

IAIS Consultations

Print view of your comments for "Consultation on ICP 7 and ICP 8" - Date: 18.08.2015, Time: 16:23

Organisation	International Actuarial Association
Jurisdiction	International
Role	Other
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Q-Nr.	Reference Question
Question 1	General Comment on ICP 7: <p>We are glad to see the IAIS approaching the topic of Governance as it mirrors our own growing realization of the importance of this topic. The actuarial profession has come to appreciate that sustainable insurance needs more than just reserves and capital. It needs processes focused on governance of the way key risks are undertaken and managed. Reserves and capital are just one set of tools needed to ensure sustainability. Other tools/processes include model validation, stress testing, sound risk management processes, professional standards, etc. Traditionally, the actuarial approach to governance has been labeled as an "Actuarial Control Cycle" and reflects the application of typical engineering controls to the business of accepting risk and managing it in order to gain the social benefits and stability of pooled risk. The paper has done a very good job of explaining the issues involved and the elements that are important for good governance. We feel the following items would strengthen this ICP and also more clearly link it to the bundle of ICP's such as 8, 23 and 25 that deal with related themes. a. The "business" that is being governed is inherently based on the Uncertainty of Risk, both as to its likelihood and the degree of risk aversion one wishes to pay for. Even reserves, balance sheets and capital numbers are only estimates based on today's information and will diverge in the future from those estimates. Thus, the key to sustainable governance includes the process used to identify and maintain the level of estimated risk that needs to be mitigated via reserves and capital and which risks need to be managed via other processes such as risk management, product design and the normal business processes needed for any enterprise. We see three different kinds of focus for governance. One is the legal governance, the other is the tone at the top/culture and processes by which decisions and information flow and the third is the strategies and the incentives used to reward the successful accomplishment of those strategies. b. The paper does a good job identifying what is "fit and proper" governance for processes (that is how to ensure the sound implementation of an agreed on strategy), but it does not address the issue that the processes are only tools to help manage the uncertainty of any strategy. Processes are reflective of the overall discipline of the organization. But it is good or bad strategy that will make the important difference. The risk processes are just early warning indicators needed to adjust bad strategies before they harm other policyholders and shareholders. Excellent strategies may well overcome weaker controls, but good controls cannot make a bad strategy succeed. In addition, good or bad strategy cannot be predicted in advance, only understood and maintained or modified as it proceeds. The legal and compliance system is typically focused on finding violations of law, not on assessing whether there could or should be better laws. This means that part of the supervisory role now includes that of a student of the market and business environment into which it aims to make/shape productive and/or improved rules to let the market do what it does best – deliver services. Thus, reviewing how the Board works together is not being done as an overseer of process nor to second guess its strategy and goals. It is to understand the strategic choices they are making over time and ensure that the Board is holding itself accountable for their execution and success/failure. This will require a carefully cultivated and nurtured skill set by the supervisor to engage in this type of review which will not be a checklist type review or outcome. There is a risk that if not done with the right touch it may overly focus</p>

a board on a check list process when its main duty is strategy.

Question 2 IG 7.0.1 Comment on Introductory Guidance 7.0.1:

Question 3 IG 7.0.2 Comment on Introductory Guidance 7.0.2:

Organizations need to balance the concentration of power needed to make decisions efficiently with the diffusion of power needed to ensure appropriate checks and balances. This section says to “ensure that powers are not unduly concentrated” [Footnote: This is also raised again in Section 7.3.7 and 7.3.12 (third bullet)], but there is no guidance on how to determine that in comparison to the cost of being less efficient (and perhaps less able to move quickly in a time of crisis).

