

IAIS Consultation

Print view of your comments on "Revisions related to the Holistic Framework for Systemic Risk in the Insurance Sector" - Date: 15.08.2019, Time: 18:19

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Jurisdiction	International
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Treat my comments as confidential	No

Question	
	Q1 General comments on the Revisions related to the Holistic Framework for Systemic Risk in the Insurance Sector
Answer	<p>We have a number of comments relating to the changes in the Glossary:</p> <p>Actuary – IAA notes the deletion of the term “actuary” from the IAIS glossary. The IAA believes the deletion is acceptable as the definition of the term is properly the province of the actuarial profession itself. It should be noted that some IAA member associations believe the term should be retained in the glossary as legal/regulatory recognition of the actuary varies considerably globally. However, in reviewing the IAIS supervisory material references to “actuary”, “actuarial function” etc., the IAA notes important gaps in such material as follows: - ICP 8.3.15 indicates that “persons who perform control functions should be suitable for their role” but there is no guidance to supervisors on the qualities/attributes/indicators that would make a person “fit and proper” or “suitable” for such a role - ICP 8.6 speaks of the need for an “effective” actuarial function (i.e. role not person) but none of the other ICP 8 standards or guidance define the attributes for being effective. For example, 8.6.4 simply lists the various types of actuarial function activities.</p> <p>A suggestion for describing the attributes of an effective actuarial function might include: - Presence of a sufficient level and quantity of professional expertise in the quantification and practical management of the insurance risks typically undertaken or likely to be undertaken by insurers of the relevant type – including direct insurances, reinsurance, ERM and capital management; - Demonstrated full knowledge and understanding of the financial and prudential reporting frameworks applicable to the insurer and its products; - Demonstrated governance of actuarial matters by the actuarial function - Demonstrated ability of making proper professional judgement by the holders of the actuarial function - Demonstrated and effective communications skills and influencing capabilities sufficient to ensure proper communication of existing and emerging risks, their likelihood and scale, and where necessary, to promote action; - Demonstrated insight, integrity and standards of conduct appropriate to the actuarial control function.</p> <p>The IAA would be willing to work with the IAIS on appropriate wording to supplement ICP 8 to address the gaps in guidance related to “fit and proper” persons and “effective” actuarial function.</p> <p>Control Function – We note that the term Control Functions has been changed to Control Function. We note that this brings an inconsistency with ICP8 which still uses control functions as term. Furthermore, defined in this way it adds a new definition as the total of the four functions. We prefer to use the term control functions as is also used in the ICPs. Finally, it is not clear if the term is restricted to the four functions referend to or if also other functions could meet the definition.</p> <p>Counterparty Risk – The term Counterparty Credit Risk is replaced by Counterparty Risk, but in ICP16 the term credit risk is still used.</p> <p>Going concern – we believe that a company can still be a going concern even if it has ceased to write new business and suggest changing the definition to “An approach for</p>

considering an insurer's financial situation assuming that it will continue to operate, and be able to pay claims when they become due under reasonably foreseeable future conditions”

Liquidity Risk – we suggest that this definition should be amended to ” The risk that an insurer is unable to realise its investments and other assets in a timely manner, without significant fall in value, or have insufficient access to funding, in order to settle its financial obligations as they fall due. “

Reinsurance/Reinsurer/Retrocession – we believe there are reinsurance contracts that are written which don't necessarily involve the payment of a specific premium so suggest adding to each definition « ... or other consideration ».

ICP 16 - The IAA notes that within ICP 16, especially its ComFrame elements, that terms such as “financial position”, “solvency position”, “prospective solvency position”, “current financial condition”, “future financial condition” and “prospective analysis of the financial situation” are used without supporting glossary entries to clarify and distinguish their meanings. The IAA strongly recommends that such definitions be developed and the terms in this ICP (and perhaps other ICP's) be appropriately streamlined.

