

# IAIS Consultations

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## Q-Nr. Reference Question

### 1. General Questions

<b>Q-1</b>	<b>Question 1</b> <p>The criteria and process appear generally reasonable. We appreciate the need for "constrained supervisory discretion" for two reasons. First, the criteria as stated do not have any risk based criteria. Premium and asset exposures are not the same as risk exposures, though that simplifying assumption is often made. In fact, premium and asset exposures may also be a sign of greater stability if the organization is creating a sustainable diversification of risk. Second, not spoken to is if the actual classification as an IAIG may depend on the level of commitment and motivation of the countries who house the entities of the IAIG. Lastly, the use of constrained supervisory discretion will need to be balanced against the value of companies (and the market) having the predictability of more quantitative criteria for determining the materiality of operations in a host country.</p>
<b>Q-2</b>	<b>Question 2</b> <p>There are important variations in the organization and management of IAIGs. For some IAIGs, not all of the elements described are coordinated at the group level (for example, underwriting practices, claim processing). IAIGs will differ in the level of autonomy and self-sufficiency expected of the individual legal entities. Some may be completely centralized, others may prescribe general policies versus specific requirements and others may treat each company as a standalone entity. The qualitative descriptions are conceptually aligned with modern best practices in these areas. We are concerned that the high level of specificity and the expectations for heavy documentation could lead to a loss of focus in the reporting process on the perception and understanding of substantive actions and management direction. It is not clear what the regulator response would be for an IAIG that fell short in one or some of these elements. For example, should the supervisor focus on mandating compliance or should it translate the qualitative items into a process to determine/assess the quality of management of the IAIG and which IAIG's were in most need of increased regulatory attention and collaboration?</p>
<b>Q-3</b>	<b>Question 3</b> <p>No. The requirements may work for those IAIG structures which use a centralized management of risk although the requirements are in general too detailed, but some active companies could view their corporate holding structure more like that of a mutual fund passive investor which does not take an active management role in the businesses. It's also not clear to us how to address a group that may actually qualify as multiple IAIG's within one larger corporate structure. We have chosen not to address this last option in our comments.</p>
<b>Q-4</b>	<b>Question 4</b> <p>The approach outlined does reflect current sound ERM concepts and methods as practiced by many insurers. But an adequate and comprehensive platform will need to include the wise and thoughtful translation of the ERM information and actions used to manage a company to the ERM information and actions needed by regulators to soundly manage their oversight of an industry from failure. The same concepts used by companies in Module 2 could be translated and included in Module 3. This would also help link the evolution and enhancement of corporate ERM practice with the evolution and enhancement of the regulatory practice. As mentioned before, it will be important to</p>

consider what rewards and punishments regulators might use across jurisdictions when corporate or regulatory practice falls short of these current best practice expectations.

**Q-5**

**Question 5**

We agree that intra-group guarantees, transactions, loans and reinsurance are an important part of the IAIG structure that needs to be considered. A transparent structure is as important for management as it is for supervision. A similar awareness will be helpful for possible regulatory agreements that develop for how regulators might act in a crisis to use intra group dynamics as a mitigation tool. One challenge is that even extensive documentation is no guarantee of an actual awareness at a management or regulatory level.

**Q-6**

**Question 6**

The challenge is that companies manage to regulatory and to rating agency capital requirements as well as their own economic capital targets. They often look through both risk neutral and real world lenses because any single economic representation of a company will contain and introduce its own unique biases. Market consistent lenses can create pro-cyclical incentives and measures based on historical values or averages which will miss measuring the value of long term guarantees. Requiring the use of a documented, reconciled economic capital model within an IAIG may be more valuable and robust for regulatory needs than prescribing one determined by regulators. Taking whatever combined balance sheet information is used to manage the company along with a regulatory process that effectively incorporates ORSA information will be a more effective way to address concerns of regulatory arbitrage than to focus only on a common balance sheet. We recognize that this concept is a newly articulated one, but it is one we think is crucial to improving regulation instead of making it more burdensome for both regulators and companies. Accounting bodies still have gaps in agreement after 15 years of work on defining a common balance sheet. We are skeptical of being able to solve this as an isolated problem. It will be more efficient and effective to analyze the balance sheet in terms of the ORSA, though this will require more effective integration of the regulatory review processes. Doing this will then bring the following under a common review process:

1. A total balance sheet approach
2. Off-balance-sheet risks including intra-group guarantees
3. Meeting policyholder obligations
4. Goodwill and similar assets
5. Other assets not giving rise to cash flows
6. The inability to move capital between jurisdictions
7. Requirements to hold adequate assets in each jurisdiction

We suggest that ensuring that capital is in the right place when a crisis flares, will be more valuable than having an agreed on total capital number. This means understanding how group capital is allocated and accessed, as well as how and where it is actually held. To conclude, failures may not only be due to inadequate capital. They may be triggered by the operational needs of complex entities. For example: a securities lending program may introduce additional liquidity risk not captured in capital. And, operationally, a company may have adequate capital, but it may not be able to exist without the IT system of the parent. Lastly, an entity may be over dependent on, or exposed to, a supplier. For example, carriers writing work stoppage insurance for electronic and car companies getting parts from Thailand were exposed to flood damage in a country they had not written any coverage for.

**Q-7**

**Question 7**

It is a good start. We note the following needed improvements:

1. Building stronger mechanisms to safeguard the confidentiality of shared information.
2. The desire for a common language is well appreciated, but the language that is least well developed is the language around the identification, measurement and management of risk from the point of view of the supervisor. Each business model (whether for life, P&C, Pensions, Banking, etc.) and country jurisdiction has independently evolved a set of required capital tools that are accounting based and focused on that specific business model. The traditional focus tool, such as MCR, has provided an objective measure for a regulator to seize control of a company and wind it up after it crosses a defined level of capital based on past activity. But new tools are needed for the desired expansion of regulatory objectives to now include:
  - a. Develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders
  - b. And contribute to global financial stability (i.e. ability to repay creditors, desired employment levels, etc.)
3. The best way to gain a thorough understanding of the identification, measurement and management of risk will occur (and evolve) through a thoughtful regulatory approach to mining and analyzing the information obtained through the ORSA reports. This means that the regulator will be better prepared to identify:
  - a. Emerging risks
  - b. Where to focus their discretionary resources
  - c. What actions can be taken - ranging from shutting down, to restorative to preventative? Also which actions are procyclical and what macro changes in the rules might be warranted?
  - d. What agreements need to be reached with other jurisdictions so regulatory actions and oversight can be coordinated and supported across jurisdictions?
  - e. Learning how the market place is evolving and adapting to the impact of regulations on a particular business model as well as assessing industry resilience in different environments
4. This will lead to clearer insights as to how to link distinctive risks and business models to the regulatory options (Methods & Tools) to oversee them. This will need to be managed through a

thoughtful linkage of what have been traditionally seen as separate regulatory functions: Accounting/Balance Sheet and Capital requirements, requirements for Sound Entity Management, Supervisor engagement (including information required of the entity) and Public Disclosure requirements. The forward looking, preventive objectives of regulation will benefit from weaving and understanding these linkages. To help illustrate this the IAA will be beginning work on examples of how these functions worked (and did not work) in the case of two, large, complex organizations in the US (AIG & Consec) and, perhaps, additional ones outside the US to show how the methods and tools of supervision need to understand and use the interdependencies of the different functions/pillars. 5. Element 6 is fundamentally important, but is also outside of the control of the supervisors. It's not clear if all the relevant supervisors will have the necessary powers to deal with non-regulated holding companies at the top of IAIG's and other non-supervised entities in the IAIG.

