns but also expansionary periods during which capital levels might appear inflated and risk exposure accumulates.
20. ABI	United Kingdom	No	The ABI supports the principle that the ICS and AM are correlated in response to economic and financial market conditions since both regimes should be sufficiently sensitive to these conditions. We also agree that the ICS and AM should not have to produce identical capital requirements in relation to short-term market volatility.

			However, "short term" should be well defined. For example, if considering stock market volatility over a period of one week, there should be greater tolerance for non-correlation than volatility over three months. Tolerance for non-correlation should also be defined around the scale of the variable being considered, i.e. a more impactful capital event should be crystallised by both the AM and ICS over a shorter period of time than a low impact event. If, for example, equity markets fell by 50% or interest rates fell by 100 basis points, a tolerance period of three months would be inappropriately long.
22. NAMIC	United States	No	When looking at Principle 1, the term "significantly correlated" needs better explained and defined as reconciling this principle based upon the two methodologies may superficially seem inconsistent until appropriate detail and understanding are achieved. Further, "business cycle" can be subject to many different interpretations so more delineation is requested. We would also reiterate at this point that qualitative regulatory review is as important as strict quantitative activity and therefore it does not appear that sufficient flexibility is contemplated hampering comparability in this regard. Concepts of jurisdictional flexibility based upon insurance marketplace dynamics should be emphasized. Further, regulatory schemes can have multiple tools at their disposal to ascertain risk and not just view one particular benchmark in a vacuum. Finally, appropriate regulatory discretion should be entertained and not be overly prescriptive concerning regulatory action but understand and compliment existing regulatory authority. NAMIC members continue to support the benefits of a mutual recognition approach. Developing an understanding of the differences between the approaches benefits supervisors in supervisory colleges enabling supervisors to ask questions about the capital model other domiciliary jurisdictions are using. It also would help to identify trends and identify the level of safety of insurance groups in the mutually agreeing jurisdictions. Further and most importantly, this approach would be achievable by far more countries than a prescriptive consolidated group capital mandate. Different frameworks and different applications can be used to achieve similar goals. As long as the framework is credible, tested, and actuarially accepted, it should be allowed. For example, assessing existing valuation practices (i.e. jurisdictional GAAP) and jurisdictional capital allows for the measurement of capital, and adjustments to capital to be based on jurisdictional audited GAAP (or statutory accounting principles) financial statements. U.S. statutory and GAAP represents a credible, tested, and actuarially accepted framework that has been in place and functioning for decades. As an example, U.S. reserving practices have undergone rigorous review and audit by U.S. regulators, independent auditors, U.S. Securities and Exchange Commission, and the Public Company Accounting Oversight Board in recent years. A

			company actuary sets the reserve estimate and submits an actuarial opinion to their state of domicile. External auditors and statutory financial examiners provide additional levels of review on the reserve estimate. In the end, while GAAP does not prescribe the same method as IFRS, both frameworks are attempting the same thing: estimating the ultimate cost of settling incurred claims.
23. Prudential Financial, Inc. Coalition	United States of America	No	We believe the spirit of this principle is to establish an expectation that the different approaches demonstrate appropriate and accurate signalling of risks as market conditions evolve and latitude for the degree of market sensitivity reported at any particular point in time to vary. We believe it is appropriate and important to include this concept in the principles, particularly the emphasis on comparing results over time as oppose to sensitivity to transitory market movements. With respect to the text, we find the reference to "significantly correlated" to be highly ambiguous and inconsistent with both the definition of comparable outcomes - i.e., emphasis on achieving similar outcomes over time - and the broader principle - i.e., acknowledging the quantum of change may differ at any particular point in time. For these reasons we believe it should not be included in the principle. We further note that the criteria to be developed should serve as the vehicle to outlining the details of the aspects that will anchor the comparison and degree of alignment determined to be necessary. We believe that, in addition to annual Monitoring Period reporting, the economic impact assessment should be used as a vehicle for ensuring the comparison of the AM and ICS captures a range of business cycles and market environments and their respective ability to trigger appropriate supervisory - as well as management's - insights and actions.
24. U.S. Chamber of Commerce	United States of America	No	We are concerned about the inclusion of the phrase "significantly correlated" in the principle given it implies a quantitative comparison. "Significantly correlated" is not defined in the principle but has widely understood meaning in statistical analysis. "Correlated" is typically defined by the presence of a positive correlation coefficient and "significantly" is typically defined as having a probability value (i.e. chance of obtaining the correlation coefficient by chance) of less than 0.05. We believe this principle should be amended to express the importance of both the ICS and AM providing for the appropriate indication of risk under different market conditions. We appreciate the principle recognizing the "quantum of change" may differ, which we believe acknowledges that appropriate signaling of risk can be produced by both the AM and the ICS.

25. APCIA	USA	No	Draft Principle 1 should be revised as follows: "AM and ICS results are significantly correlated in that they change similarly in response to changing economic and financial market conditions that are relevant to the solvency position of insurers over the business cycle, not short-term market fluctuations, although the quantum of change may differ." We suggest the addition of the phrase "that are relevant to the solvency position of insurers" to clarify that not all changes in market conditions are relevant to legal entity or group solvency, and should not be considered in this analysis. We will address this issue again when we comment later this year on specific criteria. The phrase "AM and ICS results are significantly correlated…" does not imply that either ICS or AM is necessarily better than the other, or that the ICS will be used as the standard for comparison. From that perspective, we find the phrase to be appropriate, i.e., it is consistent with the Abu Dhabi Agreement in that it is written in such a way that would not at the outset preclude a favorable comparability determination. We believe that correlation should be objectively measured using a relative (not absolute) reference approach (please see our comments about such an approach in the general comment box). It is unclear, however, what is meant by "significantly correlated", i.e., how would that correlation be measured and what degree of correlation would be considered significant? We believe these are matters to be addressed later in developing the underlying criteria to support the comparability assessment.
26. Liberty Mutual Insurance Group	USA	No	Liberty Mutual agrees with the principle that the comparability assessment should look at the responsiveness of the group solvency approaches over business cycles rather than at each point in time and that the assessment should consider results over time rather than in response to temporary market movements. However, it is unnecessary for results to be "correlated." The focus should be on how a supervisor reacts to the information provided by the methodology, not whether the internal workings of the AM or any other ICS-comparable methodology are "correlated" with respect to any economic or financial market conditions. The individual elements of the methodologies should: 1) Provide similar information across all sectors of the industry.

			2) Provide similar information regardless of jurisdiction of the head of the group. 3) Be capable of implementation in all major insurance markets without undue disruption or displacement of existing accounting, legal, and regulatory frameworks. 4) Not undermine existing national jurisdictional legal entity capital requirements. 5) Consistently recognize and value all material liabilities and all available assets in an objective and reliable manner.
Travelers	USA	No	This principle is problematic from the perspective that it does not directly address changes in risk to insurers but instead focuses on economic and financial market conditions in a manner that is a contradiction to the principle. If a group capital standard or evaluation is based on an approach that is responsive to changes in economic and financial market conditions, it will by design be responsive to short-term market fluctuations instead of the longer-term business cycle. As currently developed, the market-adjusted valuation (MAV) approach used in the ICS may react to short-term market fluctuations and contradict the principle to change in response to conditions over the business cycle, resulting in a punitive approach to longer term insurance products.
Q3 Comment on draft High-Level Principle 2			
27. Insurance Europe	Europe	No	Insurance Europe supports the commitment in principle 2 to analyse all the aspects that are at the core of the ICS development, and should thus be also at the core of the comparability between the AM and the ICS, namely valuation, capital resources and capital requirements. It appreciates that ultimately the decision on comparability will be made by considering these areas in their totality. As High-level principle 1 above raises the issue of responsiveness to changing conditions, such an analysis should be done at the level of the three core items (valuation, capital requirements and resources). It is important to assess how each component reacts to changes in economic conditions and what the key drivers of such changes are. With respect to the further specifications being made by the IAIS: - On capital requirements:

