

IAIS Consultations

Print view of your comments on "ComFrame in ICPs 15 and 16" - Date: 30.10.2018, Time: 18:36

Organisation	International Actuarial Association
Jurisdiction	International
Role	Other (not IAIS Member)
Email	amali.seneviratne@actuaries.org
Phone	+1-613-236-0886 (Ext:116)
Treat my comments as confidential	No

Question	
Answer	Q1 General Comment on ComFrame in ICP 15
Answer	Q2 Comment on ComFrame Standard CF15.2.a
Answer	Q3 Comment on ComFrame Guidance CF15.2.a.1
Answer	Q4 Comment on ComFrame Guidance CF15.2.a.2
Answer	Q5 Comment on ComFrame Standard CF15.2.b
Answer	Q6 Comment on ComFrame Guidance CF15.2.b.1
Answer	Q7 General Comment on ComFrame in ICP 16
Answer	<p>The IAA finds that the overall length of the ComFrame elements for ICP 16 are very lengthy in comparison with their treatment in ICP 8. In the event that the IAIS wishes to shorten the length of some of the ComFrame elements within ICP 16, the IAA would be pleased to offer specific suggestions.</p> <p>Since this consultation focuses only on ComFrame material, the design decisions made by the IAIS with respect to the non-Comframe portions of ICP 8 and 16 appear final. The IAA acknowledges the challenge faced by the IAIS in balancing a) the content of ICP 8 vs 16 and b) recognizing the unique role of the actuarial function while recognizing, but not duplicating, the role of the actuarial function within an overall ERM framework.</p> <p>As part of its January 2018 response to the consultation on ICP 16, the IAA stated "In the ComFrame addition, requirements are recorded for the actuarial function which are also performed as part of a good risk management function. The two functions and the actuarial policy should be better aligned to avoid duplication and improve efficiency. It should be</p>

possible to combine both as is also acknowledged in ICP 8.3.10. Moreover, as the control functions are described in ICP 8 it would be better to deal with this issue only in ICP 8 and not ICP16”.

The IAA notes that CF 16.7.d and CF 16.7.e include the words “as part of the group-wide ERM framework”. While these words soften the potential for overlap between the risk management and actuarial functions, the IAA suggests that more specific wording be added to make clear the need for the actuarial function to provide an actuarial perspective while coordinating its work with the risk management function. In an IAIG it is especially important to provide a variety of views on risk while minimizing potential duplication of work.

The IAA appreciates the addition of CF 16.7.d & e as the group-wide actuarial function is particularly useful and important in informing the Head of the IAIG about the risks/issues outlined in these sections. For large, complex and international groups such as IAIG’s, the group-wide actuarial function is a necessary component in an IAIG’s comprehensive ERM framework.

ICP 16 does not currently specifically mention the ERM expectations of the actuarial function for insurer legal entities and insurance groups generally. Perhaps it should do so as the actuarial function does play a key role in many aspects of risk management and risk and capital assessment. However, it is worth noting that ICP 8.6 (now including the very good sections CF 8.6.a & b) sets out the requirements for an effective actuarial function.

The IAA notes a significant inconsistency between the ComFrame and non-CF parts of ICP 16 with respect to the AF. This inconsistency should be addressed. While the CF parts of ICP 16 make reference to the AF, the non-CF parts do not. Further, there is a lack of consistency in the wording related to the AF and its role in solvency assessment between CF 8.6.a (bullets 3, 4 and 6 specifically) and CF 16.7.d / CF 16.7.e.

ICP 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.

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.

Q8 Comment on ComFrame Standard CF16.1.a

Answer

Q9 Comment on ComFrame Standard CF16.1.b

Answer

Q10 Comment on ComFrame Guidance CF16.1.b.1

Answer

Q11 Comment on ComFrame Standard CF16.1.c

Answer

Q12 Comment on ComFrame Guidance CF16.1.c.1

Answer

Q13 Comment on ComFrame Guidance CF16.1.c.2

Answer

Q14 Comment on ComFrame Guidance CF16.1.c.3

Answer	
	Q15 Comment on ComFrame Guidance CF16.1.c.4
Answer	
	Q16 Comment on ComFrame Standard CF16.2.a
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 IAIG's. The IAA notes that CF 16.7.d third bullet makes references only to « internal » models.
	Q17 Comment on ComFrame Guidance CF16.2.a.1
Answer	
	Q18 Comment on ComFrame Guidance CF16.2.a.2
Answer	
	Q19 Comment on ComFrame Guidance CF16.2.a.3
Answer	
	Q20 Comment on ComFrame Standard CF16.2.b
Answer	Neither CF 16.2.b nor its underlying ICP 16.2.21 are correct in their suggestion that reverse stress testing focuses on scenarios « most likely to cause an insurer to fail ». As was indicated in the IAA's January 2018 response to the IAIS, « The brief mention of reverse stress testing in 16.12.14 is different to the normal usage of this – reverse stress testing does not normally consider scenarios that are “likely to cause” business failure” but those that could. The IAA recommends a definition it has developed for reverse stress testing as follows “Reverse Stress Test (ISAP 6) – A process for identifying events or scenarios that would lead to a predetermined adverse outcome for an organization.”
	Q21 Comment on ComFrame Guidance CF16.2.b.1
Answer	
	Q22 Comment on ComFrame Standard CF16.2.c
Answer	
	Q23 Comment on ComFrame Guidance CF16.2.c.1
Answer	
	Q24 Comment on ComFrame Guidance CF16.2.c.2
Answer	
	Q25 Comment on ComFrame Standard CF16.4.a
Answer	
	Q26 Comment on ComFrame Guidance CF16.4.a.1