Question 4 IG 7.0.3 Comment on Introductory Guidance 7.0.3:

In 7.0.3 it mentions the need to “establish a transparent organizational structure” and that the board should understand the risks of the organization structure. Section 7.0.9 lists some challenges to consider in evaluating an organizational structure: a. Centralized vs. decentralized structure b. Divisions of authority and responsibility c. How to ensure group/enterprise wide direction and coordination d. Entity vs. group perspective e. How does group communicate effectively internally f. Do all levels have adequate information? As an example, there will be relative trade-offs as one weaves in the desired degree of centralized vs. decentralized and concentration vs. diffusion of power. In either case, it is the ability to assess the success or failure of the decision using prior agreed to criteria that will be more important than the relative diffusion of power.

Question 5 IG 7.0.4 Comment on Introductory Guidance 7.0.4:

Question 6 IG 7.0.5 Comment on Introductory Guidance 7.0.5:

Question 7 IG 7.0.6 Comment on Introductory Guidance 7.0.6:

Question 8 IG 7.0.7 Comment on Introductory Guidance 7.0.7:

Question 9 IG 7.0.8 Comment on Introductory Guidance 7.0.8:

The IAA is pleased to see that the introductory guidance 7.0.8- 7.0.10 has been re-written and expanded for insurance groups, however, the primary standards in this ICP (i.e. 7.1 through 7.11) appear to be addressed to the needs of insurers without further reference to insurance groups, especially the head of the insurance group. Due to the complex connections that can exist between members of an insurance group, we suggest that the references to group level governance and the linkage with member level governance should be made much more clearly and strongly in this ICP.

Question 10 IG 7.0.9 Comment on Introductory Guidance 7.0.9:

Question 11 IG 7.0.10 Comment on Introductory Guidance 7.0.10:

Question 12 IG 7.0.11 Comment on Introductory Guidance 7.0.11:

Question 13 **S 7.1** **Comment on Standard 7.1:**

Question 14 **G 7.1.1** **Comment on Guidance 7.1.1:**

Question 15 **G 7.1.2** **Comment on Guidance 7.1.2:**

Question 16 **G 7.1.3** **Comment on Guidance 7.1.3:**

Question 17 **G 7.1.4** **Comment on Guidance 7.1.4:**

Question 18 **G 7.1.5** **Comment on Guidance 7.1.5:**

Question 19 **S 7.2** **Comment on Standard 7.2:**

Question 20 **G 7.2.1** **Comment on Guidance 7.2.1:**

Question 21 **G 7.2.2** **Comment on Guidance 7.2.2:**

Question 22 **G 7.2.3** **Comment on Guidance 7.2.3:**

Question 23 **G 7.2.4** **Comment on Guidance 7.2.4:**

Question 24 **G 7.2.5** **Comment on Guidance 7.2.5:**

7.2.5 and other sections focus on the importance of setting an ethical standard and processes to address fraud, money laundering, etc. We agree that this is an important aspect of sustainable insurance reflective of the trust place on insurance to fulfill its promises when due.

Question 25 **G 7.2.6** **Comment on Guidance 7.2.6:**

Question 26 **S 7.3** **Comment on Standard 7.3:**

Question 27	G 7.3.1	Comment on Guidance 7.3.1:
Question 28	G 7.3.2	Comment on Guidance 7.3.2:
Question 29	G 7.3.3	Comment on Guidance 7.3.3:
Question 30	G 7.3.4	Comment on Guidance 7.3.4:
Question 31	G 7.3.5	Comment on Guidance 7.3.5:
Question 32	G 7.3.6	Comment on Guidance 7.3.6:
Question 33	G 7.3.7	Comment on Guidance 7.3.7:
Question 34	G 7.3.8	Comment on Guidance 7.3.8:
Question 35	G 7.3.9	Comment on Guidance 7.3.9:
Question 36	G 7.3.10	Comment on Guidance 7.3.10:
Question 37	G 7.3.11	Comment on Guidance 7.3.11:
Question 38	G 7.3.12	Comment on Guidance 7.3.12:
Question 39	S 7.4	<p>Comment on Standard 7.4:</p> <p>7.4 in the third bullet mentions the Board's duties to the insurer and the policyholder. We think shareholder may be a more accurate word choice to clarify the duty is not to the management of the insurer (delegated by the Board), but to its shareholders.</p>
Question 40	G 7.4.1	Comment on Guidance 7.4.1:
Question 41	G 7.4.2	Comment on Guidance 7.4.2:

Question 42	G 7.4.3	Comment on Guidance 7.4.3:
Question 43	S 7.5	Comment on Standard 7.5:
Question 44	G 7.5.1	Comment on Guidance 7.5.1:
Question 45	S 7.6:	Comment on Standard 7.6:
Question 46	G 7.6.1	Comment on Guidance 7.6.1:
Question 47	G 7.6.2	Comment on Guidance 7.6.2:
Question 48	G 7.6.3	Comment on Guidance 7.6.3:
Question 49	G 7.6.4	Comment on Guidance 7.6.4:
Question 50	G 7.6.5	Comment on Guidance 7.6.5:
Question 51	G 7.6.6	<p>Comment on Guidance 7.6.6:</p> <p>7.6.6 and other Sections use the phrase “excessive risk taking”, but no guidance is given on how to determine what is excessive. A company’s strategy may be explicit about taking on more risk. While it may be explicit about the higher limits and controls, there will be no way to tell ahead of time whether it was excessive other than through subjective impressions, hopefully enhanced via stress tests.</p>
Question 52	G 7.6.7	Comment on Guidance 7.6.7:
Question 53	G 7.6.8	Comment on Guidance 7.6.8:
Question 54	G 7.6.9	Comment on Guidance 7.6.9:
Question 55	G 7.6.10	Comment on Guidance 7.6.10:

Question 56	G 7.6.11	Comment on Guidance 7.6.11:
Question 57	G 7.6.12	Comment on Guidance 7.6.12:
Question 58	G 7.6.13	Comment on Guidance 7.6.13:
Question 59	G 7.6.14	Comment on Guidance 7.6.14:
Question 60	G 7.6.15	Comment on Guidance 7.6.15:
Question 61	S 7.7	<p>Comment on Standard 7.7:</p> <p>7.7 is another example of a focus on correct controls (financial statements in this case) which are worthwhile, but which will not prevent a failure if the accounting reporting framework is itself flawed. Requiring a board to present a balanced and accurate assessment of its business (Section 7.7.1) may put it in conflict with a required reporting basis that has shortcomings and may not be focused on viability as a going concern. Rather, the board may want and need to see reports under multiple accounting lenses to help it unearth/realize the risks or flaws that may be buried in its required reporting framework.</p>
Question 62	G 7.7.1	Comment on Guidance 7.7.1:
Question 63	G 7.7.2	Comment on Guidance 7.7.2:
Question 64	S 7.8	Comment on Standard 7.8:
Question 65	G 7.8.1	Comment on Guidance 7.8.1:
Question 66	G 7.8.2	Comment on Guidance 7.8.2:
Question 67	G 7.8.3	Comment on Guidance 7.8.3:
Question 68	G 7.8.4	Comment on Guidance 7.8.4:
Question 69	G 7.8.5	Comment on Guidance 7.8.5:

Question 70	G 7.8.6	Comment on Guidance 7.8.6:
Question 71	G 7.8.7	Comment on Guidance 7.8.7:
Question 72	S 7.9	Comment on Standard 7.9:
Question 73	G 7.9.1	Comment on Guidance 7.9.1:
Question 74	G 7.9.2	Comment on Guidance 7.9.2:
Question 75	G 7.9.3	Comment on Guidance 7.9.3:
Question 76	G 7.9.4	Comment on Guidance 7.9.4:
Question 77	G 7.9.5	Comment on Guidance 7.9.5:
Question 78	G 7.9.6	Comment on Guidance 7.9.6:
Question 79	S 7.10	Comment on Standard 7.10:
Question 80	G 7.10.1	Comment on Guidance 7.10.1:
Question 81	G 7.10.2	Comment on Guidance 7.10.2:
Question 82	G 7.10.3	Comment on Guidance 7.10.3:
Question 83	G 7.10.4	Comment on Guidance 7.10.4:
Question 84	S 7.11	Comment on Standard 7.11:

Lastly, we would comment on Section 7.11 (Supervisory Review). To be candid, the paper presents a daunting, but necessary, list of duties that need to be performed by the board. As an aid for both boards and regulators we think the use of the actuarial profession will enhance and streamline the assessment of the risk governance processes for the board and the regulator. ERM standards for actuaries are already in place in some jurisdictions and similar ones are being developed in other national and international organizations. In addition work is ongoing for the role of the actuary in the ORSA process and for assessing model governance. As stated in the beginning, our work too is a work in process, but which also has our active attention and interest.

Question 85 **G 7.11.1** **Comment on Guidance 7.11.1:**

Question 86 **G 7.11.2** **Comment on Guidance 7.11.2:**

Question 87 **G 7.11.3** **Comment on Guidance 7.11.3:**

Question 88 **G 7.11.4** **Comment on Guidance 7.11.4:**

Question 89 **G 7.11.5** **Comment on Guidance 7.11.5:**

Question 90 **G 7.11.6** **Comment on Guidance 7.11.6:**

Question 91 **General Comment on ICP 8:**

The IAA is pleased to provide comments on the June 2015 draft revisions to ICP 8. Overall, the IAA is supportive of the changes made to ICP 8 and believes the draft represents a noticeable improvement over the current version of this ICP. The IAA has gathered a number of specific comments from its members, which we hope will be of assistance in improving the draft revisions for consultation: General Comments: - The nature and application of risk management will continue to evolve as new and more appropriate controls and measures are developed. Thus, there may be a value to both the market and the regulators in introducing a review process that addresses the risk tools and processes used by many/most of the industry. This would encourage the use of emerging best practices for the functions of identifying risks, measuring them and reporting on them (essentially the tools used by the second line of defense). This should not be done in a prescriptive manner, but as a means to accelerate the understanding and risk management capacity of both supervisors and company practitioners [Footnote: There are two shortcomings of the three lines of defence model: (1) It may create a lack of ownership if any or all of the functions believe other functions are the "true" owners of the risk(s) and (2) it may lead to the expectation that there is one right way to organize the three lines and may create the conclusion that deviations from the one approved way are shortcomings and/or weaknesses. Corporations can be organized effectively in various ways, as long as there are no conflicts of interest or road blocks to effective conversations and dialogue]. While this may not be intrinsic to the focus of this specific ICP, there should be an appropriate way for Supervisors (regulators) and leading practitioners to conduct and/or assess this review to bring in the supervisory insights of firms and their cross market perspective. A key issue to be considered is the insurer's approach to independence of its controls, separation of duties, and its balancing effectiveness, objectivity and practical implementation. We would recommend to, instead of the detailed discussion of the roles of the various control functions, have a separate specific section "Independence, Objectivity and Effectiveness" that discusses the need for an appropriate overall level of "independence" and conflict management within the control structure adopted to ensure the overall effective operation of the framework adopted. It would be appropriate to state that Internal Audit should be independent of all other functions, but the mix of

independence of other control functions from each other and from the business units themselves needs to be realistic and commercial (and have regard for nature, scale and complexity of the firm). Also, ICP 8 contains 5 uses of the term “mitigation” and 3 uses of the verb “mitigate”. Some might argue that the words “management” and “manage” are preferable, as they convey a broader range of possibilities than do mitigation/mitigate that convey solely the concept of lessen or reduce. We suggest some definitions for these words should be provided. Management can imply simply monitoring and/or focusing on a process. Mitigate refers to a specific technique usually meant to reduce risk in many cases, but at times may eliminate it entirely.

Question 92 IG 8.0.1 **Comment on Introductory Guidance 8.0.1:**

Question 93 IG 8.0.2 **Comment on Introductory Guidance 8.0.2:**

Paragraph 8.0.2 should either mention that 1) the principle of proportionality mentioned elsewhere in the ICP’s would also apply to this ICP or 2) the application of ICP 8 should have regard to the specific “nature, scale and complexity” of the entity in question. It would also be good to address whether this ICP is meant to apply to all insurers no matter their size and complexity or only to those considered to have significant market impacts.