			- As noted under Q1, it is key to clarify that the "target criteria for regulatory capital requirements" are the same. Specifically, the ICS 2.0 target criteria is a 99.5% Value at Risk (VaR), over a one-year time horizon, of adverse changes in the IAIG's qualifying capital resources. - Regarding the reference to the "similar level of solvency protection" - the IAIS should ensure consistency with High-level principle 3 below, which notes the AM cannot be less prudent than the ICS. Having the same target criteria for regulatory capital requirements is key. Insurance Europe would also thus suggest replacing this reference with a reference to "same level of policyholder protection". - On capital resources: - Comparability of capital resources between the ICS and the AM is key. In fact, the ICS already contains extensive analysis of the principles and capital items that meet them, and the ICS already includes local practices, so there is no reason to have a different/separate approach in the AM. Instead, any discussion on local practices should take place in the ICS, and replicated in the AM. In light of the above, principle 2 should be amended to read as follows: "Individual elements of a group solvency approach, ie valuation, capital resources and capital requirement, will be analysed individually and their responsiveness to changing conditions will be assessed at the level of each one of the three core items; however, the decision on comparable outcomes will also consider the elements in totality. The following will be assessed in undertaking the analysis of the individual elements: - The AM captures the same underlying risks as the ICS, even if this is achieved differently within the quantitative calculation of the group capital requirement. The overall AM capital requirement and ICS capital requirement provide the same level of policyholder protection. - The overall quality and eligibility of capital resources allowed in the AM is similar to the ICS and is assessed considering the same five key principles identified for ICS capital resources: loss-absorbing capacity, level of subordination, availability to absorb losses, permanence and absence of encumbrances and mandatory servicing costs.

			- The AM provides data that enables quantitative comparison with the ICS"
28. GFIA	Global	No	GFIA agrees that valuation, capital resources and capital requirements should be analysed in totality while ensuring that all material risks are captured.
29. IAA	International	No	The IAA is supportive of draft High-Level Principle 2.
30. ACLI	U.S.A.	No	ACLI supports the consideration of the elements (valuation, capital resources, and capital requirements) in their totality, as we consider this to be the only realistic way to compare the AM and ICS. We do not believe an assessment of individual elements, such as valuation, is appropriate or inherently informative due to the structural differences between a consolidated and an aggregated approach. Moreover, any assessment of individual elements would need to consider the role of scalars in reconciling diverse jurisdictional regimes. We have fundamental concerns about the part of the principle that compares the overall quality and eligibility of capital resources allowed in the AM to the ICS, based on the same five key principles identified for ICS capital resources. This part of the principle inherently conflicts with the AM, which is founded on the primacy of jurisdictional regimes. One example of this is that surplus notes are categorized in the more restrictive Tier 2 category of the ICS but are allowed in their entirety as capital resources in the United States. We believe that local rules should be used for capital resources, with scalars used where appropriate to equate different regimes. The part of the principle referencing capital resources should be removed. Finally, although we support an assessment of the risks captured under the two approaches, we believe that language referencing the "same" underlying risks should be modified to read "similar material" underlying risks. The threshold of "same" is unrealistic given the reliance of the AM on various jurisdictional regimes. It is also not essential in the context of the AM's ability to fulfill broader goals of policyholder protection and financial stability. Accordingly, the issue should be considered in a more holistic manner.
32. ABI	United Kingdom	No	The ABI agrees that the individual elements of group solvency identified should be considered in totality and the focus should be placed on achieving a significantly similar level of policyholder protection.

			It is essential that all the risks captured by the ICS are also captured by the AM, though this may not require a like for like replication of risk modules. It should be acceptable if, for example, two risks that are categorised separately under the ICS could be considered as one risk under the AM.
34. NAMIC	United States	No	The discussion appears to weigh heavily in the ICS as being the only standard of comparable measure. NAMIC agrees that totality of activity should be analyzed and incorporated into any assessment of comparability especially concerning the AM. The goals of policyholder protection are germane for all stakeholders in this endeavor and consequently, there should not be a standard created that favors one approach as supreme when the objective is shared equally.
35. Prudential Financial, Inc. Coalition	United States of America	No	We support and agree with the principle's emphasis on considering the various components of the approaches in totality with respect to the solvency protection they provide. We note that, given the structural differences between the frameworks, any comparison of the level of solvency protection provided will need to consider conservatism embedded in reserves and other tools - such as asset adequacy testing or regular stress-testing requirements - in addition to the level of required capital. Further, the assessment must also recognize the potential that jurisdictions may make use of different approaches for achieving objectives of protecting policyholders and enhancing supervisory communication and cooperation (e.g., some may apply scalars to individual entities while others may apply an adjustment at the group level). These points are somewhat acknowledged in the introductory sentence - "ie valuation, capital resources and capital requirement" - but should be reflected later in the principle as well. We suggest the following revised text to address this - "The overall level of solvency protection provided by the AM and ICS through valuation and capital requirement are similar."
36. U.S. Chamber of Commerce	United States of America	No	We support the assessment considering the individual elements of group solvency approach in totality. Each element - valuation, capital resources, and capital requirement - provides a level of solvency protection; however, emphasis of one would detract from proper consideration of the others. Furthermore, failure to consider in totality would obfuscate the overall objective of promoting solvency.
37. APCIA	USA	No	Draft Principle 2 should be revised as follows: "The elements of a group solvency approach, i.e., valuation, capital resources and capital requirements, will be analysed individually. The decision on comparable outcomes, however, will consider the elements in totality, evaluating whether the overall supervisory systems in which the AM and ICS reside have sufficiently captured the same material risks, even if

			capturing those risks is achieved differently. The overall quality and eligibility of capital resources allowed in the AM is similar to the ICS and is assessed considering the same five key principles identified for ICS capital resources: loss-absorbing capacity, level of subordination, availability to absorb losses, permanence and absence of encumbrances and mandatory servicing costs." The phrase, "the decision on comparable outcomes will consider the elements in totality" implies that "outcomes" are nothing more than the ICS/AM ratios (i.e., the result of the stated three elements alone). In that regard, please see our comments relative to the draft definition of comparable outcomes. While the IAIS data collection and analysis process will necessarily consider the computation of a ratio in an academic-like setting, the analysis process must nonetheless recognize the environment in which the ratios will be realistically used by the group-wide supervisor, not the IAIS data room in Basel. A pure mechanical comparison of ratios would be inconsistent with the Abu Dhabi Agreement, which is premised on the achievement of comparable outcomes across jurisdictions. For any developed supervisory regime that is a home jurisdiction for an IAIG, the environment in which the IAIG's group capital ratio will actually be used includes a portfolio of other supervisory tools and measures, some of which may signal concerns at the group level prior to the filing of a group capital ratio. Even legal entity measures are scrutinized by supervisors for signals of broader group-wide impacts. And as is also described in our response to the draft definition of comparable outcomes, the only realistic basis for comparison - the ultimate outcome in the context of this exercise - is the point in time at which the signal is sent, recognizing that supervisory action will necessarily differ and may already have been triggered (e.g., to develop and submit a responsive plan) before the ICS/AM has even been reported to the supervisor due to the existence of that broader portfolio of other supervisory tools. We believe that APCIA's points in the preceding two paragraphs are entirely consistent with the Abu Dhabi Agreement. The Explanatory note on the Insurance Capital Standard (ICS) and Comparability Assessment that was published by the IAIS following the Abu Dhabi meetings states as follows: "ComFrame consists of both quantitative and qualitative supervisory requirements tailored to the complexity and international scope of IAIGs. The ICS is the quantitative component of ComFrame." In other words, the ICS does not stand alone, and the comparability assessment framework should not assume otherwise. We also have concerns with respect to this statement: "The AM captures the same underlying risks as the ICS, even if this is achieved differently within the quantitative calculation of the group capital requirement." For various reasons, there will likely be some differences as to which risks are captured under the AM as compared to the ICS. For example, and

