INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Level 1 and Level 2 Documents for ICS Version 2.0 for the monitoring period

ERRATA SHEET

28 June 2021

Level 1 Document

Page	Para	Revision
10	21	This ~~should~~ is ~~be~~ achieved, to the extent possible, by applying a look-through approach in order to assess the risks of the assets underlying the investment vehicle.
11	5.2 (Section title)	Calculation of the Current Estimate
11	5.2.1 (Section title)	Basis for calculation and cash-flow projection
13	57	The MOCE is a margin added to the current estimate ~~of insurance obligations~~ in order to achieve a market adjusted value of insurance liabilities.
18	78	Items a) to c) are net of any associated DTL that would be extinguished if the item becomes impaired or derecognised under the valuation approach. ~~DTLs are permitted to be netted against DTAs (item d) above provided that they exclude amounts that have already been netted against items a) to c).~~
21	7.1.2 (section title)	Geographical segmentation
22, 23	103, 105, 107, 110, 112	geographical segmentation
23	108	Deleted the sentence "Examples of policies […] are provided in the Level 2 document".
23	115	The Non-Life ~~insurance~~ risk charge…
25	132	The Equity risk charge is calculated as the change in net asset value following the occurrence of ~~a~~ stress scenarios that impact~~s~~ the level and volatility of the fair value of equities, after management actions. The ~~stress scenario consists of~~ level scenarios~~,~~ ~~according to the~~ are specified by segments of assets.~~, and one~~ A volatility scenario is measured separately~~, after management actions~~.
27	142	Last sentence "The methodology to calculate the Asset Concentration risk charge is specified in the Level 2 document." ➔ new paragraph

27	149	IAIGs may use any ratings by a rating agency currently recognised by their ~~home insurance regulator~~ supervisor for local capital determination purposes, subject to clear instructions provided by the ~~home insurance regulator~~ supervisor on how to map those credit agency ratings to the ICS Rating Categories and explicit acceptance of the use of those ratings by the IAIS.
28	154	Life (non-risk) – products where the policyholder bears the investment risk. ~~It includes segmented funds and accumulation annuities.~~
28	155	The exposures and stress factors~~, risk exposures and line of business segments~~ for ~~the~~ Operational risk ~~charge~~ are specified in the Level 2 document.
29	160	Deferred taxes, as recognised on the consolidated GAAP or SAP balance sheet (“consolidated GAAP”), are also recognised on the ICS balance sheet~~ in accordance with Section 5.1~~. DTA and DTL on the consolidated GAAP should be reported the same way on the ICS balance sheet whether that be two numbers or a single number.
29	161	There are two areas of the ICS that are tax affected: • Differences in valuation between the ~~jurisdictional~~ consolidated GAAP ~~balance sheet~~ and the ICS balance sheet (ICS Adjustment), made in accordance with Section 5.1; and • The ICS insurance capital requirement.
29	162	The ICS applies a ~~Top-down approach~~group level calculation using a group effective tax rate (G-ETR) to calculate the change in deferred tax ~~on~~ resulting from the ICS Adjustment and the tax effect on the ICS insurance capital requirement.
29	163	The method to calculate the ~~group~~ G-ETR is specified in the Level 2 document.
29	8.2 (Section title)	Deferred tax resulting from the ICS Adjustment~~s~~
29	164	The valuation adjustments made to the consolidated GAAP~~/SAP balance sheet~~ in order to derive the ICS balance sheet give rise to corresponding adjustments to deferred tax assets and liabilities. ~~Potential~~ Any additional DTAs, created as a consequence of ~~those~~ the ICS ~~a~~Adjustment~~s~~, are subject to an utilisation assessment. The conditions of calculation and recognition ~~and calculation~~ of those deferred tax adjustments, including the utilisation assessment,~~ as well as the conditions in which those adjustments may be offset,~~ are specified in the Level 2 document.