Q-8

Question 8

## 2. General comment on ComFrame – Invitation for Comments document

Q-9

### General comment to the document

ComFrame is a needed and thoughtful supervisory response to the globalization and complexity of insurance enterprises. We believe it is heading in the right direction. We do think it needs better clarity about its ultimate desired objectives and what differences in actual company and regulatory behavior will flow from it. - Historically, the main regulatory focus (along with, in some jurisdictions, ensuring a robust and competitive market for insurance) has been on how to ensure that any failed insurer can be successfully resolved so that promises can be paid and the risk of failure is appropriately born by the shareholders. The micro regulatory focus identifies a point of failure that would leave sufficient resources intact for resolution and then monitors any company slippage towards that point. Most countries agree that, under this framework, a company failure was not a failure of the system, but the occasional, and manageable, outcome of a competitive, free market. However, since 2008, there are two new, broader, expectations also being requested of regulators. The first is how to understand and oversee complex, internationally active companies so that one, in the event of a crisis, the resources of the organization can be managed in a more effective manner (across regulatory jurisdictions) than that of just locking down each segment/subsidiary of the organization, and two, to understand prior to a crisis if the internal obligations and promises of the organization endanger its ability to function during a crisis. In both cases, this new regulatory expectation requires that the necessary legal and political will exist to facilitate actions and regulatory management levers needed to manage situations in both a preventative and a wind up fashion. - The second expectation is to address and manage systemic risk issues. Here the regulatory focus is entirely on preventative tools that identify both exposure to systemic risk and business practices that contribute to accelerating or amplifying systemic risk. This means there is a spectrum of regulatory roles and intentions that range from a micro focus only on the salvage/wind up of a single company which is "free to fail" to a macro focus on preventative/investigative roles for the regulator. And, this range of roles now needs to occur in a collaborative fashion across legal boundaries. We believe that this expanded regulatory job description can be effectively fulfilled if built on the following concepts: 1. Reviewing the corporate enterprise risk management and decision making process (including the motivations and models used for decision making); 2. Understand and review the triggers for actions by the enterprise and assess if they are likely much stricter triggers than the regulatory triggers; 3. Define triggers for regulatory engagement, collaboration and/or regulatory preventative actions based on an assessment of the above processes, beyond the more traditional reliance on capital and MCR. To elaborate on the above, the desire for a common language/framework is well appreciated, but the language that is least well developed is the language around the identification, measurement and management of risk. This is because each business model (whether for life, P&C, Pensions, Banking, etc.) and country jurisdiction has independently evolved a set of required capital tools that have typically been accounting based and focused on that specific business model. The traditional focus (for example, the use of an MCR) has been on the need for an objective measure for a regulator to seize control of a company to wind it up after it crosses a defined level of capital based on past activity. The expanded objectives for regulators will require tools that can be preventative and helpful to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders; and to contribute to global financial stability. Historically, capital and accounting rules create innovation in design that can, either intentionally or unintentionally create new risks not captured in the current rules and regulation only results to fix the past discovered problems. We have shared our suggestions on how to address this issue in our response to Question 7. Lastly, a few additional points: 1. We agree with the decision to clarify in two different modules what should be expected of companies versus what should be expected of regulators as this structure should help clarify how differing regulatory objectives will need to blend and combine different regulatory tools and options

for oversight. 2. Since there may not be a consistent IFRS standard, ComFrame will need to consider how it will take this into consideration 3. It will be clearer for industry and regulators if ComFrame is limited to only those provisions that are different for IAIGs when compared to oth