Answer	<input type="text"/>
	Q27 Comment on ComFrame Standard CF16.6.a
Answer	<input type="text"/>
	Q28 Comment on ComFrame Guidance CF16.6.a.1
Answer	<input type="text"/>
	Q29 Comment on ComFrame Standard CF16.6.b
Answer	<input type="text"/>
	Q30 Comment on ComFrame Guidance CF16.6.b.1
Answer	<input type="text"/>
	Q31 Comment on ComFrame Standard CF16.6.c
Answer	<input type="text"/>
	Q32 Comment on ComFrame Guidance CF16.6.c.1
Answer	<input type="text"/>
	Q33 Comment on ComFrame Standard CF16.6.d
Answer	<input type="text"/>
	Q34 Comment on ComFrame Guidance CF16.6.d.1
Answer	<input type="text"/>
	Q35 Comment on ComFrame Standard CF16.6.e
Answer	<input type="text"/>
	Q36 Comment on ComFrame Guidance CF16.6.e.1
Answer	<input type="text"/>
	Q37 Comment on ComFrame Standard CF16.7.a
Answer	<input type="text"/>
	Q38 Comment on ComFrame Standard CF16.7.b
Answer	<input type="text"/>
	Q39 Comment on ComFrame Guidance CF16.7.b.1
Answer	<input type="text"/>
	Q40 Comment on ComFrame Guidance CF16.7.b.2
Answer	<input type="text"/>
	Q41 Comment on ComFrame Guidance CF16.7.b.3

Answer	
	Q42 Comment on ComFrame Standard CF16.7.c
Answer	
	Q43 Comment on ComFrame Standard CF16.7.d
Answer	The IAA strongly supports the addition of this ComFrame section as outlined earlier in our overall ICP 16 comments to Q7. The group-wide actuarial function has important insights and perspectives into ERM that are vital to the operation of large, complex and international groups such as IAIG's.
	Q44 Comment on ComFrame Guidance CF16.7.d.1
Answer	
	Q45 Comment on ComFrame Guidance CF16.7.d.2
Answer	
	Q46 Comment on ComFrame Guidance CF16.7.d.3
Answer	
	Q47 Comment on ComFrame Guidance CF16.7.d.4
Answer	This section refers to the need to "address the consistency between the base assumptions and those under stressed conditions". The IAA is confused by the language used. Perhaps the reference should be for the need to disclose the impact on financial results due to the sensitivity of key assumptions.
	Q48 Comment on ComFrame Standard CF16.7.e
Answer	The IAA s agrees with the importance of group-wide actuarial function reporting as outlined in this section for entities as large, complex and international as an IAIG. Since the ICS is designed to be applied at the IAIG level, it is particularly important that the Head of the IAIG be well informed on all ERM matters and from all control function perspectives.
	Q49 Comment on ComFrame Guidance CF16.7.e.1
Answer	
	Q50 Comment on ComFrame Guidance CF16.7.e.2
Answer	The IAA is concerned that some supervisors might interpret this section as an escape mechanism to not use the group-wide AF report. Perhaps it may be better to say that the GWAF makes use of and explains the importance of individual reports from entities within the IAIG.
	Q51 Comment on ComFrame Standard CF16.10.a
Answer	
	Q52 Comment on ComFrame Guidance CF16.10.a.1
Answer	

Q53 Comment on ComFrame Standard CF16.13.a

Answer

Q54 Comment on ComFrame Guidance CF16.13.a.1

Answer

Q55 Comment on ComFrame Guidance CF16.13.a.2

Answer

Q56 Comment on ComFrame Guidance CF16.13.a.3

Answer

Q57 Comment on ComFrame Guidance CF16.13.a.4

Answer

Q58 Comment on ComFrame Guidance CF16.13.a.5

Answer

Q59 Comment on ComFrame Guidance CF16.13.a.6

Answer

Q60 Comment on ComFrame Guidance CF16.13.a.7

Answer

Q61 Comment on ComFrame Guidance CF16.13.a.8

Answer

Q62 Comment on ComFrame Guidance CF16.13.a.9

Answer

Q63 Comment on ComFrame Guidance CF16.13.a.10

Answer

Q64 Comment on ComFrame Guidance CF16.13.a.11

Answer

Q65 Comment on ComFrame Standard CF16.13.b

Answer

Q66 Comment on ComFrame Guidance CF16.13.b.1

Answer

Q67 Comment on ComFrame Guidance CF16.13.b.2

Answer