			recognizing that the AM is an aggregation of legal entity measures and that such entities generally don't transact business (at least extensively) on a cross-border basis, those legal entity measures in some jurisdictions may not include a provision for foreign currency risk. The statement suggests that the omission of such a risk from the AM (whether for any or all jurisdictional measures that are being aggregated) would alone be a fatal flaw and preclude the AM "at the outset as an outcome equivalent approach to the ICS for measuring group capital." Therefore, it should be made clear that the omission of any particular risk is not, in and of itself, a fatal flaw, rather to the extent there are differences among included risks, those will flow through to the determination of the ratio and be considered "in totality" - and not just the totality of the AM/ICS ratios, but as we note above, a totality that also considers the overall supervisory environment in which such ratios will be used. Finally, Principle 2 states that "the decision on comparable outcomes will consider the elements" (valuation, capital resources and capital requirement) "in totality." Unfortunately, a later sentence in the principle also states that "the overall AM capital requirement and ICS capital requirement provide a similar level of solvency protection", which contradicts the statement that the elements will be considered in totality. It also contradicts the Abu Dhabi Agreement which states that "the decision on comparable outcomes will consider the elements in totality." Therefore, the sentence regarding comparison of the AM and ICS capital requirements should be stricken from Principle 2, and we have done so in our proposed revision.
38. Liberty Mutual Insurance Group	USA	No	Liberty Mutual agrees with the principle that although analysis of the individual elements of a group solvency approach is needed, the analysis should recognize that the decision on comparable outcomes must consider the elements in totality. This rejects a granular approach to a comparability assessment and recognizes that the assessment is outcomes focused. It also permits other tools/authorities to help demonstrate comparability.
Travelers	USA	No	While we agree that a decision on comparable outcomes should consider the elements in totality, we believe there are conceptual problems with the description of what will be assessed in the analysis. The first item requires the AM to capture the same underlying risks as the ICS, even if this is achieved differently within the quantitative calculation of the group capital requirement. This statement assumes that the ICS has identified the appropriate risks for all jurisdictions globally. For non-life insurers, the significant drivers of risks are frequently the result of local attributes, e.g., the risk of fire is related to local building codes, zoning requirements for proximity to other structures, the topography of area the structure is located, etc. The AM is based on the relative weighting of risks in local jurisdictions

			while the ICS includes risks that are insignificant, misspecified or are liquidity risks that don’t belong in the formula. For example, the ICS includes currency risk (where the level of capital in the currency of risk for non-life companies is not fully allowed for), non-default spread risk (which is a liquidity risk that is insignificant for most non-life insurers) and interest rate risk (where the formula ignores the duration of the risk). The result is that this principle would tie acceptance of the AM based on the ICS approach which is not likely as finely tuned to local risk as the AM. The second item requires the overall quality and eligibility of capital resources allowed in the AM to be similar to the ICS and assessed considering the same five key principles identified for ICS capital resources: “loss-absorbing capacity, level of subordination, availability to absorb losses, permanence and absence of encumbrances and mandatory servicing costs.” This principle is problematic as it may work well only if every jurisdiction in the world adopted the same laws and regulations (even then the outcome would be questionable due to different interpretations of the same words, differences in capital market practices and standards, etc.). Additionally, we note that certain of the five key principles identified for ICS capital resources are problematic. For example, the principle regarding level of subordination assumes that common equity issued by a regulated entity is superior to common equity or debt that is issued by a holding company and contributed to a regulated entity. The former results in the holders of the common equity having a direct interest in the regulated entity and the regulated entity incurring the costs to issue the capital instruments (servicing costs) while the latter results in the holders of the capital instrument only having a direct interest in the holding company and holding company incurring the servicing costs. We recommend addressing these problems by amending the principle to read: *The ~~overall quality and eligibility of~~ capital resources allowed in the AM ~~is~~ have ~~similar to the ICS and is assessed considering the same five key principles identified for ICS capital resources:~~ loss-absorbing capacity, ~~level of~~ ability to retain capital having subordination terms without the entity incurring costs to retain such capital, availability to absorb losses, permanence and absence of encumbrances ~~and mandatory servicing costs~~.”*
Q4 Comment on draft High-Level Principle 3			
39. Insurance Europe	Europe	No	Insurance Europe appreciates the intention of this principle to emphasise the fact that the ICS is intended to ultimately become a PCR (which is a solvency control level according to ICP 17). However, the IAIS needs to explain very clearly what it means by level of prudence in the ICS and/or the AM. In Insurance Europe's view, a robust global standard should target the same level of policyholder protection. In fact, there are a few

			elements in the ICS principles which, combined, can be used as an assessment basis for level of prudence, namely valuation, capital requirements and resources*. As noted above, Principle 10 of the ICS seems to cover this aspect by referring to appropriate target criteria which underlie the calibration. In fact, Insurance Europe believes that the discussion over the level of prudence in the capital requirements is equally relevant for the inclusion of Internal Models in the ICS. Internal Models are a key risk management and capital measurement tool and should be a permanent and integral part of the ICS framework. Internal models allow to analyse risk in more detail so that the output of the model more closely reflects complex risk profiles. Such internal models – intended solely for a more accurate calculation of the capital requirements at the same confidence level as the standard method and subject to a number of appropriate requirements – will enhance the ICS. * See notes of ICS Principle 1
40. GFIA	Global	No	"Prudence" is not an easily definable word and is widely open to interpretation.
41. IAA	International	No	The IAA is concerned that the wording of draft High-Level Principle 3 requires an arbitrary floor that is contrary to the nature of a principle. The IAA believes this principle is unnecessary given the definition of comparable outcome - "Comparable outcomes to the ICS means that the Aggregation Method (AM) would produce similar, but not necessarily identical, results over time that trigger supervisory action on group capital adequacy grounds." The IAA expects that the words "similar, but not necessarily identical" would be sufficient as they prevent the use of the AM if its results provide noticeably lower levels of policyholder protection. Instead of imposing a floor as principle 3 does, perhaps the notion of "similar" could be clarified. The IAA considered trying to define "similar" in terms of +/- x% (i.e., x being something like 5 or 10%) but believes such an approach may not be practical/useful given Principle 2 (i.e., small differences in capital requirements combined with small differences in capital resources can lead to relatively larger differences in the comparison of the two). Instead, the IAA believes the concluding words of the definition seem to preclude the need for Principle 3 by connecting "similar" results with "results over time that trigger supervisory action on group capital adequacy grounds".
42. GIAJ	Japan	No	We welcome this guiding principle stating that the AM could be more but not less prudent than the ICS. With regard to the situation assumed with the use of the term "prudent" in this principle, we understand that the quantitative

			calculation of the AM produces the same or lower results compared to the quantitative calculation of the ICS under various economic and financial market conditions, excluding temporary market stress.
43. ACLI	U.S.A.	No	ACLI has significant concerns with this principle and believes that significant revision or removal is merited. First, the principle presumes that the ICS is a valid anchoring point. Because the insurance business is, in many respects, a local business, the ICS does not necessarily appropriately reflect risks for all types of products sold within a jurisdiction. The overarching issue should be whether and how the AM framework fulfills the overarching "prudential" objectives of protecting policyholders, promoting financial stability, and facilitating communication and cooperation among supervisors of a group. In addition, the principle as drafted appears to conflict with the definition of comparable outcomes. The definition uses the phrasing "similar, but not necessarily identical," while Principle 3 would require the AM to be at least as prudent than the ICS. We could support a principle involving "prudence" if "prudence" is defined in terms of the utility of a given group capital measure in effectuating appropriate supervisory outcomes, notably policyholder protection and financial stability, and is not merely a crude attempt to compare capital levels at a pre-defined statistical measure. For example, "prudence" should ensure that a given capital ratio not overreact to temporary market volatility and not portray insurers that are able to meet cash obligations as highly distressed or insolvent, thus prompting unwarranted supervisor action or encouraging asset "fire sales." Otherwise, we recommend removal of this principle. If the principle is maintained and a quantitative assessment is pursued, it would be necessary to reflect all the various elements of conservatism within the AM, including margins of conservatism in technical provisions and inter-entity diversification benefits, which are inherently excluded from the AM.
45. ABI	United Kingdom	No	The word "prudent" is open to wide interpretation and should be better defined before criteria is developed. How prudence is expressed in the comparability criteria will likely need to strike the right balance between quantitative and qualitative measures. It is also not clear whether "ICS" is referring to the reference ICS or an ICS where internal models can be used to calculate ICS capital. As previously communicated, the ABI strongly believes that internal models will need to form part of the final

