

IAIS Consultations

Print view of your comments on "Consultation on ICP 12 and ComFrame material integrated with ICP 12 (Public version)" - Date: 01.06.2017, Time: 17:16

Organisation	International Actuarial Association
Jurisdiction	International
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Treat my comments as confidential	No

Question	
	Q1 General Comment on ICP 12 (including ComFrame text)
Answer	<p>The IAA believes it is helpful to have a revised ICP12 which includes the ComFrame material.</p> <p>A general comment is that the ICP does not distinguish between insurers and reinsurers where there may be different considerations. In some jurisdictions reinsurance policyholder creditors rank below other insurance policyholders</p> <p>The ICP is silent on the issue of capital – in practice there are many different bases on which liabilities can be calculated and on which assets, particularly illiquid assets can be valued. Thus assessing by how much the value of assets exceed the value of liabilities is not a precise or unique calculation. Indeed involved supervisors and resolution authorities from the various jurisdictions in which an insurer or group operate may not initially share a unique and common view on the valuation of assets and liabilities during the winding up process. This may be scenario dependent and may well be dependent on the degree of certainty of the value of the assets and liabilities and how well matched they are. This is why a common actuarial approach has been to focus on assessing the combined future cash flow streams instead of just relying on a balance sheet summary. We recognise that this is partly addressed in 12.6.1 but believe that this could be also considered in other parts of the ICP.</p> <p>The text is quite generic and subjective in places e.g. the supervisor may require / do any number of things. We appreciate that the action to be taken will depend on the circumstances of the company/group/country etc. but perhaps more guidance could be given on when to apply different actions, or a hierarchy depending on solvency coverage e.g. page 4 of CP12.</p> <p>It would be helpful to discuss the treatment of healthy subsidiaries when a group is in resolution.</p> <p>We recommend mentioning data protection requirements in relation to sharing information with other supervisors.</p>
	Q2 Comment on Introductory Guidance ICP 12.0.1
Answer	
	Q3 Comment on Introductory Guidance ICP 12.0.2
Answer	

Q4 Comment on Introductory Guidance ICP 12.0.3

Answer

Q5 Comment on Introductory Guidance ICP 12.0.4

Answer

Q6 Comment on Introductory Guidance ICP 12.0.5

Answer

Q7 Comment on Introductory Guidance ICP 12.0.6

Answer

Q8 Comment on Introductory Guidance ICP 12.0.7

Answer

Q9 Comment on Introductory Guidance ICP 12.0.8

Answer

Q10 Comment on Introductory Guidance ICP 12.0.9

Answer

Q11 Comment on Introductory Guidance ICP 12.0.10

Answer

The IAA notes that in many jurisdictions PPS are not pre-funded (and in any case the pre-funding may be insufficient) so levies to fund PPS's may in practice be absorbed by other firms' policyholders and the levies themselves may cause further firms to enter resolution. In an extreme. (or systemic) event, this may result in some of the costs being borne by taxpayers if there is insufficient stress testing and/or oversight of the resilience of the PPS.

Other considerations are liquidity and/or fungibility across regulated entities – it may be that assets are sufficient to cover liabilities on a best estimate basis but there may be insufficient liquid assets in which case there may need to be a liquidity facility (or prior agreements) available so that the resolution authority or PPC can pay claims as they fall due and/or to avoid the forced sale of assets in a depressed market.

We recognize there is some continued debate about the the role/relevance of other capital such as sub-debt, convertible debt and ancillary capital. However, it would be helpful to at least mention the possible value and limitations they may provide.

Q12 Comment on Introductory Guidance ICP 12.0.11

Answer

Q13 Comment on Introductory Guidance ICP 12.0.12

Answer

There could be mentioned here the role of "Crisis Management Groups" (CMG) for IAIGs while recognizing that the CMG would probably not include the resolution authorities for all group companies.

Q14 Comment on ICP 12.1

Answer

Q15 Comment on ICP 12.1.1

Answer

We note that for some mutual insurers there is a difference between the roles and rights of different groups of policyholders and the “members”.

Q16 Comment on ICP 12.1.2

Answer

You could include policy buy-backs as a resolution arrangement..

Q17 Comment on ICP 12.1.3

Answer

For the reasons noted in the answer to Q1 there should be a consideration of capital requirements.

It would be helpful to refer to an allowance for diseconomies of scale on run-off.

Q18 Comment on ICP 12.1.4

Answer

Q19 Comment on ICP 12.2

Answer

This should include protection of creditors. “Liquidation” may have a specific meaning in a jurisdiction and there may be other forms of winding-up that can occur. We also note that the liquidation of insurers is not a common occurrence in most countries and therefore it may not be known what would actually happen in liquidation until it actually happened (which as noted below is a problem with the NCWOL concept).