Question 94 IG 8.0.3 **Comment on Introductory Guidance 8.0.3:**

Question 95 IG 8.0.4 **Comment on Introductory Guidance 8.0.4:**

Question 96 IG 8.0.5 **Comment on Introductory Guidance 8.0.5:**

Paragraphs 8.0.5 to 8.0.7 are clear that risk management and internal controls at the group level are keys to the effective control and proper management of an insurance group. These sections are, however, less clear on the need for the specified control functions (i.e., risk management, compliance, actuarial matters and internal audit) to also exist at the group level. The need for such functions at the group level is implied (but not directly stated) in the second sentence of Section 8.0.6. Since the later specific sections of this ICP relating to control functions refer only to “insurers”, supervisors may interpret differently the requirement for these functions at the group level. For the segments of the group involved in insurance, there does need to be a group actuarial function. We recognize that there is a separate and unresolved question as to the inclusion/exclusion of non-insurance entities and the methods of needed supervisory oversight that may be needed. Thus, it would be helpful to have more specific guidance on these requirements given the wide diversity of legal and governance structures that are in place. Perhaps a reference to ICP 23 would be helpful here.

Question 97 IG 8.0.6 **Comment on Introductory Guidance 8.0.6:**

8.06 and 8.07 could be combined as parts of each seem to be duplicated in the other.

Question 98 IG 8.0.7 **Comment on Introductory Guidance 8.0.7:**

8.06 and 8.07 could be combined as parts of each seem to be duplicated in the other.

Question 99 S 8.1 **Comment on Standard 8.1:**

Risk management is a process that typically involves many people in an insurer. ICP 8.1 does not adequately distinguish the different roles played by an insurer’s staff in risk management. A frequently used concept may help in this delineation of roles by referring to the need for “three lines of defense”. A description of these is as follows: a. Functions that own, manage and report on risks (e.g., operational management); b. Functions (and processes) that determine and assess the appropriateness of the controls used in the first line (e.g., control functions for risk management, compliance and actuarial matters); and c. Functions that provide independent assurance that the control procedures required by the

second line are actually being done (e.g., internal and/or external audit). These three items are a slight reformulation of footnote 7 for ICP 8.2.3. They may more appropriately be directly stated in the body of the ICP rather than in a footnote. The IAA believes that, although the ICP 8.1 requirement for an effective risk management system involves the staff involved in all three lines of the defense functions, this is not clearly stated in ICP 8.1. We do note though that the ICP 8.4 requirement for an effective risk management [control] function focused solely on the second line of defense. The IAA fully supports the need for a second line of defense that is clearly separate from operational management (as supported by paragraph 8.3.9). The ICP 8.7 requirement for an effective internal audit [control] function seems focused on the third line of defense. Lastly, a risk management system for insurers needs to also take into account both quality of capital (e.g., fungibility/liquidity) and its future availability in the context of the risk exposure (e.g., duration in relation to the liabilities). Neither concept is given adequate mention in this draft, even though having a suitable capital policy (including, for example, a suitable dividend policy) is seen as important in many regimes (e.g., Solvency II). The paper might also benefit from emphasising in c. 8.1.1 – 8.1.4 the need for the risk management system to be forward looking, rather than delaying mentioning this idea until 8.4.4 and 8.6.4 in the detailed lists of the tasks of the risk management and actuarial functions.

Question 100 **G 8.1.1** **Comment on Guidance 8.1.1:**

Paragraph 8.1.1 refers to the “probability, potential impact and time horizon of risks”. This may suggest to supervisors that each risk can be assigned a single probability and severity pair. Preferable wording might instead be to refer to “likelihood of various levels, their potential impact and the time horizon of risks”.