			ICS regime to make it viable for many IAIGs. It is therefore important to recognise that internal models could produce capital requirements above or below the reference ICS where this can be justified by quantitative data and approaches to risk management that reflect the same confidence level for risk as the ICS standard method.
47. NAMIC	United States	No	Obtainment of comparable regulatory parameters should not invoke superiority in objective. The common goal is policyholder protection and that is paramount in assessing various methodologies. Concepts such as more or less prudent need further elucidation so that understanding of intent is gleaned.
48. Prudential Financial, Inc. Coalition	United States of America	No	We find this principle, which effectively establishes a specific quantitative floor, to be inconsistent with both the definition of comparable outcomes - i.e., emphasis on achieving similar outcomes over time - and principle 1 - i.e., acknowledges the quantum of change under the approaches may differ. In particular, the emphasis on "AM being not less prudent than ICS' introduces an anchoring bias that effectively pre-judges the ICS as being the most appropriate solvency standard and fails to recognize that the ICS is still under development, notably in respect of its treatment of long term business, and that it has yet to be fully assessed through the economic impact study and additional public consultation the IAIS has committed to conduct. Further, a principle narrowly focused on prudence alone is inherently flawed as it ignores the potential for false negatives/positives and the potential for other detrimental effects such as incentivizing certain assets, encouraging herding behaviour, adversely impacting the cost and availability of insurance coverage and potentially giving rise to systemic risk, etc. Finally, the spirit of this principle appears to be on ensuring there is an adequate overall level of solvency protection, which we believe is already captured - more appropriately - in principle 2. For these reasons we believe this principle should either be clarified to eliminate the inconsistencies and better articulate how it varies from principle 2 or alternatively, be eliminated.
49. U.S. Chamber of Commerce	United States of America	No	We believe this principle overemphasizes a quantitative comparison between the capital adequacy ratios under the AM and the ICS and whatever measure of prudence the IAIS assigns them. We believe the focus of the assessment should instead be on the ability of the AM and the ICS to appropriately signal risks and support communication and cooperation among supervisors. To the extent "prudence" is a point of consideration, the IAIS must account for the fact that supervisory conservatism is embedded in the AM and the ICS in different manners (e.g. the AM includes conservatism in reserves, through asset admissibility, etc.)

50. APCIA	USA	No	Draft Principle 3 should be revised as follows: "The AM and the ICS are similarly prudent in totality." Principles 1 and 3 inherently conflict in that Principle 1 looks to correlation between AM and ICS results, whereas Principle 3 would impose a floor on AM to at least the level of the ICS. Thus, at a threshold level, we believe Principle 3 should be significantly revised. As this is a comparability assessment, the level of prudence of the AM and ICS should be comparable, but the ICS should not serve as an absolute floor. The notion of the ICS as an absolute floor reverts back to our concern expressed in our response to Q1 on the draft definition. It is inappropriate to consider the ICS as an absolute reference measure as that would be contrary to the agreement reached in Abu Dhabi, which is premised on the achievement of comparable outcomes across jurisdictions, and which calls for a process to determine comparability that would not preclude the AM at the outset. The notion that the "AM could be more but not less prudent than the ICS" could be taken to mean that the AM reported ratio cannot, at any point in time, be less than the ICS reported ratio, but it would be fine if it is higher than the ICS ratio. However, as "prudent" is defined as an adjective, it is about being careful and mindful, which, in the context of insurance supervision, encompasses consideration of a wide array of inputs before taking action. In that regard, we believe being prudent is not just about the reported ratio, but how that ratio is used by the group as it manages its affairs, as well as by the group-wide supervisor. While the calculated ratio is a measure at a point in time that is intended to reflect risks of the enterprise, the way the supervisory regime reacts to those reported risk levels may actually exacerbate them. Indeed, ICS Principle 7 recognizes that supervisors may inadvertently increase risk levels when it states that "the ICS promotes prudentially sound behaviour while minimising inappropriate procyclical behaviour by supervisors and IAIGs." It is in that respect that U.S. members of the IAIS have resisted a market-based valuation basis for the ICS, as it would impose managerial and supervisory reactions in response to short-term market fluctuations, which is incompatible (not prudent) in the management or supervision of an enterprise that is in the business of insuring and investing on a long-term basis. Indeed, Principle 1 acknowledges that short-term market fluctuations should not be a factor to consider in the comparability exercise. In achieving that objective, the likely impact is that short-term modulations in AM data will be somewhat tempered, more so than that of ICS data (at least for U.S.-based groups). In this manner, Principle 1 confirms that there is

			some imprudence in reacting to short-term market movements. In other words, "prudence" is not just about the relative size of two reported numbers, but also considers the supervisory response of each respective capital regime.
51. Liberty Mutual Insurance Group	USA	No	This principle that the AM could be more, but not less, prudent than the ICS should be interpreted to allow flexibility in how minimum standards are achieved.
Travelers	USA	No	We found this principle to be both confusing and non-operable on a couple of levels. First, there is no objective definition of “prudent” which results in the principle being more subjective rather than objective. Secondly, the ICS has generally been described as a target capital level, not a minimum. We recommend that this principle either be deleted or clarified as to its intent.
Q5 Comment on draft High-Level Principle 4			
52. Insurance Europe	Europe	No	Insurance Europe supports principle 4.
53. GFIA	Global	No	GFIA agrees with this principle. GFIA further notes that a number of regimes across the world have adopted this principle; for example the NAIC recently adopted the US Group Capital Calculation (GCC) which has been developed with this principle in mind. We would also note that this principle is already well defined and approved by supervisors under ComFrame.
54. IAA	International	No	The IAA is supportive of draft High-Level Principle 4.
55. ACLI	U.S.A.	No	ACLI supports this principle.

57. ABI	United Kingdom	No	We agree that using the same scope of the group is a fundamental starting point for comparability between the ICS and AM. Since this is already well defined under ComFrame, we believe this should be relatively straightforward.
59. NAMIC	United States	No	This is a consistent approach and the United States at the NAIC has recently adopted a Group Capital Calculation (GCC) which is intended to achieve this objective.
60. Prudential Financial, Inc. Coalition	United States of America	No	No comment.
61. U.S. Chamber of Commerce	United States of America	No	We support this principle. ICP 23 - Group-wide Supervision - states, "The group-wide supervisor, in cooperation and coordination with other involved supervisors, identifies the insurance group and determines the scope of group supervision." The comparability assessment should consider legal entities within the group that could pose material risk to insurance operations.
62. APCIA	USA	No	Draft Principle 4 should be revised as follows: "The AM and ICS use a scope of the group that is consistent with that set out in ComFrame." The AM and the ICS inherently differ in some key respects. One fundamental difference is that the ICS is akin to a top-down construct, that focuses on consolidated financial data as a primary focus for defining the scope of the group. Everything is "in" without exception. The AM, on the other hand, is akin to a bottom-up construct, where individual entities are aggregated with adjustments to avoid double-counting to arrive at a combined result for the entire group. In the course of the process to compile the necessary data and do the aggregation, information is assessed that has a bearing on whether or not a particular entity poses material risk to the group as a whole, or as importantly, to the insurers within the group, consistent with ICP 23 and ComFrame. On the one hand, that helps to achieve an appropriate cost-benefit balance (a key objective of regulatory requirements in the U.S.) in calculating and reporting the AM. On the other, it can help to avoid spurious results, for example, avoiding the inclusion in capital resources of the underlying equity of certain non-insurance and non-financial entities that are demonstrated to be of low risk and for which the subject entity's equity would have an extremely low

