

Public consultation on draft revisions to supervisory material related to the Holistic Framework

Survey response 1

Please provide your information:

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Name of jurisdiction: - International

Name of organisation: - International Actuarial Association (IAA)

Do you agree with your responses being made public on the IAIS website?

Yes

ICP 12 (Exit from the Market and Resolution)

General comments on proposed changes to ICP 12 and related ComFrame standards

Question related to ICP 12.3 and ICP 16.15: The ICPs establish the minimum requirements for effective insurance supervision and are expected to be implemented and applied in a proportionate manner. Do you favour the proposed proportionate application of certain recovery and resolution planning requirements to all insurers? Please explain and provide details of how proportionality should apply and/or where such planning should be deemed necessary. The IAIS may consider this feedback in the final versions of the ICP guidance or in the supporting material (application papers).

The IAA agrees with the proportionality proposals as the complexities of large insurance groups typically warrant the detail that is included in the full regime, but it is possible to have a simpler regime for smaller companies that is more cost effective and needs less resource, yet is still fit for purpose. The other benefit of the proportionate approach is that avoids a "cliff-edge" between companies that are in or out of the regime.

Question related to CF 12.4.a: Recovery plans are required for all IAIGs. Resolution plans are required to be in place, at a minimum, for any insurer assessed to be systemically important or critical if it fails (regardless of their status as an IAIG). Due to their nature, scale and complexity, arguably there could be a presumption that all IAIGs should be subject to the requirement to have a resolution plan in place (unless deemed unnecessary by the supervisor or resolution authority), even if not assessed as systemically important. Are you in favour or against the possible introduction of a requirement, or presumption, that resolution plans are also required to be in place for all IAIGs? Please explain your opinions.

The IAA's view is that all IAIGs should have resolution plans. By definition IAIGs operate in multiple jurisdictions, so the resolution of such a group is not straight-forward, with the likelihood of multiple calls for support from the group company and the need to deal with the different regulatory regimes, and wider corporate law, which will apply to the different group companies.

Comments on proposed changes to ICP 12.3

This is difficult to read as it starts with "supervisor and/or resolution authority" but 12.3.4 and 12.3.5 are written for insurers. The IAA prefer the old sentence which is also used in 12.4.6 for a similar requirement.

Comments on proposed changes to ICP guidance 12.3.1

In general, it is not possible to minimize the impact on all stakeholders simultaneously so the IAA suggests adding to the second sentence "as far as possible, recognising that there will probably need to be some trade-offs between different stakeholders"

Also 12.3.1-3 speaks of "processes and procedures" and 12.3.4-5 of "procedures". Why the difference? The terms processes and procedures can be confusing because there always needs to be a process in place to execute a procedure.

Comments on proposed changes to ICP guidance 12.3.2

Comments on proposed changes to ICP guidance 12.3.3

The IAA suggest changing “arise” to “crystallise” in the first sentence.

Also, it is not clear why “may” is used in the first sentence and “should” is used in the last sentence? The IAA thinks that “should” in both sentences would be better. Moreover, in the last sentence it should say “mitigate the risks”.

Comments on proposed changes to ICP guidance 12.3.4

It could be that the circumstances giving rise to a resolution situation could make access to the necessary information difficult so the IAA suggest that the “procedures” should include appropriate (and regular) back-up of such information.

Comments on proposed changes to ICP guidance 12.3.5**Comments on proposed changes to CF 12.3.a****Comments on proposed changes to CF 12.3.a.1****Comments on proposed changes to CF 12.3.a.2****Comments on proposed changes to CF 12.3.a.3****Comments on proposed changes to ICP 12.4**

The IAA agrees that it is important for the supervisor and/or resolution authority to assess regularly which insurers should have a resolution plan.

Comments on proposed changes to ICP guidance 12.4.1**Comments on proposed changes to ICP guidance 12.4.2****Comments on proposed changes to ICP guidance 12.4.3****Comments on proposed changes to ICP guidance 12.4.4****Comments on proposed changes to ICP guidance 12.4.5**

The list given is not intended to be exhaustive, so it is suggested adding “inter alia” after “identify”.

Comments on proposed changes to ICP guidance 12.4.6**Comments on proposed changes to ICP guidance 12.4.9****Comments on proposed changes to CF 12.4.a****Comments on proposed changes to CF 12.4.a.1****Comments on proposed changes to CF 12.4.b****Comments on proposed changes to ICP 12.8**

The IAA notes that CF 12.8 is more detailed than the corresponding 12.8.6. and wonders if the exception for secured liabilities, which is mentioned in CF12.8.d, can and should always be made.

Comments on proposed changes to ICP guidance 12.8.1

Comments on proposed changes to ICP guidance 12.8.2

Comments on proposed changes to ICP guidance 12.8.3

Comments on proposed changes to ICP guidance 12.8.4

Comments on proposed changes to ICP guidance 12.8.6

Minor typo change "license" to "licence".

Comments on proposed changes to CF 12.8.a

Comments on proposed changes to CF 12.8.b

Comments on proposed changes to CF 12.8.c

Comments on proposed changes to CF 12.8.d

Comments on proposed changes to CF 12.8.d.1

Comments on proposed changes to CF 12.8.d.2

Comments on proposed changes to CF 12.8.d.3

Comments on proposed changes to CF 12.8.e

Comments on proposed changes to CF 12.8.f

Comments on proposed changes to CF 12.8.g

Comments on proposed changes to CF 12.8.g.1

Comments on proposed changes to CF 12.8.g.2

Comments on proposed changes to CF 12.8.g.3

Comments on proposed changes to CF 12.8.i

Comments on proposed changes to CF 12.8.i.1

Comments on proposed changes to CF 12.8.i.2

ICP 16 (Enterprise Risk Management for Solvency Purposes)

General comments on proposed changes to ICPs 16.6 and 16.9 and related ComFrame standards

Comments on proposed changes to ICP 16.6

Comments on proposed changes to ICP guidance 16.6.11

Comments on proposed changes to ICP guidance 16.6.12

Comments on proposed changes to CF 16.6.b

Comments on proposed changes to ICP guidance 16.9.7

Comments on proposed changes to CF guidance 16.9.c.1

Comments on proposed changes to CF guidance 16.9.c.2

Comments on proposed changes to CF guidance 16.9.c.3

Comments on proposed changes to CF guidance 16.9.c.4

Comments on proposed changes to CF guidance 16.9.c.5

General comments on proposed changes to ICPs 16.15 and 16.16 and related ComFrame standards

Comments on proposed changes to ICP 16.15

The IAA notes that in the draft IRRD in Europe the term “pre-emptive recovery plan” is used.

Comments on proposed changes to ICP guidance 16.15.1

The purpose of recovery planning is also to help supervisors and resolution authorities by making it less likely that insurers need resolution and to help if they do enter resolution. This also should help supervisory aims to contribute to a viable insurance sector.

Comments on proposed changes to ICP 16.16

Comments on proposed changes to ICP guidance 16.16.1

Comments on proposed changes to ICP guidance 16.16.2

Comments on proposed changes to ICP guidance 16.16.3

Comments on proposed changes to ICP guidance 16.16.4

Comments on proposed changes to ICP guidance 16.16.5

Comments on proposed changes to ICP guidance 16.16.7

The insurer’s review of its recovery plan should include checking and testing that it is likely to be effective in practice. This review should cover, in particular, any significant reliance on third parties.

Comments on proposed changes to ICP guidance 16.16.8
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The IAA suggests adding “in the view of the supervisor” after “severe stress” as the supervisor and the insurer's management may have different views on the need to take recovery actions.

Comments on proposed changes to CF 16.16.a
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