



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Public

Comparison of 2018 draft overall ComFrame with previous versions of draft ComFrame material¹ (material published for information)

31 July 2018

¹ Please note that some parts of ComFrame material were moved to a different location, which led to changes in the order of some standards (in particular for ComFrame in ICPs 7, 8 and 16). This table does not mark-up moves of the entire standards, but only changes of the content within particular standards. For example, CF 7.9.a and CF 7.9.a.1 were in a different place in the March 2017 draft (numbered as CF 7.3.a and CF 7.3.a.1). However, only amendments in the content of this material are shown in redline, for easier identification of those changes.

Comparison of ComFrame Introduction with the draft published for consultation in March 2017

ComFrame Introduction

18. In the context of its mission, the IAIS has issued the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame), which establishes international supervisory standards focusing on the effective group-wide supervision of internationally active insurance groups (IAIGs).

19. ComFrame provides quantitative and qualitative supervisory requirements tailored to the ~~complexity and~~ international ~~scope~~ activity and size of IAIGs. ComFrame seeks to assist supervisors in: addressing group-wide activities and risks; identifying and avoiding ~~regulatory supervisory~~ gaps; coordinating supervisory activities efficiently and effectively; ~~sharing information about IAIGs~~ between the group-wide and other involved supervisors; ~~and providing. ComFrame also aims to provide~~ a basis for comparing IAIG supervision across jurisdictions; ~~however, it does not create a one-size-fits all approach to IAIG supervision.~~

20. As part of ComFrame, the IAIS is developing a risk-based global insurance capital standard (ICS). ICS Version 2.0 is presented in a stand-alone document and is being used during a five-year monitoring period for confidential reporting to group-wide supervisors and discussion in supervisory colleges. The ICS is not used as a group-wide Prescribed Capital Requirement (PCR) during the monitoring period. In the second phase of implementation of ICS Version 2.0, the ICS will be implemented as a group-wide PCR.

Structure

19.21. The ICPs are applicable to the supervision of all insurers within a jurisdiction, which includes IAIGs. ~~Thus, ComFrame builds upon the ICPs and provides additional Standards and Guidance specific~~ applicable only to the supervision of IAIGs. The qualitative requirements of ComFrame material is presented in blue boxes within the relevant ICP material, following a similar hierarchy to the ICPs:

- ComFrame Standards – the highest level in the ComFrame hierarchy which build on ~~specific~~ certain ICP Principle Statements and/or ICP Standards. ComFrame Standards are outcomes-focused, specific requirements for supervisors. ComFrame Standards are presented in bold font, and follow the numbering of the relevant ICP Principle Statement and/or ICP Standard with the addition of “CF” and a letter (for example, the second ComFrame Standard under ICP Standard 3.2 would appear as CF3.2**b**).
- ComFrame Guidance – the lowest level in the ComFrame hierarchy which provides support for ComFrame Standards. ComFrame Guidance is intended to

facilitate the understanding and application of a ComFrame Standard; it does not represent any requirements. Where appropriate, ComFrame Guidance provides examples of ways to implement a ComFrame Standard. ComFrame Guidance is presented in regular font, with the number and letter of the ComFrame Standard followed by the ComFrame Guidance number (for example, the first paragraph of ComFrame Guidance under ComFrame Standard CF3.2_b would appear as CF3.2_b.1).

Overarching Concepts

~~20-22.~~ ~~In addition to~~ The overarching concepts identified in the ICP Introduction are equally applicable to ComFrame, in particular proportionality. Additionally, there are several, ComFrame-specific overarching concepts to understand and keep in mind when reading and implementing ComFrame.

Allocation of roles

~~21-23.~~ The group-wide supervisor takes responsibility for the supervision of the IAIG as a whole, on a group-wide basis. Other involved supervisors are responsible for the supervision of the IAIG's individual insurance legal entities in their respective jurisdictions and take into account the effect of their supervisory actions on the rest of the IAIG.

Governance structures

~~22-24.~~ IAIGs have different models of governance (i.e. more centralised or more decentralised). ComFrame does not favour any particular governance model and instead focuses on the outcomes that the governance model needs to achieve.

Group-Wide Supervision

25. Whereas the ICPs are neutral as to direct or indirect approaches to group-wide supervision, ComFrame requires-uses a direct approach for certain powers as indicated by the relevant ComFrame Standards.

