

# IAIS Consultations

Print view of your comments on "Consultation on ComFrame material integrated with ICPs 5, 7 and 8 " - Date: 01.06.2017, Time: 22:39

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<b>Jurisdiction</b>	International
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<b>Treat my comments as confidential</b>	No

Question	
	Q1 General Comment on ComFrame material integrated with ICP 5
<b>Answer</b>	<p>It is clear from the ICP introductory remarks that ICP's are to be applied in the supervision of insurance entities and insurance groups that are headed by an insurance legal entity. ICP language that makes reference to insurers is therefore also applicable to insurers who head an insurance group. Unfortunately, this results in a standards cliff, at the group level, since the head of an insurance group which is a non-insurance holding company is not subject to IAIS standards unless it is an IAIG (i.e., is subject to ComFrame). The wording of the ComFrame insert references the head of the IAIG. There is no IAIS glossary definition of IAIG but the original ComFrame Guideline M1E1-1-1-2 includes non-insurer led FCs. It states,</p> <p>"An IAIG may be: • an insurance group that only conducts insurance business • a financial conglomerate dominated by insurance business that also includes other financial business such as banking or securities related activities • part of a financial conglomerate dominated by other financial business • part of a diversified conglomerate including non-financial activities."</p> <p>Therefore, the two roles of ComFrame text inserted into the ICPs are 1) to define an additional layer of standards to IAIGs and 2) to make sure that the head of the IAIG (even for one which is non-insurer led) will be subject to ComFrame.</p> <p>The addition of CF25.2 to ICP 5 is necessary to ensure that an additional layer of "suitability of persons" requirements are in place for all IAIGs, especially the head of an IAIG, thus requiring any non-insurer entities which are the head of the IAIG to also be subject to similar standards. Given the nature of the ComFrame requirements, the IAA suggests it is inappropriate for the non-insurance heads of insurance groups (non-IAIGs) to be exempt from such a similar requirement.</p>
	Q2 Comment on Standard CF5.2a
<b>Answer</b>	<p>In ICP 5 the "supervisor requires Board Members, Senior Management, ... to be and remain suitable..." In CF5.2 it is the "Head of the IAIG to ensure ..." we do not understand why there is a difference.</p> <p>The wording "...the competence of the IAIG board..." should change to "...the competence and integrity of the IAIG board..." in order to be consistent with ICP 5.2</p>
	Q3 Comment on Guidance CF5.2a.1
<b>Answer</b>	

Q4 General Comment on ComFrame material integrated with ICP 7

**Answer**

Consistent with our response to ICP 5, it is clear from the ICP introductory remarks that ICP's are to be applied in the supervision of insurance entities and insurance groups that are headed by an insurance legal entity. As noted previously, ICP language that makes reference to insurers is therefore also applicable to insurers who head an insurance group. Unfortunately, this results in a standards cliff, at the group level, since the head of an insurance group which is a non-insurance holding company is not subject to IAIS standards unless it is an IAIG (i.e., is subject to ComFrame). The addition of ComFrame language to ICP 7 is necessary to ensure that an additional layer of "corporate governance" requirements are in place for all IAIGs, especially the head of an IAIG, thus requiring any non-insurer entities which are the head of the IAIG to also be subject to similar standards. The IAA asks whether it is appropriate for the non-insurance heads of insurance groups (non-IAIGs) to be exempt from all such requirements.

Q5 Comment on Standard CF7.0a

**Answer**

The wording "...to enable an understanding of its structure to help identify and manage risks." It is not clear for whose benefit this requirement is -- the head of the IAIG or the group-wide supervisor.

Q6 Comment on Guidance CF7.0a.1

**Answer**

Another item to be included in the list should be the nature of the business allowed to be done by each legal entity. The 4<sup>th</sup> bullet should be clarified to read "commentary on the materiality of legal entities..." The 5<sup>th</sup> bullet should state that it applied to both the IAIG and each legal entity.

Q7 Comment on Standard CF7.0b

**Answer**

The wording in this section "requires" while the corresponding section 7.0.7 uses the word "should". They should be consistent.

Q8 Comment on Guidance CF7.0b.1

**Answer**

Q9 Comment on Standard CF7.1a

**Answer**

Q10 Comment on Guidance CF7.1a.1

**Answer**

Q11 Comment on Guidance CF7.1a.2

**Answer**

Q12 Comment on Standard CF7.1b

**Answer**

It is not clear to whom the reports required in this section should be addressed, internal management or the supervisor. The previous three sections seem to deal with reporting internal to the IAIG. This last section has the flavour of reporting to the supervisor.