Q20 Comment on ICP 12.2.1

Answer

Q21 Comment on ICP 12.2.2

Answer

As noted in our answer to Q11, recouping the costs of resolving a large insurer may not be feasible if it is required at the same time as the resolution of other insurers or the PPS scheme is not sufficiently robust.

Q22 Comment on CF 12.2a.1

Answer

Q23 Comment on Standard CF 12.2b

Answer

Q24 Standard CF12.2b

Does the IAIG currently fulfil the requirements of the standard? If “No” or “Partially”, what changes would have to be made in order to comply with ComFrame (e.g. changes to resources, processes, structures, etc.) and to what extent would those changes have to be made solely for the purpose of ComFrame?

Answer

Q25 Standard CF12.2b
What are the one-time (initial) costs to the firm associated with the changes described in the answer to Q24 that would have to be made solely for purposes of ComFrame (please specify the currency)?

Answer

Q26 Standard CF12.2b
What are the ongoing costs to the firm per year (excluding one-time costs) associated with the changes described in the answer to Q24 that would have to be made solely for purposes of ComFrame (please specify the currency)?

Answer

Q27 Standard CF12.2b
Please provide the assumptions made to estimate the one-time costs (Q25) and the ongoing costs per year (Q26).

Answer

Q28 Standard CF12.2b
Please specify the benefits of fulfilling the requirements included in the standard (that are attributable solely to ComFrame). The benefit should be viewed in terms of meeting the overall standard and should be all encompassing (e.g. the benefit for the company as well as the benefits for policyholders, for the public, for financial stability, etc.).

Answer

Q29 Comment on CF 12.2b.1

Answer

Q30 Comment on ICP 12.3

Answer

Q31 Comment on ICP 12.3.1

Answer

Q32 Comment on ICP 12.3.2

Answer

Q33 Comment on ICP 12.3.3

Answer

We do not think including the "e.g." list is helpful as the examples are only a small part of the range and amount of data that would be needed in practice. However, we agree there needs to be appropriate documentation, processes and plans, especially in respect of outsourced activities.

Q34 Comment on Standard CF 12.3a

Answer

Q35 Standard CF12.3a
Does the IAIG currently fulfil the requirements of the standard? If “No” or “Partially”, what changes would have to be made in order to comply with ComFrame (e.g. changes to resources, processes, structures, etc.) and to what extent would those changes have to be made solely for the purpose of ComFrame?

Answer

Q36 Standard CF12.3a
What are the one-time (initial) costs to the firm associated with the changes described in the answer to Q35 that would have to be made solely for purposes of ComFrame (please specify the currency)?

Answer

Q37 Standard CF12.3a
What are the ongoing costs to the firm per year (excluding one-time costs) associated with the changes described in the answer to Q35 that would have to be made solely for purposes of ComFrame (please specify the currency)?

Answer

Q38 Standard CF12.3a
Please provide the assumptions made to estimate the one-time costs (Q36) and the ongoing costs per year (Q37).

Answer

Q39 Standard CF12.3a
Please specify the benefits of fulfilling the requirements included in the standard (that are attributable solely to ComFrame). The benefit should be viewed in terms of meeting the overall standard and should be all encompassing (e.g. the benefit for the company as well as the benefits for policyholders, for the public, for financial stability, etc.).

Answer

Q40 Comment on CF 12.3a.1

Answer

Information is needed not only on the number of jurisdictions but also the size of the operations and the activities being undertaken.

Q41 Comment on CF 12.3a.2

Answer

Q42 Comment on CF 12.3a.3

Answer

Q43 Comment on CF 12.3a.4

Answer

Q44 Comment on Standard CF 12.3b

Answer

Q45 Standard CF12.3b
Does the IAIG currently fulfil the requirements of the standard? If “No” or “Partially”, what changes would have to be made in order to comply with ComFrame (e.g. changes to resources, processes, structures, etc.) and to what extent would those changes have to be made solely for the purpose of ComFrame?

Answer

Q46 Standard CF12.3b
What are the one-time (initial) costs to the firm associated with the changes described in the answer to Q45 that would have to be made solely for purposes of ComFrame (please specify the currency)?

Answer

Q47 Standard CF12.3b
What are the ongoing costs to the firm per year (excluding one-time costs) associated with the changes described in the answer to Q45 that would have to be made solely for purposes of ComFrame (please specify the currency)?

Answer

Q48 Standard CF12.3b
Please provide the assumptions made to estimate the one-time costs (Q46) and the ongoing costs per year (Q47).

