

IAIS Consultation

Print view of your comments on "Draft definition and high-level principles to inform the criteria that will be used to assess whether the AM provides comparable outcomes to the ICS" - Date: 21.01.2021, Time: 21:53

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

| Question | |
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| Answer | Q1 Comment on draft definition of comparable outcomes The IAA is supportive of the draft definition of comparable outcomes. |
| Answer | Q2 Comment on draft High-Level Principle 1 The IAA is supportive of draft High-Level Principle 1. |
| Answer | Q3 Comment on draft High-Level Principle 2 The IAA is supportive of draft High-Level Principle 2. |
| Answer | Q4 Comment on draft High-Level Principle 3 The IAA is concerned that the wording of draft High-Level Principle 3 requires an arbitrary floor that is contrary to the nature of a principle. The IAA believes this principle is unnecessary given the definition of comparable outcome – “Comparable outcomes to the ICS means that the Aggregation Method (AM) would produce similar, but not necessarily identical, results over time that trigger supervisory action on group capital adequacy grounds.” The IAA expects that the words “similar, but not necessarily identical” would be sufficient as they prevent the use of the AM if its results provide noticeably lower levels of policyholder protection. Instead of imposing a floor as principle 3 does, perhaps the notion of “similar” could be clarified. The IAA considered trying to define “similar” in terms of +/- x% (i.e., x being something like 5 or 10%) but believes such an approach may not be practical/useful given Principle 2 (i.e., small differences in capital requirements combined with small differences in capital resources can lead to relatively larger differences in the comparison of the two). Instead, the IAA believes the concluding words of the definition seem to preclude the need for Principle 3 by connecting “similar” results with “results over time that trigger supervisory action on group capital adequacy grounds”. |
| Answer | Q5 Comment on draft High-Level Principle 4 The IAA is supportive of draft High-Level Principle 4. |

Q6 Comment on draft High-Level Principle 5

Answer

The IAA concurs that “comparable outcomes” be assessed considering a variety of Volunteer Groups with diverse business situations in order to identify areas of comparability as well as areas where differences may exist between the two methods (i.e., AM and ICS). The IAA is also supportive of the need to study the impact of different economic and financial market conditions on the comparability of the two methods. Perhaps this task might be accomplished through the application of a few basic stress tests.

Q7 Comment on draft High-Level Principle 6

Answer

The IAA supports principle 6 in its requirement that the AM and ICS be “similarly transparent”. Unfortunately, the term “transparency” does not appear to have a unique and clear meaning for all users of the principle. For example, some of our members have commented that useful “transparency” would disclose the degree of cushion offered by each of the AM and ICS by jurisdiction. At present, principle 6 does not make this clear. Another example would include the need to clarify if “transparency” was being defined relative to a supervisory audience and not a general public audience. This principle may be impossible to use in the determination of possible outcomes without further clarification of its intent/meaning.

Q8 General comment on the draft definition of comparable outcomes and the high-level principles to inform the criteria that will be used to assess whether the Aggregation Method provides comparable outcomes to the ICS

Answer

No comment.