### 3. Comment on Module 1

Q-10	<b>General comment to Module 1 (Scope of ComFrame)</b> The scope of ComFrame appears appropriate. The key challenge will be obtaining the necessary powers and arrangements for including non-regulated entities and regulated entities in other sectors of financial services. We also have the following specific suggestions. M1E1-1-1-5: 'Definition of a group – The paper as drafted does not sufficiently define or contemplate the different types of groups that exist. Specifically, it doesn't allow for a situation where two or more "insurance groups" can exist under one holding company. Some IAIGs have insurance entities that are not managed as a single group. It would be a challenge for them to be treated as a single group under ComFrame, which is silent on this issue. An IAIG like this has several insurance groups that operate independently from each other under the holding company.
Q-11	<b>Specific comment to M1E1 (Identification of IAIGs)</b> M1E1-1-1-3: We don't see the value of applying anything other than the consolidated general purpose financial statements for assessing the criteria. M1E1-1-2: Size should be above some threshold, such as by the amount which could disrupt global economic activity in the event of distress. Global activity should be based on significant market presence in a diversity of jurisdictions. For example, the threshold might be expressed as a company of more than \$X billion in assets with a top [5] market share in more than [3] jurisdictions. Alternative expressions are possible, such as a company that is a local SIFI in more than [3] jurisdictions. Jurisdictions might consider only the G-20 economies.
Q-12	<b>Specific comment to M1E2 (Process of identifying IAIGs)</b> M1E2-1: This section suggests that a group-wide supervisor exists before an IAIG is identified. Should IAIGs be identified by each group-wide supervisor or should they be identified in a centralized process to ensure consistency? We think additional discussion on practical/achievable ways to achieve consistency in this process is warranted.
Q-13	<b>Specific comment to M1E3 (Scope of ComFrame supervision)</b> M1E3-1-2: The guidance with regard to joint ventures is unclear. Do the premium amounts for such items get included or not in the metrics for determining an IAIG? If so, at the full value or at the pro-rated value (i.e., joint venture premium multiplied by the ownership percentage). M1E3-1-3-1: The Group Capital Adequacy Assessment needs to include any non-regulated parent company – supervisors may currently lack the powers to do this. M1E3-2-1: "The group-wide supervisor does not narrow the identified scope of ComFrame supervision due to lack of legal authority and/or supervisory power. In some countries, an insurance supervisor may not have the legal authority to supervise certain entities within the identified IAIG." It isn't clear then how this works if the group supervisor doesn't have legal authority. M1E3-2-1-1: Lack of powers could act to effectively narrow the scope of supervision. In the absence of legislated powers, contractual agreements might be used to obtain access to information from non-regulated entities. M1E3-2-3: "in determining the scope of ComFrame supervision..." Will the supervisors be empowered to capture information from non-insurance affiliates?
Q-14	<b>Specific comment to M1E4 (Identification of the group-wide supervisor and involved supervisors)</b> Is there any concern if the logical group-wide supervisor is not considered to have appropriate expertise by the other involved supervisors? Requirements for supervisors are addressed in Module 4, but it isn't clear what happens if they are not met. M1E4-1-2-6: "For banking dominated financial conglomerates, the banking activities are supervised by banking supervisors. Here, cooperation between insurance and banking supervisors is necessary." How will insurance supervisors accomplish such cooperation?

### 4. Comment on Module 2

Q-15	<b>General comment to Module 2 (The IAIG)</b> General reaction: this section was quite prescriptive on all the elements that need to be included. A more principles-based approach was expected, focusing on concepts like expectations for a robust ERM process to be in place and/or the expectations for a sound inclusion of actuarial oversight and review. The qualitative descriptions in this Module appear conceptually aligned with modern best practices. The key challenge will be managing the reporting burden on both the IAIG and the supervisors. We have the following specific suggestions.
Q-16	<b>Specific comment to M2E1 (Governance)</b>

M2E1-1: "... protecting the interests of policyholders and other stakeholders..." Can other stakeholders be defined? Other stakeholders could include creditors, shareholders, agents, employees and suppliers. On p83, M2E6a-2-4 they are called "creditors." On p124, M2E9-6 they are called "market participants." . Does ComFrame and supervision intend to go beyond the needs of policyholders and claimants and create any new rights for stakeholders? We don't think this can be done due to jurisdictional limits. M2E1-8-4-2: "Given the nature, scale and complexity of the IAIG, an IAIG should not combine Control Functions except under very exceptional circumstances, such as on a temporary basis while a replacement is being arranged. The Governing Body approves and periodically reviews the effectiveness of any arrangement for combining Control Functions." This is an example of setting out too detailed requirements. Reasonable combining of control functions would not necessarily impair the effective functioning of the controls. The group should form a view on the actuarial activities of the subsidiaries, but this cannot act to constrain the performance of local duties according to local requirements. It should also recognize that local knowledge of market, legal, societal factors are important inputs to pricing as are wider perspectives that can be made available, inter alia, from a group function (e.g. emerging trends in other markets, control and valuation of out of market risks). These comments apply equally to pricing, underwriting and reserving.