Answer

Q49 Standard CF12.3b
Please specify the benefits of fulfilling the requirements included in the standard (that are attributable solely to ComFrame). The benefit should be viewed in terms of meeting the overall standard and should be all encompassing (e.g. the benefit for the company as well as the benefits for policyholders, for the public, for financial stability, etc.).

Answer

Q50 Comment on CF 12.3b.1

Answer

Q51 Comment on CF 12.3b.2

Answer

Q52 Comment on CF 12.3b.3

Answer

Q53 Comment on Standard CF 12.3c

Answer

Q54 Standard CF12.3c
Does the IAIG currently fulfil the requirements of the standard? If “No” or “Partially”, what changes would have to be made in order to comply with ComFrame (e.g. changes to resources, processes, structures, etc.) and to what extent would those changes have to be made solely for the purpose of ComFrame?

Answer

Q55 Standard CF12.3c
What are the one-time (initial) costs to the firm associated with the changes described in the answer to Q54 that would have to be made solely for purposes of ComFrame (please specify the currency)?

Answer

Q56 Standard CF12.3c
What are the ongoing costs to the firm per year (excluding one-time costs) associated with the changes described in the answer to Q54 that would have to be made solely for purposes of ComFrame (please specify the currency)?

Answer

Q57 Standard CF12.3c
Please provide the assumptions made to estimate the one-time costs (Q55) and the ongoing costs per year (Q56).

Answer

Q58 Standard CF12.3c
Please specify the benefits of fulfilling the requirements included in the standard (that are attributable solely to ComFrame). The benefit should be viewed in terms of meeting the overall standard and should be all encompassing (e.g. the benefit for the company as well as the benefits for policyholders, for the public, for financial stability, etc.).

Answer

Q59 Comment on CF 12.3c.1

Answer

Q60 Comment on CF 12.3c.2

Answer

Q61 Comment on ICP 12.4

Answer

Q62 Comment on ICP 12.4.1

Answer

Q63 Comment on ICP 12.4.2

Answer

Q64 Comment on ICP 12.4.3

Answer

Q65 Comment on ICP 12.5

Answer

Q66 Comment on ICP 12.5.1

Answer

Q67 Comment on ICP 12.5.2

Answer

Q68 Comment on ICP 12.5.3

Answer

Q69 Comment on ICP 12.5.4

Answer

Q70 Comment on ICP 12.5.5

Answer

Q71 Comment on ICP 12.5.6

Answer

Q72 Comment on ICP 12.5.7

Answer

Q73 Comment on ICP 12.6

Answer

Q74 Comment on ICP 12.6.1

Answer

We believe this is trying to address the issue we have noted in our answer to Q1, i.e. the uncertainty in valuing assets and liabilities, but believe this could be clarified. It is likely that there are a number of tools which may be used at various stages of the deterioration in a firm's financial condition and the effectiveness of those tools/actions may vary with where the firm is on continuum from recovery to resolution. Therefore, in our view, the resolution authority should consider when it might take certain actions, recognising that it may not be clear cut when a firm is no longer viable and hence when resolution powers may be fully engaged

3rd last bullet could refer to a grace period to allow for short term liquidity issues.

Q75 Comment on ICP 12.7

Answer

Q76 Comment on ICP 12.7.1

Answer

We do not believe that it will be easy for a resolution authority to assess the NCWOL test given the uncertainty inherent in establishing liabilities and what would happen in liquidation ex ante. It may also not be clear how this interacts with payments from the PPS which will have a responsibility to control payment from the scheme. The paper repeatedly states that the NCWOL principle (no creditor worse off) applies after compensation, but does not appear to say who actually pays the compensation, when it needs to be paid, or from where it comes (i.e. need to distinguish between sources of compensation: other funds of the failed company, the regulator/taxpayer, or a Policyholder Protection Scheme). In the examples quoted, it is unlikely to be appropriate to use a PPS for the purpose of providing the compensation.

Q77 Comment on ICP 12.7.2

Answer

	Q78	Comment on ICP 12.7.3
Answer		
	Q79	Comment on ICP 12.7.4
Answer		
	Q80	Comment on ICP 12.7.5
Answer		
	Q81	Comment on ICP 12.7.6
Answer		
	Q82	Comment on ICP 12.7.7
Answer		
	Q83	Comment on ICP 12.7.8
Answer		
	Q84	Comment on ICP 12.7.9
Answer	A consideration here is what capital need to be transferred (or risk margin) along with the value of the liabilities.	
	Q85	Comment on ICP 12.7.10
Answer		
	Q86	Comment on ICP 12.7.11
Answer		
	Q87	Comment on ICP 12.7.12
Answer		
	Q88	Comment on ICP 12.7.13
Answer		
	Q89	Comment on ICP 12.7.14
Answer	This says resolution authorities should have powers over head of insurance group and/or non-regulated entities within their jurisdiction "to the extent necessary and appropriate". We think "extent" should be defined.	
	Q90	Comment on ICP 12.7.15
Answer		
	Q91	Comment on ICP 12.7.16
Answer		

Q92 Comment on Standard CF 12.7a

Answer

Q93 Standard CF12.7a
Does the IAIG currently fulfil the requirements of the standard? If “No” or “Partially”, what changes would have to be made in order to comply with ComFrame (e.g. changes to resources, processes, structures, etc.) and to what extent would those changes have to be made solely for the purpose of ComFrame?