The IAA suggests aligning the definitions on Risk Management, Enterprise Risk Management and Internal Control in the glossary. These terms are closely related and are also mentioned in ICP 8, but the definitions are not aligned in the glossary.

In the proposed changes to ICP 8, in 8.3.c.2 we suggest that the wording should be expanded slightly to « the combination would give rise to potential conflicts of interest and how they could be resolved or managed”. We also note it is explicitly mentioned that functions are not combined, but this is a different approach than the existing 8.3.10 article which does not forbid a combination. If the tasks of the second line control functions are overlapping, a combination in practice could lead to a more effective and efficient risk management system.

Q2 General Comment on revisions to ICP 9 and ComFrame integrated therein

Answer

Q3 Comment on Guidance ICP 9.1.8

Answer

Q4 Comment on ComFrame Guidance CF9.2.b.1

Answer

Q5 Comment on ComFrame Guidance CF9.2.b.8

Answer

Q6 General Comment on revisions to ICP 10

Answer

Q7 Comment on Guidance ICP 10.0.2

Answer

Q8 Comment on Guidance ICP 10.2.2

Answer

Q9 Comment on Guidance ICP 10.2.6

Answer

Q10 Comment on Guidance ICP 10.2.7

Answer	
	Q11 General Comment on revisions to ICP 16 and ComFrame integrated therein
Answer	
	Q12 Comment on Guidance ICP 16.0.3
Answer	The additional wording seems inconsistent. For ALM a process term is used, for underwriting reference is made to a policy, and for liquidity the term risk management is used. As elsewhere in this ICP, we suggest using the main risk types as groupings, that is, insurance risk, market risk, counterparty risk and liquidity risk.
	Q13 Comment on Guidance ICP 16.1.1
Answer	We prefer not to add concentration risk to the minimum risks to be considered. Concentration risk is another risk type as this risk is partly also already included in the other risks mentioned, and therefore is not considered a main risk type. Furthermore, we note that the term concentration risk has been removed from the Glossary. Finally, we note that the grouping mentioned here is inconsistent with CF16.1.b which mentions insurance risk, market risk, credit risk, liquidity risk, concentration risk, operational risk, group risk and strategic risk where it is also noted that some risk types, such as strategic or concentration risk, may be included in other risk categories.
	Q14 Comment on Guidance ICP 16.1.4
Answer	
	Q15 Comment on ComFrame Standard CF16.1.b
Answer	We suggest "credit risk" should be counterparty risk. Furthermore, we suggest to keep this list consistent with ICP16.0.3. More specific, we propose not to record group risk as this seems to be a different type of risk than the others mentioned. The term is also not defined.
	Q16 Comment on Standard ICP 16.2
Answer	
	Q17 Comment on Guidance ICP 16.2.22
Answer	
	Q18 Comment on Guidance ICP 16.2.23
Answer	We are of the view that it is often a guarantee of minimum investment returns or maturity amounts which are more onerous than guaranteed premium rates for savings products.
	Q19 Comment on Guidance ICP 16.2.24
Answer	
	Q20 Comment on ComFrame Standard CF16.2.b