**Q-17**

**Specific comment to M2E2 (Enterprise Risk Management)**

M2E2-1-2: The documentation requirements ("comprehensively documents its group-wide ERM Framework") could easily turn a worthwhile exercise into compliance, check-box exercise that focuses on the process more than the substance. We don't believe the guidance provided here should be overly prescriptive or costly. A similar problem exists with the annual independent review required by M2E2-1-4, which should be more risk-focused than check-box focused, and hence should not be required to be a "comprehensive" review if facts & circumstances do not warrant such a review. M2E2-1-4-1: A comprehensive, independent annual review of the ERM Framework is very likely to be excessive, especially if this is contemplated as parallel to the CPA type of external audit function already required. M2E2-1-6-1; We support the review of the remuneration policy to ensure it is consistent with the ERM objectives and measures of the organization. We agree with M2E2-2-1 but it is not clear why M2E2-2-1-1 refers to 'using the aggregation method will enable a more granular recording of risks' M2E2-2-1-1: These data issues belong with Internal Audit and the Actuarial Function. M2E2-2-2: This section instructs an IAIG that any outsourcing decisions must be centralized. It is difficult to see how a competent Governing Body would have the same people making the decisions on outsourcing the operations to different countries with their existing different cultures, products, language and legal structures. This is an example of where we feel this Module becomes overly prescriptive. A practice that may work and be used in some corporate structures may not be beneficial or relevant in other structures. M2E2-2-2-1: The outsourcing policies need to ensure continuity of services in event of insolvency. M2E2-2-5: The need for describing all the specified relationships is unclear; in many cases the limits will be based on other considerations such as the impact on earnings. M2E2-2-5-1 refers to reinsurance arrangements dictating regulatory capital requirements. Impact, influence or affect seems to be a more suitable word choice here. M2E2-3-3: the IAIG is to build an "economic capital model" to demonstrate sound risk management. However, it is seldom referenced after this point as all emphasis shifts to a defined solvency reporting system. Are these intended to be referring to the same process? M2E2-3-3: "the economic capital model... enables deeper attention to owners' capital." What is meant by "owner's" capital? And on what topics/issues would the deeper attention be focused? Perhaps this means to better manage the sustainability of future dividends and the most valuable use of current capital? M2E2-4-3-1: what does 'an assessment of risks evolving from any risk issues involving senior management or persons occupying positions of major responsibility within a legal entity' mean? M2E2-5-1-1: Periodic reporting should include identified breaches of policies and their rectification M2E2-5-4: Interest rate risk is noted among other risks that may be considered suggesting that interest rate risk is not part of the market risk that is already listed. Is this what is meant to be implied? M2E2-6-1: "The IAIG's culture supports the open communication of emerging risks that may be significant to the IAIG and its members." How will supervisors assess "culture"?

**Q-18**

**Specific comment to M2E3 (IAIG's legal and management structures from an ERM perspective)**

M2E3-1-1: There are many reasons why a Group's structure becomes complex over time. The IAIG should have to communicate the structure so that the supervisor can understand it (M2E3-2-1 seems to make this requirement). However, supervisory intervention to mandate a change in structure on grounds of transparency should only occur, if at all, in exceptional circumstances. What is needed is to understand the risk management purpose and need for that specifically chosen corporate structure. What risk is being managed by the chosen structure? M2E3-2-1-1: Intra-group guarantees should be explicitly listed as part of the IAIG Profile

**Q-19**

**Specific comment to M2E4 (IAIG's strategy from an ERM perspective)**

M2E4-3: "The IAIG notifies the group-wide supervisor of material changes to its strategy, business model and activities, and those of its material entities." This increased attention and reporting needs to be managed so that it yields more efficient and more effective regulation. We believe that, politically, the public needs to be able to see these enhanced regulatory objectives do not just result in a need to hire even more regulators while keeping the entire old infrastructure. M2E4-3-1-1: 'Materiality for reporting purposes may be set qualitatively in terms of: 1) impact on risk management in terms of ease of identifying and monitoring 2) impact on reinsurance capacity. 3) reporting of risks as well as ability to manage the risks.' It is not clear what the last bullet refers to. Whose capacity is it?