Question 101 **G 8.1.2** **Comment on Guidance 8.1.2:**

As stated under general comments, ICP 8 contains 5 uses of the term “mitigation” and 3 uses of the verb “mitigate”. Some might argue that the words “management” and “manage” are preferable, as they convey a broader range of possibilities than do mitigation/mitigate that convey solely the concept of lessen or reduce. We suggest some definitions for these words should be provided. Management can imply simply monitoring and/or focusing on a process. Mitigate refers to a specific technique usually meant to reduce risk in many cases, but at times may eliminate it entirely. Paragraph 8.1.2, the 4th bullet item, should end with the word “tools” after risk mitigation (or “management” if the above change is made).

Question 102 **G 8.1.3** **Comment on Guidance 8.1.3:**

Paragraph 8.1.3 has a list of minimum things to include in the risk management system – some items are risk categories (e.g., underwriting, reserve, investments, operational, liquidity and concentration risk), while others are management techniques (e.g., ALM and reinsurance). We suggest that the two lists be separated. In addition, we note that insurance uses risk pooling as an important management technique for the risks it assumes. Paragraphs 8.1.3 to 8.1.6 would read more logically if they were grouped together without the “identification” sub-heading and with paragraph 8.1.5 moved to the front of the other three paragraphs.

Question 103 **G 8.1.4** **Comment on Guidance 8.1.4:**

Paragraphs 8.1.3 to 8.1.6 would read more logically if they were grouped together without the “identification” sub-heading and with paragraph 8.1.5 moved to the front of the other three paragraphs.

Question 104 **G 8.1.5** **Comment on Guidance 8.1.5:**

Paragraphs 8.1.3 to 8.1.6 would read more logically if they were grouped together without the “identification” sub-heading and with paragraph 8.1.5 moved to the front of the other three paragraphs.

Question 105 **G 8.1.6** **Comment on Guidance 8.1.6:**

Paragraphs 8.1.3 to 8.1.6 would read more logically if they were grouped together without the “identification” sub-heading and with paragraph 8.1.5 moved to the front of the other three paragraphs.

Question 106	G 8.1.7	Comment on Guidance 8.1.7:
Question 107	G 8.1.8	Comment on Guidance 8.1.8:
Question 108	G 8.1.9	<p>Comment on Guidance 8.1.9:</p> <p>Paragraph 8.1.9 says that “the risk management system should include strategies and tools to mitigate against material risks”. The word “against” is redundant, but more importantly, there seems to be an implication that all risks must be mitigated. This is not how insurance companies are run. An insurer’s risks are managed within the risk appetite and/or tolerance of the firm. The risks are not eliminated (as some might infer is meant by mitigated). Paragraph 8.1.9 could be re-worded to say “the risk management system should include strategies and tools to recognize and address all material risks”.</p>
Question 109	G 8.1.10	Comment on Guidance 8.1.10:
Question 110	G 8.1.11	Comment on Guidance 8.1.11:
Question 111	G 8.1.12	Comment on Guidance 8.1.12:
Question 112	G 8.1.13	Comment on Guidance 8.1.13:
Question 113	G 8.1.14	Comment on Guidance 8.1.14:
Question 114	G 8.1.15	Comment on Guidance 8.1.15:
Question 115	S 8.2	Comment on Standard 8.2:
Question 116	G 8.2.1	Comment on Guidance 8.2.1:
Question 117	G 8.2.2	Comment on Guidance 8.2.2:
Question 118	G 8.2.3	Comment on Guidance 8.2.3:

8.2.3 rightly refers to business units being primarily responsible and accountable for establishing and maintaining adequate internal control policies and procedures. However, the description and requirements for Risk, Compliance and Actuarial seem to require these to be responsible for these things also, for example “8.4.3 The risk management function should establish, implement and maintain appropriate mechanisms and activities to:” This seems to imply either duplication of business unit controls etc., or a single model of risk management being imposed by ICP8 (and or both). At the very least the wording should refer to risk management establishing or ensuring such activities and mechanisms exist in the business (not necessarily being the “owner”).