Q13 Comment on Standard CF7.2a

<b>Answer</b>	The 5th bullet addresses the legal requirements within the IAIG. The 2nd bullet requires the long term financial soundness of the IAIG as a whole. This 2nd bullet should also be required for each legal entity.
	Q14 Comment on Guidance CF7.2a.1
<b>Answer</b>	
	Q15 Comment on Guidance CF7.2a.2
<b>Answer</b>	
	Q16 Comment on Standard CF7.2b
<b>Answer</b>	It is not clear to whom the strategy explanation should be addressed, the supervisor or the company internally.
	Q17 Comment on Guidance CF7.2b.1
<b>Answer</b>	
	Q18 Comment on Standard CF7.3a
<b>Answer</b>	The 5th bullet should also explicitly include the actuarial function in the list of key control functions. Section 5.2a just uses the term "control functions" instead of listing them. The two sections should be consistent.
	Q19 Comment on Guidance CF7.3a.1
<b>Answer</b>	
	Q20 Comment on Standard CF7.3b
<b>Answer</b>	
	Q21 Comment on Guidance CF7.3b.1
<b>Answer</b>	
	Q22 Comment on Guidance CF7.3b.2
<b>Answer</b>	
	Q23 Comment on Guidance CF7.9.1
<b>Answer</b>	In CF7.9a.1, the use of the words "particular insurance legal entities" suggests that this section only applies to certain legal entities (picked by whom?). This wording should be expanded to "...both the IAIG as a whole and at all levels of the insurance legal entities within the IAIG." This would bring consistency with the wording used in section 8.1a.
	Q24 General Comment on ComFrame material integrated with ICP 8

**Answer** Consistent with our response to ICP 5 & 7, it is clear from the ICP introductory remarks that ICP's are to be applied in the supervision of insurance entities and insurance groups that are headed by an insurance legal entity. As noted previously, ICP language that makes reference to insurers is therefore also applicable to insurers who head an insurance group. Unfortunately, this results in a standards cliff, at the group level, since the head of an insurance group which is a non-insurance holding company is not subject to IAIS standards unless it is an IAIG (i.e., is subject to ComFrame). The addition of ComFrame language to ICP 8 is necessary to ensure that an additional layer of "risk management and internal controls" requirements are in place for all IAIGs, especially the head of an IAIG, thus requiring any non-insurer entities which are the head of the IAIG to also be subject to similar standards. The IAA asks whether it is appropriate for the non-insurance heads of insurance groups (non-IAIGs) to be exempt from all such requirements.

Q25 Comment on Standard CF8.1a

**Answer** The words in the 2'nd bullet "...individual legal entities or business lines" should be changed to "...individual legal entities and business lines." The use of "or" could suggest that if one reports at the business line level that reporting is not needed for legal entities.

Q26 Comment on Guidance CF8.1a.1

**Answer**

Q27 Comment on Guidance CF8.1a.2

**Answer** The first sentence of this section would fit better as a separate bullet in CF8.1a with the wording "risk assessments prior to entering into new legal entities or new business lines, especially non-insurance ones." Leaving this in CF8.1a.2 with the word "should" denigrates the importance of assessing new ventures from a risk point of view.

Q28 Comment on Standard CF8.1b

**Answer**

Q29 Comment on Standard CF8.1c

**Answer**

Q30 Comment on Guidance CF8.1c.1

**Answer**

Q31 Comment on Standard CF8.2a

**Answer**

Q32 Comment on Standard CF8.2b

**Answer** In the 2'nd bullet annual testing is required. This seems too frequent to be considered worthwhile. Instead of annual, it should require "periodic" or "in a three-year cycle" or if there are any material changes or acquisitions, etc.

Q33 Comment on Standard CF8.3a

**Answer** The word "duplicate" should be removed. If a control function at a legal entity level does risk work, this should not preclude the risk considered at the IAIG level control functions.

Q34 Comment on Standard CF8.3b

**Answer**

Q35 Comment on Standard CF8.3c

**Answer**

The 4<sup>th</sup> bullet should change the word “or” to “and”. Same reason as for CF8.1a above. CF8.3c requires that IAIG control functions are not combined. This seems to be contradictory to paras 8.3.9 and 8.3.10. According to these paragraphs, a combination of certain control functions seems possible, as long as potential conflicts of interest are avoided. Could you please clarify, and please in particular refer to whether risk management and actuarial functions could be combined on IAIG level or on individual entity level.

Q36 Comment on Standard CF8.4a

**Answer**

In the 4<sup>th</sup> bullet, this requirement should be done at the legal entity level as well as at the group-wide level.

Q37 Comment on Standard CF8.4b

**Answer**

Q38 Comment on Standard CF8.5a

**Answer**

The 3<sup>rd</sup> bullet is too broad a statement in a section dealing with the compliance function. It should either be removed, or be more limited, such as “development and embedding of corporate compliance values throughout the IAIG.”

Q39 Comment on Standard CF8.6a

**Answer**

In the first bullet, the word “or” should be changed to “and”. The current wording sounds like there is a choice. In the 5<sup>th</sup> bullet, it mentions “use of internal models” with the ORSA. Internal models should have its own separate bullet, since this also applies to stress testing and other work actuarial work between actuarial matters and financial condition. The requirement should apply to both.

Q40 Comment on Standard CF8.6b

**Answer**

Q41 Comment on Standard CF8.7a

**Answer**

Q42 Comment on Guidance CF8.7a.1

**Answer**

Q43 Comment on Standard CF8.8a

**Answer**

Q44 Comment on Standard CF8.8b

**Answer**

Q45 Comment on Standard CF8.8c

**Answer**

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Q46 Comment on Standard CF8.8d

**Answer**