Answer

Q94 Standard CF12.7a
What are the one-time (initial) costs to the firm associated with the changes described in the answer to Q93 that would have to be made solely for purposes of ComFrame (please specify the currency)?

Answer

Q95 Standard CF12.7a
What are the ongoing costs to the firm per year (excluding one-time costs) associated with the changes described in the answer to Q93 that would have to be made solely for purposes of ComFrame (please specify the currency)?

Answer

Q96 Standard CF12.7a
Please provide the assumptions made to estimate the one-time costs (Q94) and the ongoing costs per year (Q95).

Answer

Q97 Standard CF12.7a
Please specify the benefits of fulfilling the requirements included in the standard (that are attributable solely to ComFrame). The benefit should be viewed in terms of meeting the overall standard and should be all encompassing (e.g. the benefit for the company as well as the benefits for policyholders, for the public, for financial stability, etc.).

Answer

Q98 Standard CF12.7a (21st bullet point)
Some IAIS Members consider that this power should be available only for IAIGs; other IAIS Members are of the view that the power should be available both for IAIGs and insurers that are neither G-SIIs nor IAIGs. Please provide your thoughts on this with rationale.

Answer

Q99 Comment on CF 12.7a.1

Answer

Q100 Comment on CF 12.7a.2

Answer

Q101 Comment on CF 12.7a.3

Answer

Q102 Comment on CF 12.7a.4

Answer

We believe the reference here should be to the 20th bullet point.

Q103 Comment on ICP 12.8

Answer

Q104 Comment on ICP 12.8.1

Answer

Q105 Comment on ICP 12.9

Answer

Q106 Comment on ICP 12.9.1

Answer

Q107 Comment on ICP 12.9.2

Answer

This should consider the issue of reinsurance policyholders claims which may rank behind other policyholders.

Q108 Comment on ICP 12.9.3

Answer

Q109 Comment on ICP 12.10

Answer

Q110 Comment on ICP 12.10.1

Answer

This says that creditors "should have a right to compensation" but doesn't identify who should pay it.

Q111 Comment on ICP 12.10.2

Answer

Q112 Comment on ICP 12.10.3

Answer

We note direct policyholders don't rank pari passu with cedants within the EU

Q113 Comment on ICP 12.10.4

Answer

Q114 Comment on ICP 12.10.5

Answer The example requires compensation to Portfolio A policyholders, but doesn't say how it is fundedalthough it concludes that a PPS may pay some claims. Hopefully this does not seek to imply that the NCWOL test applies only after payments to meet PPS obligations are taken into account. This may be OK if the PPS is driving the process. In this example, prior agreement of the PPS should be a pre-requisite if the transfer may increase the costs of the PPS.

Q115 Comment on ICP 12.11

Answer

Q116 Comment on ICP 12.11.1

Answer

Q117 Comment on ICP 12.11.2

Answer

Q118 Comment on ICP 12.12

Answer

Q119 ICP 12.12
This Standard has been created on the grounds that the revised ICP 12 addresses not only legal entity issues but also group issues like other ICPs and resolution of insurance legal entities can be complex where they belong to a group. The IAIS acknowledges that liquidation will take place in most cases on a legal entity basis. On the other hand, there might be cases where resolution actions on one entity can impact other entities within the group (e.g. resolution of the head of the insurance group can impact insurance legal entities in the group). The IAIS acknowledges that guidance needs to be provided under this Standard to help ensure appropriate implementation of the Standard. Please provide your thoughts on what guidance can help implementation of this Standard. Concrete ideas with supporting rationale are welcome.

Answer

Q120 Comment on CF 12.12a.1

Answer

Q121 Comment on CF 12.12a.2

Answer

Q122 Comment on CF 12.12a.3

Answer

Q123 Comment on ICP 12.13

Answer

Q124 Comment on ICP 12.13.1

Answer

Q125 Comment on ICP 12.13.2

Answer

Q126 Comment on ICP 12.13.3

Answer

Q127 Comment on ICP 12.13.4

Answer

Q128 Comment on Appendix

Answer