



**ASSOCIATION ACTUARIELLE INTERNATIONALE**  
INTERNATIONAL ACTUARIAL ASSOCIATION

May 2, 2011

Mr. Kwok Mun Low  
Chair, Insurance Core Principles Coordination Group  
International Association of Insurance Supervisors  
Basel, Switzerland

Dear Sir

**Re: IAA comments on draft Overall Insurance Core Principles (ICP)**

In response to the request for comments on the February 18, 2011 draft Overall Insurance Core Principles, I am pleased to transmit on behalf of the International Actuarial Association (IAA) our comments and recommendations.

These comments have been prepared by the Insurance Regulation Committee of the IAA. If, upon reading these comments, you identify any points that you wish to pursue, please do not hesitate to contact the chairperson of the Insurance Regulation Committee, Toshihiro Kawano, care of the IAA Secretariat. The IAA will be pleased to develop these ideas further with you.

Yours sincerely

Jean-Louis Massé  
Secretary General

cc: Ms. Nancy Sinclair, IAIS Secretariat

[Attachment](#): IAA comments

**A Commentary on the  
OVERALL INSURANCE CORE PRINCIPLES (ICP)  
Released by the International Association of Insurance Supervisors: February 18, 2011**

**International Actuarial Association**

The International Actuarial Association (the “IAA”) represents the international actuarial profession. Our sixty-three Full Member actuarial associations represent more than 95% of all actuaries practicing around the world. The Full Member associations of the IAA are listed in an Appendix to this statement. The IAA promotes high standards of actuarial professionalism across the globe and serves as the voice of the actuarial profession when dealing with other international bodies on matters falling within or likely to have an impact on the areas of expertise of actuaries.

**Due Process**

The IAA appreciates the opportunity to provide comments on this IAIS document. These comments have been prepared by the Insurance Regulation Committee, the members of which are listed in an Appendix to this statement. It has also been subject to the due process required for it to constitute a formal view of the IAA, and will be posted to the IAA’s official web site.

**IAA Comments**

**Paragraph 2.7.1**

This paragraph places responsibility with the supervisor to publish information and analysis about the financial condition of the insurance industry. A paragraph in ICP 17 (Capital Analysis) or ICP 20 (Public Disclosure) should identify or suggest what should be published.

**Paragraph 10.2.2**

This paragraph discusses systemic risk. ICP 17 Capital Adequacy discusses many risks but does not address systemic risk. ICP 24 and ICP 25 address systemic risks but do not define or identify its characteristics. It would be helpful for the ICP’s or glossary to contain a definition of systemic risk.

**Paragraph 13.4.1**

The second sentence would be clearer if the duplicative word “preferably” were dropped, as this notion is addressed by the words “normally desirable.”

**Paragraph 14.3.3**

“Decision Useful”. This ICP uses this term frequently. This concept should also appear in the Capital Adequacy ICP 17 since the purpose of valuation is to facilitate capital adequacy determination.

**Paragraph 14.7**

The margin for risk is called “MOCE.” In ICP 17, it is called “Risk Margin.” (17.4.9 and 17.8.7). The ICPs should use the same term to describe this contingency.

**Paragraph 14.7.10,14.7.11 and 14.7.12**

These sections are effectively disclosure requirements. Disclosure requirements belong in ICP 20.

**Paragraph 15.3.18**

Legal and practical impediments to cross-border movements of available capital are a major concern. This should be addressed in ICP 17 Capital Adequacy and not in ICP 15 which addresses investment of assets.

**Paragraph 15.3.21**

Fungibility of capital is an important consideration when a group relies on diversification between entities. This should be addressed in ICP 17 Capital Adequacy and not in ICP 15 which addresses investment of assets.

**Paragraph 15.4.6**

The text in paragraph 15.4.1 refers to investments appropriate to the nature of liabilities (in the case of single insurers). For groups, the reference in 15.4.6 has been expanded to include capital. This is an inconsistency; we think both should refer to liabilities and capital.

**Paragraph 17.2.11**

The term “multiple gearing” is first used here but is defined later in 17.11.46. Can the definition be moved forward to 17.2.11?

**Paragraph 20, Preamble**

This ICP addresses the needs of market participants. While most of the articulated disclosures will aid the supervisor in assessing the health of an insurer, the ICP does not contain specific reference that disclosures can also be for the benefit of supervisors’ assessing the solvency of a company for the benefit of policyholders.

The Capital Adequacy ICP (17) does not detail specific disclosures.

Either ICP 17 or ICP 20 should incorporate disclosure requirements that are for the benefit of the supervisory authorities in fulfilling their duties to the policyholder.

**Paragraph 20.0.19**

We recommend this valuable guidance on the modal verb “should” appear in other ICP’s, such as 15 and 17, where the term frequently appears.

**Paragraph 23.7.1**

Figure 3 identifies major issues. It does not include fungibility (neither here nor anywhere in ICP 23). While there is significant articulation of fungibility in ICP 17 Capital Adequacy, it is never mentioned in ICP 23 Group Supervision.

**Paragraph 23.8.3**

This paragraph references 23.11.2 which does not exist; it is likely referring to 23.8.2.