Q-20

**Specific comment to M2E5 (Intra-group transactions and exposures from an ERM perspective)**

M2E5-1-1-1: Is a 'not' missing? M2E5-1-3-1: See comment to M2E4-3-1-1

Q-21

**Specific comment to M2E6 (Liabilities/ technical provisions and assets/ investments)**

M2E6a-2-2: 'The IAIG's investment policy respects supervisory requirements on investing in low-quality assets. The IAIG does not distribute such assets around the IAIG to avoid local investment restrictions.' If each entity respects the legal requirements, how does this distribution arise? M2E6b-4: "the IAIG maintains a ... policy which is consistent with the requirements of Element 7." This statement seems paradoxical here, since it precedes element 7. Can this be moved into element 7 and elaborated there? M2E6b-4-1 second bullet: The term "MOCE" (Margin Over Current Estimate) is not used in the IFRS Insurance Contracts Project. The similar concept used in IFRS is "Risk Adjustment". M2E6b-5 "the IAIG maintains a group-wide asset liability management policy." This was addressed in an earlier element (M2E6a-1) and does need to be repeated here. Also, as is true of other requirements, a group-wide policy might not make sense given differences in regulation, policies and investments in different jurisdictions. M2E6b-6-3, second bullet: "calculation of reinsurance recoverable assets..." Shouldn't other counterparty obligations (e.g., a CDS) be quantified also? M2E6b-6-3-2: The actuarial function should carry out these activities consistent with the nature and complexity of the IAIG. ALM should be added to the list. M2E6b-6-4 first bullet: "the reliability ... of the technical reserves". If "reliability" refers to re-establishing the accuracy of local statutory accounting liabilities, this would not be a worthy use of actuarial talent at the IAIG level. As an example: While a London-based actuary may not be fluent with the requirements of Korean provisions, the London actuary does need to understand the impact of various risks on the Korean provisions. But, more importantly here is the issue of the value (and appropriate expectations) of a group-wide actuarial function to provide an opinion on the technical provisions of the IAIG. And, even further, to provide for an opinion from the group-wide actuarial function on the future financial condition of the IAIG which may include non-insurance entities and non-regulated entities. We think thoughtful, further, work on this topic will be a way to supplement and/or support the need for increased regulatory understanding and oversight of complex organizational and insurance risk operations. The IAA would be very supportive of collaborating further on this subject. In some jurisdictions, some risks may not be covered by the actuarial opinion, such as underwriting risks.

Q-22

**Specific comment to M2E7 (Valuation)**

Whether and how IFRS is or is going to be used in a jurisdiction varies depending on each jurisdiction. In fact, there is likely to be a different "IFRS" in each jurisdiction so requiring "IFRS" may be an incomplete requirement. In addition, IFRS4 is still under consideration and the outcome of such consideration is uncertain in many respects. It should be noted, therefore, that there are circumstances where assuming the use of IFRS as a given will not be possible. M2E7-1: While we understand the desire for a consistent accounting standard, we don't believe that specifying one standard is in the spirit of principles-based supervision. If the IAIG practices in countries where another accounting basis predominates, the supervisors should have the option to utilize this other accounting basis, particularly if the IAIG already prepares consolidated financial statements on that basis. M2e7-1-1 third bullet: the IFRS valuation is "an economic valuation that reflects the risk-adjusted present value of cash flows." If IFRS does not require economic valuations, the actuary could not be expected to do so within the confines of IFRS. M2E7-1-4: "own credit standing... apply adjustments or filters to remove the effects..." From a procedural standpoint, when IFRS is used, the IAIS should consider accepting IFRS intact then promulgate a series of alterations to reflect solvency supervisory needs, rather than create a modified IFRS financial statement. M2E7-1-4, M2E7-2: All of these adjustments relate to capital adequacy and should, if needed after IFRS is finalized, be included in Element 8. M2E7-1-6: "The IAIG applies criteria prescribed by the group-wide supervisor for the determination of appropriate rates to be used in the discounting of technical provisions." How will group supervisors have the authority to establish or determine the discount rates to be used for valuation throughout an IAIG, particularly if IFRS is used as the accounting basis? M2E8-1-7: "makes appropriate allowance for embedded options and guarantees in the valuation..." This is already expected for any insurer using IFRS, not just those subject to ComFrame. M2E7-2: "the IAIG applies appropriate adjustments to IFRS to ensure an economic basis for valuation." This, too, is already expected for any insurer, not just those