Answer	This ComFrame Standard focuses solely on the development of an EC model by the IAIG. It fails to comment on a significant omission in ICP 16.2.5 through 16.2.5.17. These guidance elements focus almost exclusively on internal models and fail to impose any duty on an insurer or group to understand the implications of the use of external models. The IAA highly recommends that this duty be added via a ComFrame element for IAIGs. The IAA notes that CF 16.7.d third bullet makes references only to « internal » models.
Q21 Comment on ComFrame Guidance CF16.2.b.2	
Answer	We suggest amending the wording to say « ...the impact of stresses on the value of guarantees... ».
Q22 Comment on Standard ICP 16.6	
Answer	<p>We have a comment on 16.5 (rather than 16.6) which we have made previously, in that CP 16.5 does not currently include the Actuarial Function along with other functions listed for their roles in ALM. Consistency of approach to ALM among all these functions is vital to ERM for solvency purposes. There is a reference to ALM in one of the bullets of CF 16.7e.2., but, the importance of ALM risk to an IAIG and the role of the group-wide actuarial function in its management might be better highlighted through the addition of a CF 8.5 addressing this role more directly.</p> <p>As also mentioned in our comment on ICP16.0.3 the terms used here are inconsistent. Moreover we would like to suggest to not to use the wordings ALM policy and investment policy, but to align this with the main risk types and to use market risk policy and counterparty risk policy as this is more consistent, aligned with the risk management areas and counterparty risk is broader than only investments (see also 16.6.11 where reinsurance is mentioned). In this grouping the requirements on ALM are part of the market risk policy.</p>
Q23 Comment on Guidance ICP 16.6.4	
Answer	
Q24 Comment on Guidance ICP 16.6.11	
Answer	
Q25 Comment on Guidance ICP 16.6.12	
Answer	
Q26 Comment on ComFrame Standard CF16.6.b	
Answer	
Q27 Comment on ComFrame Guidance CF16.6.b.1	
Answer	
Q28 Comment on ComFrame Guidance CF16.6.b.2	
Answer	
Q29 Comment on Standard ICP 16.7	
Answer	It would be helpful to define in the Glossary what is meant in 16.7.e by an « actuarial analysis » Furthermore, we note that in ICP16.7 the wording underwriting risk and underwriting policy is used where in the risks oversight as mentioned in 16.0.3 the wording insurance risk is used. The requirements mentioned are then part of an insurance risk policy.

	Q30 Comment on Guidance ICP 16.7.5
Answer	
	Q31 Comment on Standard ICP 16.8
Answer	
	Q32 Comment on Guidance ICP 16.8.1
Answer	
	Q33 Comment on Guidance ICP 16.8.2
Answer	
	Q34 Comment on Guidance ICP 16.8.3
Answer	
	Q35 Comment on Guidance ICP 16.8.4
Answer	
	Q36 Comment on Standard ICP 16.9
Answer	Liquidity stress testing was already mentioned under ICP 16.8. In general, we wonder why for liquidity risk a distinction is made between 'regular' and more detailed risk management, where this approach is also not used for the other risks covered in this ICP.
	Q37 Comment on Guidance ICP 16.9.1
Answer	
	Q38 Comment on Guidance ICP 16.9.2
Answer	This principle seems an explanation of why liquidity risk management is important, and we wonder if this should be part of an ICP.
	Q39 Comment on Guidance ICP 16.9.3
Answer	
	Q40 Comment on Guidance ICP 16.9.4
Answer	
	Q41 Comment on Guidance ICP 16.9.5
Answer	
	Q42 Comment on ComFrame Standard CF16.9.a
Answer	The CF additions contain many more detailed explanations and requirements on stress testing, high quality liquid assets, contingency funding plan and reporting which are also applicable to solo entities and we therefore wonder why this is not included in 16.9.

Q43 Comment on ComFrame Guidance CF16.9.a.1

Answer

[Redacted]

Q44 Comment on ComFrame Guidance CF16.9.a.2

Answer

[Redacted]

Q45 Comment on ComFrame Guidance CF16.9.a.3

Answer

[Redacted]

Q46 Comment on ComFrame Guidance CF16.9.a.4

Answer

[Redacted]

Q47 Comment on ComFrame Guidance CF16.9.a.5

Answer

[Redacted]

Q48 Comment on ComFrame Guidance CF16.9.a.6

Answer

[Redacted]

Q49 Comment on ComFrame Standard CF16.9.b

Answer

[Redacted]

Q50 Comment on ComFrame Guidance CF16.9.b.1

Answer

[Redacted]

Q51 Comment on ComFrame Guidance CF16.9.b.2

Answer

[Redacted]