Comparison of ComFrame material in ICP 5 with the draft published for consultation in March 2017

CF 5.2.a	The group-wide supervisor requires the Head of the IAIG to ensure that the competence of the IAIG Board members, (individually and collectively), Senior Management, and Key Persons in Control Functions includes possessing, to have the knowledge necessary for fulfilling competence to fulfil their role, taking into account the complexity and international nature of the IAIG, any specific features of the jurisdictions where the IAIG operates, and the risks to which it is exposed.
CF 5.2.a.1	CF5.2a.1 The IAIG Board members (individually and collectively), Senior Management and Key Persons in control functions should have Appropriate competences to manage the IAIG, such as include, for example, knowledge of and experience with international business and processes, as well as different business models.

Comparison of ComFrame material in ICP 7 with the draft published for consultation in March 2017

CF 7.0.a	The group-wide supervisor requires the Head of the IAIG to have a written outline of <u>document</u> the legal and management structures of, and inter-relationships within, the IAIG to enable an understanding of its structure to help identify and manage risks. CF 7.0.a.1 The <u>outlined documentation</u> covers <u>legal</u> entities within the IAIG and, where relevant, the wider group <u>of which the IAIG is part</u>, and includes items such as: • <u>home jurisdiction of the Head of the IAIG;</u> • the jurisdictions of legal entities within the IAIG, including branches; • home jurisdiction of the Head of the IAIG; • off-balance sheet entities; • <u>materiality of legal entities or business lines within the IAIG;</u> • financial <u>ties (such as commercial contracts)</u> and non-financial ties, <u>(such as common directors or commercial ties);</u> • details of the shareholding structure and significant shareholdings, including controlling shareholders; • governance structure, including <u>boards</u> Boards and their committee structure and key responsibilities; and • management structure, including the division of authority and decision making between business line management, local management, and Board oversight.
<u>CF 7.0.b</u>	The group-wide supervisor requires the Head of the IAIG to ensure that the <u>group-wide</u> corporate governance framework of the IAIG is appropriate to the structure, business and risks of the IAIG <u>and including its legal entities</u> and includes policies, processes and controls which address risks across the IAIG and its legal entities.
<u>CF 7.0.c</u>	The group-wide supervisor requires the Head of the IAIG to establish <u>clear reporting lines between the Head of the IAIG and the legal entities within the IAIG.</u> CF7.0b.1 The IAIG should monitor that its corporate governance framework allows for the supervisory and legal obligations of its legal entities to be effectively met. The ultimate responsibility for the sound and prudent management of the IAIG rests with the IAIG Board.
CF 7.1.a	The group-wide supervisor requires the IAIG Board to establish a well-defined group-wide governance structure, which includes clear reporting lines and promotes effective oversight of the IAIG's group-wide operations independent of day-to-day management. CF7.1a.1 Clear reporting lines should exist between the IAIG Board, Senior Management and Key Persons in Control Functions, and the Boards,

Senior Management and Key Persons in Control Functions of legal entities within the IAIG. CF7.1a.2 Where individuals undertake similar functions for more than one legal entity within the IAIG, the IAIG Board should adopt appropriate measures so that there is no conflict between the different roles to be performed by such individuals.	
CF 7.2.a	The group-wide supervisor requires the IAIG Board to ensure that the group-wide business objectives, and strategies for achieving those objectives, take into account at least the following: • applicable laws and regulations of, and the risks which may arise from doing business in, the jurisdictions in which the IAIG operates; • long term financial <u>safety and</u> soundness of the IAIG as a whole; • the interests of policyholders and other stakeholders; • fair treatment of customers; and • the interests and objectives of the insurance legal entities within the IAIG. CF 7.2.a.1 The IAIG Board should establish processes for identifying and addressing any risks to the proper implementation of the IAIG's objectives and strategies for achieving those objectives, including any emerging risks. CF 7.2.a.2 The group-wide supervisor should cooperate and coordinate with the other involved supervisors to compare the consistency of the interests and objectives of the IAIG with those of the insurance legal entities within the IAIG.
CF 7.2.b	The group-wide supervisor requires the Head of the IAIG to provide, at least annually, <u>a clear, detailed and</u> explanation of the strategy that the IAIG Board has set for the IAIG as a whole and <u>for</u> its <u>key</u> legal entities and business lines. CF 7.2.b.1 <u>An explanation of the strategy provides the group-wide supervisor with information useful for understanding of, among other things, the IAIG's corporate governance framework.</u> The explanation of the strategy that the IAIG Board has set for the IAIG should include matters such as: • the overall business model and its rationale; • material business lines and how they are likely to develop; • non-insurance business <u>activities</u> the IAIG is likely to pursue; • the geographic emphasis of the IAIG and any likely changes; • anticipated changes in market share; <u>(s)</u>; • the consequences (financial or otherwise) of achieving, or not achieving, the strategy; and