			likelihood of ever being of benefit to policyholders in the group. In that respect, the AM can be shown to be more "prudent" as compared to the ICS. As drafted, Principle 4 would appear to fail the AM if there was any divergence in respect of scope of the group as compared to the ICS. We do not believe that to be an appropriate outcome of the comparability exercise, and it would be inconsistent with the Abu Dhabi Agreement which provides that the AM would not be "precluded at the outset as an outcome equivalent approach to the ICS for measuring group capital." Similar to differences between the AM and the ICS as to included risks (see our response to Principle 2), any differences in scope of group should also be considered "in totality", meaning the overall ratio taken in the context as to how it would be realistically used in developed supervisory regimes and in the context of supervision of an IAIG.
63. Liberty Mutual Insurance Group	USA	No	Liberty Mutual agrees that both the AM and the ICS should use the same scope of the group consistent with that set out in ComFrame.
Travelers	USA	No	We agree with this principle and note the AM and ICS use the same principles for determining the scope of the group consistent with that set out in ComFrame. However, we also note that ICP 23, Group-wide Supervision, is a bit vague as to the treatment of non-regulated entities within a group. ICP 23 states that: “The group-wide supervisor, in cooperation and coordination with other involved supervisors, identifies the insurance group and determines the scope of group supervision.” We believe this should be clarified by also stating the assessment should consider legal entities with the insurance group that could pose material risk to the insurance entities.
Q6 Comment on draft High-Level Principle 5			
64. Insurance Europe	Europe	No	Insurance Europe agrees that, in order to test comparability, a representative and relevant amount of data is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This should be achieved by back-testing the comparability assessment against past data including those under a number of stressed market conditions. The primary focus of the comparability assessment should be on the supervisory actions triggered in response to stressed situations.

			As noted under Q2, the reference to "business cycle" should be removed. In addition to the above, it is important that the comparability assessment (just like any other implementation assessment framework) becomes a permanent part of the framework. Specifically, the comparability assessment at inception should be followed by a monitoring exercise on an ongoing basis, in cases where either the ICS or the AM would suffer changes. The AM cannot avoid being affected by the changes made to local regimes, the relevance of which should be assessed to meet the comparability objective. Looking ahead, it is very important that the IAIS already considers and presents to stakeholders the process by which the comparability assessment would be done, and a conclusion would be reached. In light of the above, principle 5 should be amended to read as follows: "A representative sample of Volunteer Groups, covering a diversity of business models and geographical footprints, provide both ICS and AM data under various economic and financial market conditions over time including a number of observed stressed situations."
65. GFIA	Global	No	GFIA agrees that it will be necessary to ensure a diversity of business models to provide both ICS and AM data to ensure an adequate comparison of the ICS and AM across different lines of business. It would be difficult to conduct objective and competent assessments of whether the AM provides comparable outcomes to the ICS unless representative samples of both ICS and AM data are assessed. It may be possible to use hypothetical but representative portfolios to supplement the collection of data from individual IAIGs, as well as in the IAIS economic impact study that we think would benefit from assessing both ICS and AM in parallel. As noted above, the reference to business cycle creates ambiguity.
66. IAA	International	No	The IAA concurs that "comparable outcomes" be assessed considering a variety of Volunteer Groups with diverse business situations in order to identify areas of comparability as well as areas where differences may exist between the two methods (i.e., AM and ICS). The IAA is also supportive of the need to study the impact of different economic and financial market conditions on the comparability of the two methods. Perhaps this task might be accomplished through the application of a few basic stress tests.

67. GIAJ	Japan	No	We welcome this guiding principle referring to a representative sample of Volunteer Groups providing both ICS and AM data. The IAIS should invite a sufficient number of volunteer groups to provide both ICS and AM data to conduct objective and competent assessment of whether the AM provides comparable outcomes to the ICS.
68. ACLI	U.S.A.	No	ACLI acknowledges that industry data can help facilitate an objective assessment of comparable outcomes. However, we do not believe that the provision of data by Volunteer Groups alone provides the basis for an appropriate principle for setting comparability criteria. If data sets are lacking, additional data should be sought, possibly through the development of hypothetical but representative portfolios. Hypothetical portfolios could also help ensure that the analysis covers the business cycle. Hypothetical portfolios could also be used in the IAIS economic impact study, which would benefit from assessing the ICS and AM in parallel. We further note that the IAIS should recognize the inherent limitations of working with Volunteer data. The unaudited "best efforts" nature of the exercise means that submissions will have uneven reliability and quality. Moreover, the complexity of the constructs may make it difficult to distill the data into meaningful subsets that can be used to form statistically supportable conclusions. This is one reason why we believe that the overall assessment of comparable outcomes should not be merely quantitative but should also include a significant qualitative component.
70. ABI	United Kingdom	No	The ABI strongly believes that all IAIGs identified by Group Wide Supervisors should take part in the monitoring period. Whereas field-testing before the start of the monitoring period was undertaken by Volunteer Groups, the purpose of the monitoring period is to test the regime adequately before implementation as a PCR. Without a sufficient number of firms providing both AM and ICS data it would likely prove very difficult to assess whether the AM and ICS provide comparable outcomes. A "representative sample" will be needed across business models and lines at the very least. AM and ICS data should be provided continuously throughout the monitoring period.
72. NAMIC	United States	No	NAMIC has adamantly supported the voluntary approach in this regard and would not support any measures to the contrary. Further, review and ultimate determination of comparability should not hinge upon a rigid prescriptive minimum participation from the insurance sector. Representative sampling should be able to be effectively gleaned from voluntary market participants.

73. Prudential Financial, Inc. Coalition	United States of America	No	To acknowledge the agreement that "the AM is neither precluded at the outset as an outcome equivalent approach to the ICS for measuring group capital, nor given a free pass", this principle should recognize that the representative sample need only be from the U.S. and "interested jurisdictions". Further, given that the AM reporting mirrors that of the ICS (e.g., same valuation dates for Monitoring Period reporting) it is unclear what the following text is intended to add - "under various economic and financial market conditions over the business cycle" and propose replacing it with "during the Monitoring Period". We also believe the assessment should leverage data volunteer firms provided during the field testing, particularly for general insurers given the minimal effect changes to the framework over the past few years have had on short duration business.
74. U.S. Chamber of Commerce	United States of America	No	We support the inclusion of this principle, but believe some clarification is warranted. The representative sample should be from the U.S. and interested jurisdictions given some jurisdictions will not report AM data.
75. APCIA	USA	No	Draft Principle 5 should be revised as follows: "A representative sample of Volunteer Groups, covering a diversity of business models, provide ICS and AM data under various economic and financial market conditions over the business cycle." While it is reasonable to expect sufficient reported data to enable the comparability analysis, it is not necessary that for an individual group's data to be included that it reports both the AM and the ICS. As we have noted in our response to the definition of comparable outcomes and in the general comment box, a relative (not absolute) reference approach should be used. Such an approach would (1) compare the results of volunteer groups that reported the ICS to an independent benchmark, (2) compare the results of volunteer groups that reported the AM to an independent benchmark, and then (3) determine the correlation of the results of (1) and (2). Most importantly in the context of Principle 5, the relative reference approach has the further benefit of enabling more observation points, i.e., it is not necessary that a particular volunteer group report both the AM and the ICS. Given that some jurisdictions have pulled their groups out of the monitoring period, and others are not requiring that their groups report both sets of data, it is critical to use an analysis process that maximizes the utility of the data points that are available. A relative reference approach can achieve that while at the same time avoiding the predictable binary outcome of an absolute reference approach that would otherwise preclude the AM at the outset and thus be contrary to the Abu Dhabi Agreement.