Q52 Comment on ComFrame Guidance CF16.9.b.3

Answer

[Redacted]

Q53 Comment on ComFrame Guidance CF16.9.b.4

Answer

[Redacted]

Q54 Comment on ComFrame Guidance CF16.9.b.5

Answer

[Redacted]

Q55 Comment on ComFrame Guidance CF16.9.b.6

Answer

[Redacted]

Q56 Comment on ComFrame Guidance CF16.9.b.7

Answer

The requirement that “The Head of the IAIG should ensure that liquidity is available to legal entities within the group when needed” should be amended to be applicable “in reasonably foreseeable circumstances in accordance with its stated risk appetite”

Q57 Comment on ComFrame Guidance CF16.9.b.8

Answer	
	Q58 Comment on ComFrame Standard CF16.9.c
Answer	
	Q59 Comment on ComFrame Guidance CF16.9.c.1
Answer	
	Q60 Comment on ComFrame Guidance CF16.9.c.2
Answer	
	Q61 Comment on ComFrame Guidance CF16.9.c.3
Answer	
	Q62 Comment on ComFrame Guidance CF16.9.c.4
Answer	
	Q63 Comment on ComFrame Guidance CF16.9.c.5
Answer	
	Q64 Comment on ComFrame Standard CF16.9.d
Answer	
	Q65 Comment on ComFrame Guidance CF16.9.d.1
Answer	In the last sentence reference is made to 'other risk management policies and/or the ORSA report'. We suggest this is amended to 'other risk management policies, risk reporting and/or the ORSA report.'
	Q66 Comment on ComFrame Guidance CF16.9.d.2
Answer	
	Q67 Comment on Standard ICP 16.12
Answer	
	Q68 Comment on Guidance ICP 16.12.3
Answer	
	Q69 Comment on ComFrame Standard CF16.12.b
Answer	
	Q70 Comment on ComFrame Guidance CF16.12.b.1
Answer	
	Q71 General Comment on revisions to ICP 20
Answer	

Q72 Comment on Standard ICP 20.2

Answer

Q73 Comment on Guidance ICP 20.8.1

Answer

Q74 Comment on Standard ICP 20.11

Answer

Q75 Comment on Guidance ICP 20.11.1

Answer

Q76 Comment on Guidance ICP 20.11.2

Answer

Q77 General Comment on revised ICP 24

Answer

Q78 Comment on Guidance ICP 24.0.1

Answer

Q79 Comment on Guidance ICP 24.0.2

Answer

Q80 Comment on Guidance ICP 24.0.3

Answer

Q81 Comment on Guidance ICP 24.0.4

Answer

Q82 Comment on Guidance ICP 24.0.5

Answer

Q83 Comment on Guidance ICP 24.0.6

Answer

Q84 Comment on Standard ICP 24.1

Answer

Q85 Comment on Guidance ICP 24.1.1

Answer

Q86 Comment on Guidance ICP 24.1.2

Answer

Q87 Comment on Guidance ICP 24.1.3

Answer

Q88 Comment on Guidance ICP 24.1.4

Answer

Q89 Comment on Guidance ICP 24.1.5

Answer

Q90 Comment on Guidance ICP 24.1.6

Answer

Q91 Comment on Standard ICP 24.2

Answer

Q92 Comment on Guidance ICP 24.2.1

Answer

Q93 Comment on Guidance ICP 24.2.2

Answer

Q94 Comment on Guidance ICP 24.2.3

Answer

Q95 Comment on Guidance ICP 24.2.4

Answer

Q96 Comment on Guidance ICP 24.2.5

Answer

Q97 Comment on Guidance ICP 24.2.6

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Q98 Comment on Guidance ICP 24.2.7

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Q99 Comment on Guidance ICP 24.2.8

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Q100 Comment on Guidance ICP 24.2.9

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Q101 Comment on Guidance ICP 24.2.10

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Q102 Comment on Guidance ICP 24.2.11

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