	• how the strategy ensures the IAIG will have the ability to fulfil its obligations to policyholders.
CF 7.3.a	The group-wide supervisor requires that the collective competence of the IAIG Board includes at a minimum, an understanding of <u>at least</u>: • the <u>group-wide corporate governance framework</u> and corporate structure of the IAIG; • the business <u>the activities</u> of the legal entities within the IAIG, including associated risks; • the supervisory regimes applicable to the IAIG; • the issues that arise from cross-border business and international transactions; and • the <u>governance, risk management, compliance, audit, actuarial</u> and related areas that allow them to provide oversight in these areas and of the Control Functions. CF 7.3.a.1 The IAIG Board should be capable of understanding and describing the purpose, structure, strategy, material operations, and material risks of the IAIG, including those of legal entities in other financial sectors and unregulated legal entities that are part of the group.
CF 7.3.b	The group-wide supervisor requires the IAIG Board to ensure that the group-wide corporate governance framework includes policies and procedures to identify and avoid, or mitigate, conflicts of interests <u>interest</u> that may adversely affect the IAIG as a whole or any of its legal entities. CF 7.3.b.1 Conflicts of interest within an IAIG could arise: • at the level of the Board, Senior Management and Key Persons in Control Functions of the <u>Head of the</u> IAIG and of its legal entities; and • among the interests of the legal entities, or between the group-wide interests and those of any legal entity. For example, when the IAIG may be harmed by actions of an insurance legal entities within the IAIG, or when an insurance legal entity within the IAIG may be harmed by the actions of the IAIG. CF 7.3.b.2 Where a conflict <u>conflicts</u> of interest involving individuals or legal entities cannot be avoided, or mitigated, the policies and procedures should require the relevant individuals to or legal entities should inform their superiors or the relevant Board or the IAIG Board of the conflict and to take measures prescribed by the Board to mitigate its adverse impact.
CF 7.9.a	The group-wide supervisor requires the IAIG Board to ensure that the Head of the IAIG reports to the group-wide supervisor, through regularly scheduled or ad hoc reporting to, material changes related to <u>at least</u> the following at a minimum: • <u>domicile</u> <u>location</u> of legal entities;

	• legal structures; • management structures; • governance structure and processes of the IAIG Board to evaluate its effectiveness; • affiliations with other groups; • strategy; • risk appetite; and • business activities.
CF 7.9.a.1	The IAIG's group-wide systems and controls for communications should give <u>the Head of</u> the IAIG the ability to inform the group-wide supervisor of governance issues concerning both the IAIG as a whole and particular <u>relevant</u> insurance legal entities within the IAIG.

Comparison of ComFrame material in ICP 8 with combined drafts released for public consultation in March 2017 and November 2017²

CF 8.1.a	The group-wide supervisor requires the Head of the IAIG to ensure that the <u>group-wide</u> risk management system operates at all <u>encompasses the levels of the Head of the IAIG and legal entities within the IAIG and</u> covers, at a minimum <u>least</u>, the: • diversity of <u>and geographical reach of the</u> activities of the IAIG; • nature and degree of risk <u>risks</u> of individual legal entities or <u>and</u> business lines; • cumulative risks aggregation of risks from the legal entities within the IAIG that arises <u>at the level of the Head of the IAIG, in particular including</u> cross-border risks; • interconnectedness of the legal entities within the IAIG; • <u>level of</u> sophistication and functionality of information and reporting systems in addressing key group-wide risks; and • <u>applicable</u> laws and regulations of the jurisdictions where the IAIG operates.
CF 8.1.a.1	The IAIG's <u>group-wide</u> risk management system should: • be integrated with its organisational structure, decision-making processes, business operations, legal entities and risk culture; and • <u>be integrated within its legal entities; and</u> • measure the risk exposure of the IAIG against the risk appetite limits on an on-going basis in order to identify potential concerns as early as possible.
	CF8.1b.2 The Head of the IAIG should ensure that a risk assessment is carried out before the IAIG enters into new business lines and products and that ongoing risk assessment is carried out after entering into new business areas. The Head of the IAIG should have in place adequate processes, controls and systems to manage the risks of new products.
CF 8.1.b	The group-wide supervisor requires the <u>Head of the IAIG</u> to reflect, in the documentation of the IAIG's <u>its group-wide</u> risk management system, <u>material</u> differences in risk management that may apply to different legal