Question 119 **G 8.2.4** **Comment on Guidance 8.2.4:**

8.2.4, 3rd bullet under “Policies and processes” (page 8) has the requirement for a “written centralised inventory”. We think this ignores other possible appropriate structures or approaches, future innovations. The key requirement is the ability to effectively assess overall group control effectiveness, gaps etc. This may or may not require a central inventory. Definitely the maintenance of an inventory to only meet a regulatory requirement is a significant cost imposition. The focus should be on what is needed, not how an organisation necessarily meets the requirement. Likewise, under “Information and communication”, 2nd bullet (page 8), there are unnecessary instructions about “formatting” – the requirement should be for clarity and understandability.

Question 120 **G 8.2.5** **Comment on Guidance 8.2.5:**

Question 121 **G 8.2.6** **Comment on Guidance 8.2.6:**

Question 122 **G 8.2.7** **Comment on Guidance 8.2.7:**

Question 123 **G 8.2.8** **Comment on Guidance 8.2.8:**

Question 124 **S 8.3** **Comment on Standard 8.3:**

Question 125 **G 8.3.1** **Comment on Guidance 8.3.1:**

Question 126 **G 8.3.2** **Comment on Guidance 8.3.2:**

Question 127 **G 8.3.3** **Comment on Guidance 8.3.3:**

Question 128 **G 8.3.4** **Comment on Guidance 8.3.4:**

Question 129 **G 8.3.5** **Comment on Guidance 8.3.5:**

Question 130 **G 8.3.6** **Comment on Guidance 8.3.6:**

Question 131 **G 8.3.7** **Comment on Guidance 8.3.7:**

Question 132 **G 8.3.8** **Comment on Guidance 8.3.8:**

Question 133 **G 8.3.9** **Comment on Guidance 8.3.9:**

Question 134 **G 8.3.10** **Comment on Guidance 8.3.10:**

Question 135 **G 8.3.11** **Comment on Guidance 8.3.11:**

Question 136 **G 8.3.12** **Comment on Guidance 8.3.12:**

Question 137 **G 8.3.13** **Comment on Guidance 8.3.13:**

Question 138 **G 8.3.14** **Comment on Guidance 8.3.14:**

Question 139 **G 8.3.15** **Comment on Guidance 8.3.15:**

Question 140 **G 8.3.16** **Comment on Guidance 8.3.16:**

Question 141 **G 8.3.17** **Comment on Guidance 8.3.17:**

Question 142 **G 8.3.18** **Comment on Guidance 8.3.18:**

Question 143 **S 8.4** **Comment on Standard 8.4**

Question 144 **G 8.4.1** **Comment on Guidance 8.4.1:**

Question 145 **G 8.4.2** **Comment on Guidance 8.4.2:**

Paragraph 8.4.2 has added in the second bullet “relative to risk appetite”, but the assessment of changes to the risk profile referred to is very important in and of itself, so this needs to say both changes to risk profile and changes relative to the risk appetite. This leads to the larger question of whether the risks expected to be covered here are just financial (or actuarial) in nature or expand to include model risk, distribution risk, compliance risk and operational risks. If the latter, then it would be appropriate to suggest that the CRO role, while maintaining oversight of all risks, may rely on or delegate the more detailed oversight of those risks to other corporate positions.

Question 146 **G 8.4.3**

Comment on Guidance 8.4.3:

Question 147 **G 8.4.4**

Comment on Guidance 8.4.4:

In paragraph 8.4.4, the third bullet includes the expected mandate that the CRO function manage identified risks. In the title for ICP 8.4 the word “mitigate” is used instead of “manage”. One concern is the nuance that “mitigate” implies the reduction of the risk. Another is the implication that the CRO role is in the first line of defense involved in the operational aspects of risk management, rather than as a second line of defense control function. Also in that same bullet it asks the CRO role to consider risk in regard to the “nature, probability, duration, correlation and potential severity of risks”. Since the probabilities and correlations are always unknown and are in themselves just estimates, a broader view might be to restate this as the “potential range of probabilities and correlations” Lastly, the fifth bullet recommends a “forward looking assessment of the risk profile”. We are uncertain as to what is meant here? Does it mean to include new business plans and/or changes in the external environment? On what basis should they be assessed? The three bullets that follow should perhaps be sub-bullets under this item, along with some additional framing of what is expected.