76. Liberty Mutual Insurance Group	USA	No	Liberty Mutual rejects any notion that U.S. IAIGs would be required to report ICS data during the monitoring period. Liberty Mutual rejects any suggestion that the IAIS may make a unilateral and subjective determination as to whether data submitted through participation by IAIGs in the monitoring period is sufficient to deliver the comparability assessment. Participation in any monitoring or transition periods should remain voluntary, and whether a U.S. IAIG reports under the ICS, the AM, both or neither should remain at the sole option of the IAIG, based on discussions with the relevant GWS.
Travelers	USA	No	We agree with the concept of this principle but believe the principle should also recognize the need for participants from different regulatory jurisdictions and markets. The representative sample should be from as large a population of such jurisdictions and markets as possible. Additionally, we question whether the planned monitoring period provides a sufficient time period to evaluate the effects, particularly given that the monitoring period includes the impact of COVD-19 and will require significant effort to differentiate the impact of a pandemic from the evaluation.
Q7 Comment on draft High-Level Principle 6			
77. Insurance Europe	Europe	No	Insurance Europe agrees that the AM and ICS should be similarly transparent and notes that this is already well defined under ComFrame*, so the ICS would apply in conjunction with the ICPs and in particular ICP 9 (supervisory reporting) and ICP 20 (public reporting). * In particular ICP 9 (supervisory reporting) and ICP 20 (public reporting)
78. GFIA	Global	No	GFIA agrees that the AM and ICS should be similarly transparent and note that this is already well defined under ComFrame. GFIA supports the principle that the ICS and AM should be subject to the same standards and guidance on disclosure under ComFrame. In terms of assessing transparency, it will be important to recognise that transparency is another subjective term.
79. IAA	International	No	The IAA supports principle 6 in its requirement that the AM and ICS be "similarly transparent". Unfortunately, the term "transparency" does not appear to have a unique and clear meaning for all users of the principle. For example, some of our members have commented that useful "transparency" would disclose the degree of cushion offered by each of the AM and ICS by jurisdiction. At present, principle 6 does not make this clear. Another example would include the need to clarify if

			"transparency" was being defined relative to a supervisory audience and not a general public audience. This principle may be impossible to use in the determination of possible outcomes without further clarification of its intent/meaning.
80. Financial Services Agency (FSA)	Japan	No	While all High-Level Principles are important, High-Level Principle 6, which states that the AM and the ICS are similarly transparent through public disclosure as well as reporting to group-wide supervisors, is particularly important because, in our view, it serves to promote understanding of comparability of the AM to the ICS. (We provided the same comment as part of general comments in responding to Q8.)
81. GIAJ	Japan	No	With regard to reference to "the AM being similarly transparent" in terms of "public disclosure", we understand that the AM will be subject to the same standards and guidance on disclosure applied to the ICS under ComFrame.
82. ACLI	U.S.A.	No	ACLI appreciates the principle about transparency and regards "facilitating understanding and comparability, within and across jurisdictions" through disclosure as a legitimate outcome of a group capital assessment. It is not clear to us, however, that the principle as drafted will lead to a full set of criteria that will facilitate the comparability assessment. Specifically, a consideration of public disclosure requires consideration of jurisdictional reporting requirements which are outside the scope of the substance of both the ICS and AM. Moreover, the decision about outcome-equivalence is scheduled to be taken during the ICS monitoring period, which is prior to any possible public disclosure of either the ICS or the AM. We therefore recommend eliminating the public disclosure clause within this principle. If this change is made, we can support the principle.
84. ABI	United Kingdom	No	The ABI agrees that the AM and ICS should be similarly transparent and note that this is already well defined under ComFrame. In terms of assessing transparency, it will be important to recognise that transparency is another subjective term that should be better defined before criteria is developed. As with other principles, it will be important that an outcome equivalent AM is significantly similar in terms of transparency but does not require reporting and disclosure to be identical in every way to ICS.

86. NAMIC	United States	No	It is important to understand what is meant by "similarly transparent" and what is expected from this statement. To what extent insurers would be required to provide disclosure that are not already public would cause confidentiality and market participation concerns and so further clarification would be requested.
87. Prudential Financial, Inc. Coalition	United States of America	No	The reference to "public disclosure" goes beyond the original ICS principle (i.e., "ICS Principle 9: The ICS is transparent, particularly with regard to the disclosure of final results.") and, for some jurisdictions, public disclosure could be inconsistent with rules regarding disclosure of solvency information. In addition, public disclosure would only be a relevant point of consideration post finalization and implementation of the respective approaches. Considering these points, we propose rewriting the principle as follows - "The AM and ICS are similarly transparent, in terms of facilitating understanding and comparability, within and across jurisdictions, of the group solvency position through reporting to group-wide supervisors."
88. U.S. Chamber of Commerce	United States of America	No	We fail to see why public disclosure is a relevant point of consideration for the comparability assessment. To our understanding, the IAIS never indicated its expectation that IAIGs should disclose information about group solvency to any parties other than the group-wide supervisor and immediate supervisors of a group through forums like supervisory colleges. Similarly, to our understanding, the IAIS never indicated its expectation that the group-wide supervisor should publicly disclose an IAIGs group solvency ratio. Further, reporting during the monitoring period is on a confidential and voluntary basis and public disclosure of results will not occur during this phase. For these reasons, we request that the phrase "public disclosure" be removed from this principle.
89. APCIA	USA	No	Draft Principle 6 should be revised as follows: "To facilitate understanding and comparability within and across jurisdictions, the AM and ICS provide similar transparency of the group solvency position through reporting to group-wide supervisors." Principle 6 suggests that the mere disclosure of a single ratio, to the public, the group-wide supervisor and other involved supervisors, facilitates understanding and comparability. However, without an understanding as to how the figure was constructed, and the location of capital and risks within the group, such an understanding would be so high-level to be almost superficial. That is particularly true with respect to the public who would have no basis to achieve such an understanding (and which is a primary reason why insurance regulation and supervision exists). Thus, we suggest removing the reference to public disclosure in Principle 6. The focus of both the ICS and the AM is on providing group

			supervisors with additional appropriate and actionable information about the capital position of global insurance groups, and we believe that is where the comparability analysis should focus as well.
90. Liberty Mutual Insurance Group	USA	No	Liberty Mutual agrees with the objective for transparency in the overall process. While transparency is key to providing mutual understanding, Liberty Mutual recommends that the IAIS caution supervisors not to engage in an exercise of trying to reverse engineer quantitative results under the AM, or any other method assessed to be comparable to the ICS, to compare them to the ICS. The goal of the comparability assessment is to ensure supervisors that any solvency capital model assessed to be comparable to the ICS provides comparable outcomes, without further reference or comparison to the ICS.
Travelers	USA	No	We agree that there should be transparency in terms of facilitating understanding and comparability, within and across jurisdictions through disclosure; however, it should be disclosure to a subject insurance group's local jurisdictional regulators and groupwide supervisor only. There are significant perils in providing public disclosure of analytical tools that have limitations due to the limitations of the methodologies employed and the limitations on the use of the results from those methodologies. We recommend this principle be amended to read: *The AM and ICS are similarly transparent, in terms of facilitating understanding and comparability, within and across jurisdictions, of the group solvency position through ~~public~~ disclosure and reporting to a subject group's jurisdictional regulators and group-wide supervisors.*
Q8 General comment on the draft definition of comparable outcomes and the high-level principles to inform the criteria that will be used to assess whether the Aggregation Method provides comparable outcomes to the ICS			
91. Insurance Europe	Europe	No	Insurance Europe welcomes the opportunity to provide comments on the IAIS draft definition and high-level principles for comparable outcomes to the ICS. The ICS project is of particular relevance to and impact for the European industry, given that a significant number of the IAIGs that are in the scope of ComFrame/ICS are European groups. Insurance Europe recognises that the IAIS is conducting the ICS with the aim of creating a common language for supervisory discussions, with the ultimate goal of a single ICS that includes a common methodology by which one ICS achieves comparable (ie substantially the same) outcomes across jurisdictions* and that its objective is to enhance global convergence among group capital standards**. Insurance Europe emphasises its support for the ICS project on the

			condition that it leads to a high-quality and robust global insurance standard, which promotes a sound, global regulatory level playing field. It is vital that the comparability assessment exercise is sufficiently robust to ensure the same level of policyholder protection, and therefore does not undermine the key objective of a global standard for prudential supervision. As is the case with any jurisdictional prudential standard, the ICS can have a direct impact on insurers' global competitiveness. Yet, the ICS can only be considered global if all major jurisdictions commit to implementing it consistently, and this is another reason why a robust and quantitative comparison between the ICS and AM is needed. Therefore, the European industry believes that the ICS should be considered for implementation in Europe only if all major jurisdictions commit to this. This is the only way to guarantee a global level playing field for the European industry While the ICS itself does not fall within the scope of the current consultation, Insurance Europe would like to take this opportunity to highlight that there are still a number of important improvements and changes to the ICS framework that are needed for it to become eligible for consideration in Europe. In particular, internal models are a key risk management and capital measurement tool and should be a permanent and integral part of the ICS framework. Such internal models – intended solely for a more accurate calculation of the capital requirements based on the same measurement framework and at the same confidence level as the standard method and subject to a number of appropriate company and supervisor validation and approval requirements – will enhance the ICS. With respect to the IAIS high-level principles under consultation, Insurance Europe appreciates that these are derived from the Abu Dhabi agreement on ICS 2.0, and notes that they are a good starting point for assessing comparability between the ICS and the AM. However, there are some key areas in which the definition and principles need to be adjusted to enhance clarity. For example, there is some good language in the ICS principles agreed a few years ago by the IAIS which should be made use of in the ICS-AM comparability assessment. More broadly, there is clearly a need to expand these principles into more specific criteria that would allow for a proper assessment of comparability. Further detailing of these high-level comparability principles by the IAIS will definitely support enhanced understanding and comparability between the ICS and the AM. This is another reason why it is so important to have very clear comparability criteria that expand these principles. Insurance Europe looks forward to contributing to this process. * As noted by IAIS in ICS Level 1 document ** As noted by IAIS in Explanatory Note on the ICS and Comparability Assessment