² 2018 draft ComFrame material in ICP 8 was compared against a combined version of draft ComFrame material in ICP 8 published for consultation in March 2017 and additional ComFrame material in ICP 8 published for consultation in November 2017, in order to enable Stakeholders see what changes have been made as compared to material already published for consultation.

entities within the IAIG, due to the nature, scale and complexity of the risks and their associated with business conducted locally risks. CF8.1a.1 The documentation should include explanations of the respective approaches to, or assumptions of, risk management applied across the IAIG and the rationale as to the risk appetite for different individual entities within the IAIG. CF8.1a.2 The IAIG should document the methodologies, key assumptions and limitations related to its stress testing and scenario analysis.	
CF 8.1.c	The group-wide supervisor requires the Head of the IAIG to <u>have ensure that the IAIG has in place processes/policies</u> and procedures for promoting <u>an appropriate sound</u> risk culture. CF 8.1.c.1 Processes and procedures for promoting an appropriate risk culture should include risk management training, address the issue of independence, and create appropriate incentives for staff. CF 8.1.c.2 The IAIG's risk culture should support open communication of emerging risks that may be significant to the IAIG and its <u>legal</u> entities.
<u>CF 8.1.d</u>	<u>The group-wide supervisor requires the Head of the IAIG to:</u> <u>review, at least annually, the group-wide risk management system to ensure that existing and emerging risks are taken into account, as well as any changes in the IAIG's structure and/or business strategy, are taken into account; and</u> <u>identify and make the necessary modifications and improvements are identified and made in a timely manner.</u> CF 8.1.d.1 The <u>Head of the</u> IAIG should assess whether a change occurring in one or more <u>legal</u> entities may affect the IAIG's risk profile overall. While such a change may impact only locally or within the region initially, because the impact on a group-wide basis may not be immediately apparent. CF 8.1.d.2 The IAIG's <u>group-wide</u> risk management system should take account of all material changes at ana <u>legal</u> entity level that may have an impact on how the IAIG measures and mitigates risk at a group level.
CF 8.2.a	The group-wide supervisor requires the Head of the IAIG to ensure that the <u>group-wide</u> internal controls <u>system</u> at the group-wide level covers, at a minimum least, the: <u>diversity and geographical reach of the activities of the IAIG; including geographical reach of the activities of legal entities within the IAIG;</u> intra-group transactions; interconnectedness of the legal entities within the IAIG; and <u>applicable</u> laws and regulations of the jurisdictions where the IAIG operates.
CF 8.2.b	The group-wide supervisor requires the Head of the IAIG <u>to ensure to assess annually that the internal controls systems at the group-wide and legal entity levels are coherent, complete and effective</u> annual testing and

	assessments carried out by an independent <u>objective external or internal</u> party to <u>determine assess</u> the coherence, completeness and effectiveness of the internal controls system <u>within the IAIG</u> and its utility to the IAIG Board and Senior Management for controlling the operations of the IAIG.
<u>CF 8.3.a</u>	The group-wide supervisor requires the Head of the IAIG to ensure that: - the tasks and responsibilities of the <u>IAIG group-wide</u> control functions, whether located at the level of the Head of the IAIG or within another <u>legal</u> entity of the IAIG, are clearly defined; and that - these <u>IAIG group-wide</u> control functions do not duplicate, limit or restrict the tasks and responsibilities of control functions at an <u>the</u> insurance legal entity level.
CF 8.3.b	The group-wide supervisor requires the <u>Head of the IAIG</u> <u>to ensure that the group-wide</u> control functions to: - coordinate with the control functions at the insurance legal entity level; and <u>evaluate ensure effective</u> group-wide internal management reporting.
CF 8.3.c	The group-wide supervisor requires the IAIG Board to ensure that the <u>IAIG group-wide</u> control functions: - are not combined; - are subject to periodic review either by the <u>IAIG group-wide</u> internal audit function (for control functions other than internal audit) or an <u>objective independent</u> external party; - have unrestricted access, and periodically report, to the IAIG Board or one of its committees; <u>and</u> have access to people and information, on a group-wide or legal entity level, to carry out their responsibilities; and are headed by persons who remain suitable for their role and meet any applicable professional qualifications and standards.
CF 8.4.a	The group-wide supervisor requires the Head of the IAIG to ensure that the <u>IAIG group-wide</u> risk management function, at <u>a minimum least</u>: - coordinates and monitors consistent <u>and effective</u> implementation of the risk management mechanisms and activities <u>throughout the IAIG at both at</u> the group-wide level and at the legal entity level; - sets out expectations relating to the group-wide responsibilities and reporting <u>requirements</u> of the risk management function of each legal entity within the IAIG, as applicable;