Level 2 Document

Page	Para	Revision
18	55	Unless they are replicable by a portfolio of assets (as specified in Section 5.4), ~~All~~ liabilities that are not in the Top or Middle Bucket belong to the General Bucket.
20	72	ICS risk category changed to ICS rating category in $w_{ICS\,RCi}$, $w^{ICS\,RCi}_{duration\,band}$ and $spread^{ICS\,RCi\,after\,RC}_{duration\,band}$
21	76	Formula updated to: $Spread\ Adj_{MB} = 80\% \times (1 - TOM) \times Spread\ Adj_{GB} + 90\% \times TOM \times \max[WAMP_{spread}, \frac{80\%}{90\%} \times Spread\ Adj_{GB}]$
39	145	~~The stresses to the unit expense and expense inflation assumptions are applied simultaneously.~~ Expenses that are not subject to any estimation uncertainty are excluded from both the unit and inflation stresses. The expense inflation stress is applied only to expenses that are sensitive to inflation.
53	178	Consequently, the total ICS catastrophe ~~capital~~ risk charge will be calculated as follows.
55	184	For current estimates ~~of insurance liabilities~~ calculated with a dynamic lapse function that uses the interest rate as an input variable, the base lapse assumptions stay unchanged under the interest rate stresses, but lapse rates react to the interest rate scenarios used to calculate the Interest Rate risk charge.
57	195	For each currency, the stressed yield curve for the twist up-to-down scenario is obtained by adding the following yield curve to the initial yield curve, up to the LOT: $N^{-1}(0.995).[st_1.Level\ curve + st_2.Slope\ curve + st_3.Curvature\ curve]$ where: $\begin{pmatrix} st_1 \\ st_2 \\ st_3 \end{pmatrix} = cos(\theta)Me_{\cancel{1}2} - sin(\theta)Me_{\cancel{2}1}$
59	207c	An instantaneous decrease of the market prices of hybrid debt/preference shares by x%, ~~which~~ with x based on the ICS rating category (RC) of the asset, as specified in Table 17.
60	208a	Step 1: The total level risk is calculated by aggregating the impact of the stress for each level scenario, floored at zero, using the following correlation matrix:
89	311	The exposures and stress factors for Operational risk are ~~set~~ specified in the following table.
91	320	The group effective tax rate (G-ETR) is calculated as a weighted average ~~statutory~~ effective tax rate, weighted using the previous three-year average of GAAP earnings before tax on a sub-group/entity level basis. The scope of the weighted average calculation is limited to insurance-related activities, and GAAP earnings before tax is floored at zero.
91	321	Statutory ~~effective~~ tax rates that have been enacted or substantially enacted as of the reporting date are used for the ~~group~~ G-ETR calculation.
91	Footnote 26	For example, a tax authority announces tax rate changes that would have a material impact for future periods. In such a case, the newly announced statutory ~~effective~~ tax rate is used in the ~~group~~ G-ETR calculation.