**Paragraph 23.9.1**

This paragraph references 23.11.1, 23.11.2 and 23.11.7 which do not exist; it is likely referring to 23.8.1, 23.8.2 and 23.8.7.

**Paragraph 25.0.17, third bullet**

The last sentence, “Effective supervisory recognition here could assist the host supervisor in deciding whether the level of capital held in the insurance legal entity is sufficient for their local requirements”, suggests that the host supervisor can influence the legal entity capital requirements in a home country. Is this what was intended?

## *Appendix A*

### **Members of the IAA Insurance Regulation Committee**

Toshihiro Kawano	Chairperson
Lutz Oehlenberg	Co-Vice-Chairperson
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Maja Benko	Slovensko Aktuarsko Društvo
Andrew Chamberlain	Institute and Faculty of Actuaries
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Angel Crespo Rodrigo	Instituto de Actuarios Españoles
Kris DeFrain	Casualty Actuarial Society
Marius Du Toit	Actuarial Society of South Africa
Patrick Healy	Society of Actuaries in Ireland
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Philipp Keller	Association Suisse des Actuairens
Esko Kivisaari	Suomen Aktuaariyhdistys
Jolanta Krastina	Latvijas Aktuaru Asociacija
Helena Kudlakova	Slovenska Spolocnost Aktuarov
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Helge-Ivar Magnussen	Den Norske Aktuarforening
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Norma Alicia Rosas Rodríguez	Colegio Nacional de Actuarios A.C.
Richard Roth Jr.	Conference of Consulting Actuaries
Kyle Rudden	Caribbean Actuarial Association
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Arne Sandström	Svenska Aktuarieföreningen
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H.W.M. Van Broekhoven	Het Actuarieel Genootschap
Lucia Chona Ventura	Actuarial Society of the Philippines
Eret Võsa	Eesti Aktuaaride Liit
Igor Zoric	Udruženje Aktuara Srbije

**Full Member Associations of the IAA**

Caribbean Actuarial Association  
Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires (Argentina)  
Institute of Actuaries of Australia (Australia)  
Aktuarvereinigung Österreichs (AVÖ) (Austria)  
Institut des Actuairens en Belgique (Belgique)  
Instituto Brasileiro de Atuária (IBA) (Brazil)  
Bulgarian Actuarial Society (Bulgaria)  
Canadian Institute of Actuaries (Canada)  
China Association of Actuaries (China)  
Actuarial Institute of Chinese Taipei (Chinese Taipei)  
Institut des Actuairens de Côte d'Ivoire (Côte D'Ivoire)  
Hrvatsko Aktuarsko Društvo (Croatia)  
Cyprus Association of Actuaries (Cyprus)  
Česká Společnost Aktuárů (Czech Republic)  
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Eesti Aktuaaride Liit (Estonia)  
Suomen Aktuaariyhdistys (Finland)  
Institut des Actuairens (France)  
Deutsche Aktuarvereinigung e.V. (DAV) (Germany)  
Hellenic Actuarial Society (Greece)  
Actuarial Society of Hong Kong (Hong Kong)  
Magyar Aktuárius Társaság (Hungary)  
Félag Islenskra Tryggingastærðfræðinga (Iceland)  
Institute of Actuaries of India (India)  
Persatuan Aktuaris Indonesia (Indonesia)  
Society of Actuaries in Ireland (Ireland)  
Israel Association of Actuaries (Israel)  
Istituto Italiano degli Attuari (Italy)  
Institute of Actuaries of Japan (Japan)  
Japanese Society of Certified Pension Actuaries (Japan)  
The Actuarial Society of Kenya (Kenya)  
Latvijas Aktuaru Asociācija (Latvia)  
Lebanese Association of Actuaries (Lebanon)  
Lietuvos Aktuariju Draugija (Lithuania)  
Persatuan Aktuari Malaysia (Malaysia)  
Colegio Nacional de Actuarios A.C. (Mexico)  
Association Marocaine des Actuairens (Morocco)  
Het Actuarieel Genootschap (Netherlands)  
New Zealand Society of Actuaries (New Zealand)  
Den Norske Aktuarforening (Norway)  
Pakistan Society of Actuaries (Pakistan)

Actuarial Society of the Philippines (Philippines)  
Polskie Stowarzyszenie Aktuariuszy (Poland)  
Instituto dos Actuários Portugueses (Portugal)  
Academia de Actuarios de Puerto Rico (Puerto Rico)  
Russian Guild of Actuaries (Russia)  
Udruženje Aktuara Srbije (Serbia)  
Singapore Actuarial Society (Singapore)  
Slovenska Spolocnost Aktuarov (Slovakia)  
Slovensko Aktuarsko Drustvo (Slovenia)  
Actuarial Society of South Africa (South Africa)  
Col.legi d'Actuaris de Catalunya (Spain)  
Instituto de Actuarios Españoles (Spain)  
Svenska Aktuarieföreningen (Sweden)  
Association Suisse des Actuaire (Switzerland)  
Society of Actuaries of Thailand (Thailand)  
Institute and Faculty of Actuaries (United Kingdom)  
American Academy of Actuaries (United States)  
American Society of Pension Professionals & Actuaries (United States)  
Casualty Actuarial Society (United States)  
Conference of Consulting Actuaries (United States)  
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