CF 8.4.b	The group-wide supervisor requires the IAIG risk management function to separate risk control activities <u>be independent</u> from risk taking activities. • sets <u>policies and</u> procedures and processes for effective interaction between the risk management functions of the Head of the IAIG and of the legal entities within the IAIG; • assesses the risk <u>management</u> strategy of the IAIG and ensures that this risk <u>management</u> strategy, including supporting processes, is implemented at the group-wide level; • conducts an assessment of risks at the group-wide level, legal entity and <u>keymaterial</u> business line level; • establishes an annual group-wide risk management plan which is approved by the IAIG Board; and • makes<u>provides</u> at least quarterly risk management reports to the IAIG Board or one of its committees.
<u>CF 8.5.a</u>	The group-wide supervisor requires the Head of the IAIG to ensure that the IAIG<u>group-wide</u> compliance function <u>at least</u>: • coordinates and monitors consistent <u>and effective</u> implementation of the IAIG's compliance mechanisms and activities including, at a minimum:<u>at the group-wide level and at the legal entity level;</u> • <u>sets</u> appropriate policies and processes regarding the legal and regulatory obligations, and the internal policies, of the IAIG and its legal entities; • assessments of<u>assesses</u> the material legal and regulatory obligations and compliance risks of the IAIG, and the steps being taken to fulfil or address them, at least annually and as required by the Board; • development and embedding of group-wide<u>supports the IAIG Board in fostering an effective</u> corporate values<u>culture</u> throughout the IAIG; • assessments of<u>establishes an annual group-wide compliance plan which is approved by the IAIG Board;</u> • <u>assesses</u> how the IAIG itself <u>is,</u> and the legal entities within the IAIG are, performing against <u>group-wide</u> compliance standards and goals; <u>and</u> • periodic<u>provides at least quarterly</u> written reports on its activities to the IAIG's Board or one of its committees; and • an annual group-wide compliance plan which is approved by the IAIG Board.
CF 8.6.a	The group-wide supervisor requires the Head of the IAIG to ensure that the IAIG<u>group-wide</u> actuarial function provides an overview of the

	IAIG's group-wide actuarial activities, functions and risks arising within or emanating from insurance legal entities within the IAIG. This overview includes, at a minimum <u>least</u>: • group-wide risk assessment and management policies and controls relevant to govern the activities of the IAIG's group-wide actuarial function or financial condition; • procedures to identify compliance issues <u>actuarial concerns</u> at one of the insurance legal entities in <u>within</u> the IAIG, or the IAIG as a whole, as applicable; • the IAIG's solvency position, including a calculation of <u>based on calculations of group-wide</u> regulatory capital requirements and technical provisions; • the IAIG's prospective solvency position by conducting <u>based on</u> capital adequacy assessments and stress tests, under various scenarios, and measuring their relative impact on assets, liabilities, and actual and future capital levels; • development, pricing and assessment of the adequacy of the IAIG's reinsurance arrangements; and • actuarial-related risk modelling in the IAIG's Own Risk and Solvency Assessment (ORSA) and use of internal models.
CF 8.6.b	The group-wide supervisor requires the <u>Head of the</u> IAIG <u>to ensure that the group-wide</u> actuarial function to: • work <u>works</u> with the actuarial functions at the insurance legal entity level to review actuarial information; and • provide <u>provides</u> independent advice and reporting at least annually reports to the IAIG Board <u>or one of its committees</u> on the insurance activities and risks posed to the IAIG.
CF 8.7.a	The group-wide supervisor requires the IAIG Board to ensure that the IAIG group-wide internal audit function provides independent assessment and assurance to the IAIG Board regarding, at a minimum <u>least</u>, the: • IAIG's group-wide policies, processes, and controls; • overall means by which the IAIG preserves its assets, and those of policyholders, and seeks to prevent fraud, misappropriation or misapplication of such assets; • reliability, integrity and completeness of the accounting, financial, management, information technology systems and risk reporting information; • capacity and adaptability of IT <u>architecture</u> information technology systems to provide information in an accurate and <u>an accurate and</u> timely manner to the IAIG Board and Senior Management; and