91	8.2 (Section title)	Deferred tax resulting from the ICS Adjustment~~s~~
91	New (after Section title 8.2)	XX1. The adjustment to deferred tax is determined for each balance sheet line item that has been adjusted in order to arrive at the ICS balance sheet. Line items may yield an adjustment to deferred tax asset, deferred tax liability or no adjustment to deferred tax depending on the tax treatment of the line item. No adjustment for tax is made where the change in a line item, or component of a line item, does not result in a temporary tax difference (eg equity line items, line items representing permanent tax differences such as items that may not be expensed or generate revenue that is exempt for tax purposes). These line items or components of line items are excluded from the deferred tax adjustment calculation. XX2. The deferred tax adjustment is calculated on a line by line basis. For all lines or components of lines, other than MOCE, where the adjustment creates a tax impact, the deferred tax is then calculated by multiplying the tax effected difference between consolidated GAAP and ICS balances by the G-ETR (as specified in paragraphs 320 and 321). The sum of DTA and the sum of DTL resulting from this line by line calculation are reported separately. The consolidated GAAP deferred tax is adjusted by the net outcome of the deferred tax resulting from the ICS Adjustment.
93	322	Deleted
91	New (after Section title 8.2.1)	XX3. Before the utilisation assessment, the DTA recognised from the ICS Adjustment is the sum of DTAs resulting from the line by line calculation specified in paragraph 323 and the DTA on MOCE.
91	323	The DTA recognised ~~as a result of~~from the ICS Adjustment~~s~~ after the utilisation adjustment is ~~capped~~ limited to $a + \max(0, b - c - d)$, where: ~~at any net GAAP DTL plus gross DTL recognised from the ICS Adjustments according to the following calculation:~~ ~~Add:~~ a. The sum of DTLs resulting from the line by line calculation specified in paragraph 323;~~Gross jurisdictional audited GAAP DTL; and~~ b. ~~Gross DTL recognised from the ICS Adjustments.~~Consolidated GAAP DTL; ~~Subtract:~~ c. ~~Gross jurisdictional audited GAAP DTA~~GAAP DTL netted from assets deducted from Tier 1 capital resources, as specified in the Level 1 document; and d. ~~DTL associated with assets subject to deduction from Tier 1 capital resources (as per section 6.4.1 of the Level 1 Document)~~Consolidated GAAP DTA.
92	324	Deleted
92	325	The ~~gross jurisdictional audited~~consolidated GAAP DTL and DTA referred to in paragraph ~~323~~ 325 are limited to DTL and DTA reported from insurance-related activities.
92	327	The utilisable tax effect on the ICS insurance capital requirement is calculated using the following formula:

		max (0, min (notional tax effect on insurance capital requirement, 20%*ICS insurance capital requirement, a + b + c - d)) where: • notional tax effect on insurance capital requirement = ICS Insurance capital requirement * ~~group~~ G-ETR; • $a = 85\% * \sum_{Tax\ sub-group/entities} \min\left(\begin{matrix} Tax\ loss\ carry\ back\ capacity, \\ Allocated\ notional\ tax\ effect\ on\ insurance\ capital\ requirement \end{matrix}\right)$[27] • b = post-stress future taxable income $*$ ~~group~~ G-ETR; • c = max (0, DTL for insurance-related activities on ICS balance sheet post deduction in paragraph 332 - DTA for insurance-related activities on ICS balance sheet); and • d = max [0, min (15% * ICS insurance capital requirement, DTA for insurance-related activities on ICS balance sheet – DTL for insurance-related activities on ICS balance sheet post deduction in paragraph 332)]. Footnote 27 Allocated notional tax effect on insurance capital requirement – refer to paragraph 330
92	328	A tax loss carry back is defined as a mechanism allowing a sub-group/entity to offset current net operating losses against tax obligations from previous years (whether tax loss carry backs are allowed and the number of years allowed differs ~~between~~ by tax jurisdiction~~s~~).
92	329	In order to perform the calculation of component *a* in the utilisable tax effect: • The tax loss carry back capacity for insurance-related activities is evaluated at the legal entity or sub-group level where taxes are assessed, including any fiscal unity for corporate tax as of the ICS reporting date. • The notional tax effect on the ICS insurance capital requirement is allocated between tax sub-groups/entities using a weighted average based on consolidated GAAP~~/SAP~~ insurance liabilities.
93	330	In order to perform the calculation of component *b* in the utilisable tax effect: • When the IAIG projects consolidated GAAP net losses for the cumulative five-year period, component *b* is set to zero. Otherwise, component *b* is approximated by 50% of the total historical five years' consolidated GAAP earnings before tax ~~on the consolidated financial statement~~, adjusted for mergers, acquisitions and dispositions.
93	331	~~DTA and~~ DTL used in components *c* and *d* ~~are net of deferred taxes~~ represent the amount after the application of deferred tax from the ICS Adjustment as described in section 8.2 and after deduction of the DTL for insurance-related activities associated with assets subject to deduction from Tier 1 capital resources (see Section 6.4.1 of the Level 1 document).
94	334i	Any adjustments to deferred taxes follow the reference ~~method~~ ICS as outlined in Section ~~7.7~~8.