92. GFIA	Global	No	The Global Federation of Insurance Associations (GFIA) welcomes the opportunity to comment on the draft definition and high-level principles for comparability between the Insurance Capital Standard (ICS) and the Aggregation Method (AM), and more broadly the IAIS' continued commitment to stakeholder engagement. GFIA believes that the comparability assessment should aim at a high level of robustness and quality, focusing on a high level of policyholder protection - which is ultimately at the core of prudential supervision. In relation to this consultation, since many of the terms used in the high-level principles are open to interpretation, it is difficult to propose distinct and purposeful criteria without first clarifying with the IAIS on the definitions of these terms or what is meant by certain phrasings. It will therefore be important that both the finalisation of the definition and high-level principles, as well as the subsequent development of more detailed criteria, are intended to be iterative processes to the extent possible with multiple stages of input from industry over time. It would also be useful if when setting out the criteria for comparability that the IAIS includes an agreed glossary of terms. To the extent possible, comparability criteria should remain stable and robust enough to withstand any changes in the design of the ICS and AM, for example following the IAIS planned economic impact assessment in 2023. At the same time, however, there should be some limited flexibility to amend criteria for comparability later in the monitoring period if unforeseen issues arise.
94. IAA	International	No	No comment.
95. Financial Services Agency (FSA)	Japan	No	The Financial Services Agency (FSA) would like to commend the progress that the International Association of Insurance Supervisors (IAIS) made on the adoption of reference Insurance Capital Standard (ICS) Version 2.0 and welcomes the public consultation launched by the IAIS on the draft definition and High-Level Principles to inform the criteria that will be used to assess whether the Aggregation Method (AM) provides comparable outcomes to the ICS. We believe that quantitative assessments are essential for the development of a method to a group capital calculation and contribute to improving quality of such a method. In this regard, it is desirable for the IAIS to have as many insurance groups that report results of calculation based on the AM as possible report results of calculation based on the ICS to deliver robust and credible output of AM comparability assessments to the ICS.

			While all High-Level Principles are important, High-Level Principle 6, which states that the AM and the ICS are similarly transparent through public disclosure as well as reporting to group-wide supervisors, is particularly important because, in our view, it serves to promote understanding of comparability of the AM to the ICS. The FSA looks forward to further discussions on the development of the comparability criteria.
96. GIAJ	Japan	No	We welcome the progress in the discussion on ICS and AM comparability.
97. ACLI	U.S.A.	No	The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 95 percent of industry assets in the United States. ACLI appreciates the opportunity to comment on the proposed draft definition and high-level principles that will inform the criteria that will be used to assess whether the Aggregation Method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS). ACLI supports the AM and welcomes the IAIS's consideration of the AM as potentially an outcome-equivalent approach for the implementation of the ICS for the United States and potentially for other jurisdictions. We appreciate the detail about the comparability process that was provided at the IAIS Annual Conference in Abu Dhabi in November 2019. We are pleased that the process includes opportunities for stakeholder input and that it fosters transparency by encompassing an overarching definition, high-level principles, and criteria that will be used to perform the comparability assessment. In general, ACLI believes that the comparability assessment should emphasize long-term policyholder protection and financial stability outcomes that would be expected of robust group capital regimes, rather than a series of detailed quantitative comparisons that would be inappropriate in light of fundamental differences–including valuation, diversification, and capital resource eligibility–between the AM and the ICS. To that end, we believe that the assessment should be (1) objective, (2) holistic, and (3) utility focused. Each of these attributes is described further in the following paragraphs. First, the comparability assessment should be objective. It should avoid an anchoring bias that presumes that the ICS is

			the ideal method for assessing group regulatory capital. It would be preferable to assess both the ICS and AM against agreed attributes of robust group capital frameworks, rather than assessing the AM strictly against the ICS. Second, the assessment should be holistic. it should not establish any single principle as qualifying or disqualifying. The principles should be viewed in their totality and the satisfaction of the principles should reflect reasonable judgments. We are concerned that some of the proposed principles could be interpreted as supporting binary pass/fail determinations based on alignment of quantitative components of the respective approaches. Finally, the assessment should be utility focused. It should consider how each standard can contribute toward the overarching objective of providing increased understanding and greater confidence among supervisors in different jurisdictions, thereby promoting policyholder protection and financial stability. It should also consider the industry's diverse business models and product lines, including policies offering long-term protection to policyholders. These considerations would tend to lead toward an overall assessment that is not merely quantitative but also includes a significant qualitative component. We are concerned, however, that some of the principles lead toward criteria that are largely quantitative. We elaborate on these and other concerns in our comments on the individual principles.
100. Prudential Financial, Inc. Coalition	United States of America	No	The undersigned companies ("we") appreciate the opportunity to comment on the IAIS' public consultation on the draft definition and high-level principles to inform the criteria that will be used to assess whether the Aggregation Method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS). We have, and continue to be, constructive stakeholders of the IAIS' effort to develop a common global capital framework. While we broadly support the goals of the ICS, we continue to have concerns with the practicality or utility of a single approach to a global group capital framework given the diversity of insurance markets around the world. We appreciate the IAIS' continued consideration of alternative approaches and believe the AM will demonstrate the ability to accomplish the objectives the IAIS hopes to achieve through its work on group capital, including providing meaningful insight into material risks, promoting sound risk management, facilitating communication and cooperation among supervisors, etc. We believe it is essential that the comparability assessment consider the various components of the respective approaches to group capital in total and that emphasis be placed on the ability of the approach to accomplish these objectives rather than the form in which it does so. In addition to serving as a more appropriate basis for the assessment, we believe this method of assessment would better recognize the fact that the AM could be adopted by multiple jurisdictions in a manner appropriate for these jurisdictions. Thank you again for the opportunity to provide these comments. We would be happy to discuss the perspectives we have

			provided further should the IAIS be interested in doing so. AIA Group AIG Manulife MetLife Prudential Financial Prudential plc RGA
101. U.S. Chamber of Commerce	United States of America	No	The Chamber is concerned the comparability assessment appears to assume the ICS is a baseline for alternatives to be measured against. We believe the basis for the comparison should instead be the ability of the AM - as well as the ICS - to achieve the objectives of the IAIS' work on group capital including the protection of policyholders and ability to facilitate communication and cooperation across supervisors of an IAIG. We highlight the following items as support for why it is inappropriate - or, at minimum, premature - to anchor the assessment to the ICS: - The industry and IAIS members have raised concerns regarding the lingering design flaws in the version of the ICS adopted in Abu Dhabi. The Office of the Superintendent of Financial Institutions for Canada stated "...the Standard in its current form is not fit for purpose for the Canadian market," and the Federal Insurance Office at the U.S. Treasury Department noted, "The current form of the ICS could also risk limiting U.S. consumers' access to important long-term saving products;" - The IAIS has yet to conduct the economic impact assessment and additional public consultation, which will both serve as important steps for obtaining insights on the appropriateness of the ICS; and - The IAIS has yet to engage with and meaningfully consider feedback regarding the appropriateness or usefulness of the tool from the frontline prudential supervisors the ICS is supposed to serve as a resource. The Chamber appreciates the IAIS providing the opportunity to comment on the draft definition and high-level principles to inform the criteria that will be used to assess whether the AM provides comparable outcomes to the ICS.