subject to ComFrame

<b>Q-23</b>	<b>Specific comment to M2E8 (Capital Adequacy)</b> M2E8a-1-3: Consistent with our answer to Question 7, we believe that a consolidated approach is appropriate at all levels. M2E8c-1-1, second bullet: "the determination of capital resources is... an assessment of the ...quality and suitability of the financial instruments comprising the total amount of capital resources identified..." This is an example of possibly moving to too much prescription. It invites the question if this means specific assets are expected to be allocated and dedicated to capital and would require a whole additional series of possible rules to answer this. We would have expected something on allowing for risk mitigations (e.g. reinsurance, hedging). This allowance will need to consider risks created in using such techniques - in particular counterparty risk and the effectiveness of the mitigation.
<b>Q-24</b>	<b>Specific comment to M2E9 (Reporting and Disclosure)</b> M2E9-3-5: Given that these differences are specified by the supervisors, reconciliation should be sufficient. Ideally all the adjustments to IFRS financial statements for supervisory purposes would be made in the capital adequacy framework. M2E9-3-6: This is a useful requirement as long as the information is appropriately focused.

## 5. Comment on Module 3

<b>Q-25</b>	<b>General comment to Module 3 (The Supervisors)</b> Regulatory intervention in IAIGs may be most practically accomplished if limited to possible restrictions of internationally active activities. While a group's involvement in internationally active activities can pose an additional risk, any possible action taken under ComFrame to address such risk will be easier to get regulatory cooperation if its focus is on international activities of the IAIG. In case of regulatory intervention, this would mean actions to restrict international activities as an IAIG, such as separation of an overseas subsidiary from the group. For instance, we expect it may well be unrealistic if intervention under ComFrame is expected to be able to prohibit issuing new policies in a home country. The key challenge will be managing the flow of communication and coordinating supervisory actions within the supervisory college, particularly in event of a crisis. Maintaining confidentiality is critical. We have the following specific suggestions.
<b>Q-26</b>	<b>Specific comment to M3E1 (Supervisory Process)</b> M3E1-1: "group-wide supervisory process" ComFrame contains an articulation of a significant amount of work, both for IAIG's and regulators that is not currently being done. Will there be resources available to accomplish this? M3E1-5-5-2: We suggest adding recognition of aspects that impede the IAIG's ability to move capital and risks arising from intra-group guarantees. M3E1-7: "horizontal review". Though defined in the introductory text, can its definition be replicated here?
<b>Q-27</b>	<b>Specific comment to M3E2 (Cooperation and Coordination)</b>
<b>Q-28</b>	<b>Specific comment to M3E3 (Roles of group-wide supervisor and involved supervisors)</b>
<b>Q-29</b>	<b>Specific comment to M3E4 (Use of Supervisory Colleges)</b>
<b>Q-30</b>	<b>Specific comment to M3E5 (Crisis management among supervisors)</b> M3E5-1-1-3: The involved supervisors should identify both mediation requirements and the anticipated processes for mediation. M3E5-1-4-3: We suggest replacing "lead" with "facilitate by engaging suitable experts"
<b>Q-31</b>	<b>Specific comment to M3E6 (IAIGs and resolution)</b> M3E6-1-3: It should be noted that insolvency law and practice vary by jurisdiction and apply at the legal entity level. Mediated agreements between supervisors may not be binding on liquidators

## 6. Comment on Module 4

<b>Q-32</b>	<b>Specific comment to M4E1 (Applicability of ComFrame to all IAIS jurisdictions)</b> The key challenges for supervisors will be obtaining the necessary powers and developing/acquiring the resources and expertise to carry out their responsibilities under ComFrame. We note that the primary insurance regulators in Canada have been actively recruiting well-qualified actuaries and other experts to meet these needs. M4E1-2-1: "Legislation should be ... sufficiently extended to allow involved supervisors to carry out their mandate..." This might be a challenging hurdle in certain jurisdictions. To assist supervisors in enlisting support in their jurisdictions for needed legislative changes, would a framing of recommended arguments would be useful here? Is the use of the FSAP
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through the IMF the only inducement that will exist? M4E1-3-4: "Group-wide supervisor prerequisites require supervisors to have appropriate and adequate resources to fulfill their leadership role... particularly in terms of personnel skilled to perform..." Can this be amended so that the supervisors have access to such skilled professionals? It is possible that the supervisor may not always have on staff experienced resources to deal with every emerging situation. The supervisors should be able to contract with parties with the expertise/services necessary when needed. The successful use of Supervisory Colleges and their interaction will be important aspects for a successful ComFrame process. The College will need to have the right amount and type of resources available.

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