Question 148 **S 8.5**

Comment on Standard 8.5:

Question 149 **G 8.5.1**

Comment on Guidance 8.5.1:

Question 150 **G 8.5.2**

Comment on Guidance 8.5.2:

Question 151 **G 8.5.3**

Comment on Guidance 8.5.3:

Question 152 **G 8.5.4**

Comment on Guidance 8.5.4:

Question 153 **G 8.5.5**

Comment on Guidance 8.5.5:

Question 154 **G 8.5.6**

Comment on Guidance 8.5.6:

8.5.6, 2nd bullet requires what, prima facie, should likely be a first line of defence function (i.e. to conduct the legal assessment), but this conflicts with other ICP8 presumptions. Again this should be to ensure this is done effectively.

Question 155 **G 8.5.7**

Comment on Guidance 8.5.7:

Question 156	S 8.6	Comment on Standard 8.6: ICP 8.6 on the Actuarial Function should conclude the sentence with “related statutory and regulatory requirements and using applicable actuarial standards”. This will allow regulators and public to obtain value from the current actuarial profession’s focus on developing standards for ERM and model governance.
Question 157	G 8.6.1	Comment on Guidance 8.6.1:
Question 158	G 8.6.2	Comment on Guidance 8.6.2:
Question 159	G 8.6.3	Comment on Guidance 8.6.3:
Question 160	G 8.6.4	Comment on Guidance 8.6.4:
Question 161	G 8.6.5	Comment on Guidance 8.6.5:
Question 162	G 8.6.6	Comment on Guidance 8.6.6:
Question 163	G 8.6.7	Comment on Guidance 8.6.7:
Question 164	G 8.6.8	Comment on Guidance 8.6.8:
Question 165	G 8.6.9	Comment on Guidance 8.6.9:
Question 166	G 8.6.10	Comment on Guidance 8.6.10:
Question 167	G 8.6.11	Comment on Guidance 8.6.11: Paragraph 8.6.11 covers the duties of a resigning Appointed Actuary to the supervisor. If in the future similar reliances develop for an actuarial function sign off on ERM processes, Model Validation or Governance, a similar requirement should apply.
Question 168	G 8.6.12	Comment on Guidance 8.6.12:
Question 169	S 8.7	Comment on Standard 8.7:

Question 170	G 8.7.1	Comment on Guidance 8.7.1:
Question 171	G 8.7.2	Comment on Guidance 8.7.2:
Question 172	G 8.7.3	Comment on Guidance 8.7.3:
Question 173	G 8.7.4	Comment on Guidance 8.7.4:
Question 174	G 8.7.5	Comment on Guidance 8.7.5:
Question 175	G 8.7.6	Comment on Guidance 8.7.6:
Question 176	G 8.7.7	Comment on Guidance 8.7.7:
Question 177	G 8.7.8	Comment on Guidance 8.7.8:
Question 178	G 8.7.9	Comment on Guidance 8.7.9: We think this contains an unnecessary, gratuitous reference to “careful” records.
Question 179	S 8.8	Comment on Standard 8.8:
Question 180	G 8.8.1	Comment on Guidance 8.8.1:
Question 181	G 8.8.2	Comment on Guidance 8.8.2:
Question 182	G 8.8.3	Comment on Guidance 8.8.3:
Question 183	G 8.8.4	Comment on Guidance 8.8.4:
Question 184	G 8.8.5	Comment on Guidance 8.8.5:

Question G 8.8.6 **Comment on Guidance 8.8.6:**
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Question G 8.8.7 **Comment on Guidance 8.8.7:**
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