102. APCIA	USA	No	Another Principle should be added, to read as follows: "The AM and ICS are assessed against an independent benchmark as to their relative effectiveness in ensuring policyholder protection and enhancing financial stability." As noted in our comments on the proposed definition of comparable outcomes, the definition suggests that the ICS will be used as an absolute reference point which would be inappropriate in the context of the comparability analysis because (1) it is based on a market-based valuation that has not been agreed upon by all IAIS members (U.S. members have to date refused to support a market-based valuation without also including a way forward for an acceptable alternative valuation that would be appropriate for the U.S., such as GAAP Plus or the AM), and (2) the ICS is not yet deemed suitable or perfect and is itself subject to further change during the monitoring period. While both the ICS and the AM will have flaws, the application of a methodology that uses the ICS as an absolute reference point will attribute all flaws to the AM and, as a result, will preclude the AM from being found to be comparable at the outset in contradiction to the Abu Dhabi Agreement. The results of the ICS and the AM should be compared to each other on an equal footing and without bias as to the resulting outcome. Differences between the two methods will certainly exist, and the ensuing analysis will have to consider the nature and causation of those differences and their relative attribution to which method. For example, short-term market fluctuations will need to be identified and filtered out (i.e., as per Principle 1). We believe that such short-term fluctuations will very likely be attributed to the ICS due to its underlying market-based valuation, more so than the AM. In the context of the subject comparability exercise, both the ICS as a standard method and the AM have potential flaws, which precludes either from being considered as a candidate for an absolute reference. APCIA is mindful of the efforts of the IAIS Capital Solvency and Field Testing Working Group (CSFWG) in 2014 to evaluate the appropriateness of a market-based valuation basis, local GAAPs, and a group's economic capital valuation basis as the foundation for valuation in the ICS. Without any demonstrable evidence put forth to indicate that a market-based valuation was inherently appropriate in its own right, some CSFWG members nonetheless used it as an absolute "reference method" to which the two other alternative valuation bases were then compared. By virtue of that approach, and by definition, any difference between the market-based valuation and either/both of the other two valuation bases was deemed the fault solely of the latter. U.S. members objected to that analysis and its conclusions, which culminated in an agreement at the Executive Committee to allow development of a GAAP with Adjustments approach ("GAAP Plus") as a potential alternative valuation basis to the market-adjusted valuation basis. In other words, U.S. members did not agree

			then, and to date have still not agreed, to the use of a market-based valuation in the ICS without also including a way forward for an alternative valuation basis that would work for U.S. markets, insurers, and system of insurance supervision. We are aware that both the Kuala Lumpur Agreement and the Abu Dhabi Agreement cite the ICS as the "reference method." However, there is nothing in either agreement that says that the comparison process must be like that taken in 2014, i.e., that one method alone (the ICS) be an "absolute" reference. Given that the ICS itself is still subject to change and that it will take the monitoring period to provide evidence that it is suitable for adoption, and that its market-based valuation has not been agreed upon by all members (without also including GAAP Plus or AM as an alternative), using the ICS as an absolute reference point is inappropriate. Rather, a relative reference methodology should be used, which would compare both the ICS and the AM to an independent benchmark, and then compare those results to each other to observe correlation over time. Further, we note the following statement from the Abu Dhabi Agreement: "More detailed criteria will be developed for each high-level principle and in such a manner that the AM is neither precluded at the outset as an outcome equivalent approach to the ICS for measuring group capital, nor given a free pass." We believe that the definition, as drafted, suggests the ICS as an absolute reference point which will result in - as was the case in the comparison of valuation bases performed by the CSFWG in 2014 - the inevitable and binary conclusion that the market adjusted valuation-based ICS is right and (in this case) that the AM is wrong. In other words, the AM will be precluded at the outset as an outcome equivalent approach to the ICS for measuring group capital, an outcome that would be contrary to the Abu Dhabi Agreement. Therefore, it is necessary in the context of the Abu Dhabi Agreement that there be no statement or impression that the ICS will be used as an absolute reference point. A relative reference methodology, as we have suggested, will ensure that the AM is not precluded at the outset, nor be given a free pass. While the ICS work plan calls for another year to determine the criteria to determine comparability, and therefore what an appropriate reference methodology might be, it would be inappropriate at this juncture to pre-judge the outcome by suggesting an absolute reference methodology in the definition, a methodology that would simply achieve a preconceived outcome. A relative reference approach would (1) compare the results of volunteer groups that reported the ICS to an independent benchmark, (2) compare the results of volunteer groups that reported the AM to an independent benchmark, and then (3) determine the correlation of the results of (1) and (2). This has the further benefit of enabling more observation points, i.e., it is not necessary that a particular volunteer group report both the AM and the ICS, thus enhancing the credibility of the analysis in relation to Principle 5.

			APCIA is engaged in research to identify suggestions for independent benchmarks that can be used as the foundation for a relative reference methodology, and would be glad to share our findings in that regard at an appropriate time.
103. Liberty Mutual Insurance Group	USA	No	The primary criterion for assessing the comparability of a group capital assessment regime should be whether it provides a comparable level of policyholder protection and contributes to global financial stability. Consequently, a comparability determination should not be based on whether the AM achieves equivalent quantitative outcomes to the ICS. Rather, the proper focus of a comparability determination should be whether the group capital assessment regime, in conjunction with other available supervisory measures, ensures substantially the same supervisory outcomes as part of coordinated solvency oversight. A comparable group capital assessment regime should recognize and value all material liabilities and capital resources in a consistent, objective and reliable manner.
Travelers	USA	No	The Travelers Companies, Inc. (Travelers) welcomes and appreciates the opportunity to comment on the Public Consultation (the "Consultation Paper) of the draft definition and high-level principles to inform the criteria that will be used to assess whether the Aggregation Method (the "AM") provides comparable outcomes to the Insurance Capital Standard (the "ICS") that was released by the International Association of Insurance Supervisory (the "IAIS") on November 9, 2020. Travelers is a leading provider of property and casualty insurance for auto, home and business. The company's diverse business lines offer its customers a wide range of coverage sold primarily through independent agents and brokers. Travelers has approximately 30,000 employees and operations in the United States and selected international markets. We endorse the IAIS for engaging in thoughtful discussion and consideration of the relationship between the AM and ICS and how the two approaches should be evaluated for comparable outcomes. It's important that the principles be correlated with the definition of comparable outcomes to ensure that the process used for evaluating comparability takes into account the relevant aspects of both the AM and ICS and results in a meaningful conclusion that is based on objective outcomes rather than subjective preferences. We are concerned that the comparability assessment is built upon the assumption that the ICS is a baseline for alternatives to be measured against. We believe the basis for comparison should also take into account the two concepts we identified earlier in this letter, i.e., transparency of capital adequacy to supervisors and timeliness of supervisory intervention or action. Transparency in this context occurs when supervisors can quickly identify capital inadequacies within a group and identify where capital resources reside with the group. This type of transparency will not only facilitate

			communication and cooperation across supervisors of an IAIG but will also facilitate timeliness of supervisory intervention or action. We believe that building a comparability assessment upon the assumption that the ICS is a baseline for alternatives to be measured against is highly troubling when supervisors from some jurisdictions have expressed concerns with the ICS that are yet to be addressed. We note that on November 14, 2019: • The Federal Insurance Office of the U.S. Treasury Department stated, "The current form of the ICS could also risk limiting U.S. consumers' access to important long-term saving products."1 • The Office of the Superintendent of Financial Institutions for Canada stated its view, "...is that the Standard in its current form is not fit for purpose for the Canadian market."2 Additionally, we note that the IAIS has yet to conduct its economic impact assessment and provide additional public consultation to obtain further insights on the efficacy of the ICS. We believe additional feedback from and dialog with prudential supervisors is needed regarding the usefulness and practicality of applying the ICS as an effective tool for evaluating capital adequacy.