CF 8.7.a.1	design and operational effectiveness of the IAIG's group-wide risk management and internal controls systems, as well as of the totality of such controls both individually and overall. The IAIG group-wide internal audit function coordinates with the internal audit functions and external auditors of the legal entities within the IAIG when providing assessment and assurance to the IAIG Board.
CF 8.8.a	The group-wide supervisor requires the Head of the IAIG to have: in place an appropriate policy which takes into account the potential impact <u>on the IAIG</u> of outsourcing of any material group-wide activity or function on the IAIG business, sets out the internal review and approvals required, and provides guidance on the contractual and other risk issues to consider; and - written contracts that clearly describe all material aspects of the outsourcing arrangement, including the rights, responsibilities and expectations of all parties.
CF 8.8.b	When choosing a service provider <u>(either internal or external)</u> for a material group-wide activity or function that is to be outsourced, the group-wide supervisor requires the Head of the IAIG to: perform a detailed assessment of <u>assess</u> the potential service provider's ability and capacity to deliver the outsourced activities or functions; - perform due diligence on the service provider with respect to explicit or potential conflict <u>conflicts</u> of interests <u>interest</u> that would jeopardise the fulfilment of the needs of the IAIG; and - ensure that the service provider has the necessary <u>financial</u> resources to perform the outsourced activities or functions in a proper and reliable way, as well as adequate contingency plans in place to deal with emergency situations or business disruptions.
<u>CF 8.8.b.1</u>	<u>Activities or functions may be outsourced to an internal service provider (i.e. a legal entity which is part of the IAIG) or an external service provider. In the case of an internal service provider, the assessment and due diligence process may be different from the case of an external service provider. For example, if the internal service provider has already been assessed, some aspects of the assessment may not need to be repeated. Even though the assessment process used may vary between an internal or external service provider, it should be equally robust.</u>
CF 8.8.c	The group-wide supervisor requires the Head of the IAIG to ensure that outsourcing <u>(either internal or external)</u> of a group-wide activity or function (either to an insurance legal entity within the IAIG or to an

~~external service provider)~~ does not impede effective supervision ~~at~~of the ~~level~~Head of the IAIG.

CF 8.8.d The group-wide supervisor requires the Head of the IAIG to carry out a periodic review of the cumulative risks of ~~all~~ outsourced activities and functions ~~periodically and take all necessary actions to~~and address ~~any~~ identified risks.

Comparison of ComFrame material in ICP 9 with the draft published for consultation in March 2017

CF 9.0.a The group-wide supervisor engages with the Head of the IAIG and, in cooperation with other involved supervisors, carries out a supervisory review to assess the IAIG's compliance with ~~the~~ relevant legislation and supervisory requirements ~~which apply~~applicable at the level of the Head of the IAIG.

CF 9.0.a.1 This supervisory review may be conducted within the supervisory college (see ComFrame material under ICP 25 Supervisory Cooperation and Coordination).

~~CF9.0b The group-wide supervisor engages with the Head of the IAIG in order to assess how it is ensuring that the relevant legislation and supervisory requirements which apply at the level of the IAIG are met.~~

Group-wide supervisory plan and risk assessment

CF 9.2.a The group-wide supervisor's supervisory plan for an IAIG includes a group-wide risk assessment ~~which~~that is conducted at least annually.

CF 9.2.a.1 The group-wide risk assessment ~~is of an IAIG should be~~ conducted with inputs from the supervisory process.

CF 9.2.a.2 The group-wide supervisor should consider the results of the IAIG's enterprise risk management framework ~~and the IAIG's including its~~ ORSA assessment, as part of the group-wide risk assessment.

CF 9.2.a.3 The group-wide supervisor should ~~rely on~~use information gathered on legal entities within the IAIG from other involved supervisors as another basis for the assessment of group-wide risk. ~~Where other involved supervisors identify risks that may be relevant to the supervision of the IAIG at the group level, they should share their individual risk assessment.~~

CF 9.2.a.4 The group-wide supervisor should consider inputs from other relevant supervisors not involved in the direct supervision of the IAIG ~~(e.g., such as macro-prudential analysis, anti-money laundering or combatting the financing of terrorism inputs).~~

Peer-group analysis

CF 9.2.a.5 To the extent practicable and where useful, the group-wide supervisor should conduct a peer-group analysis to provide information relevant to of the IAIG's peers as part of the group-wide risk assessment, in cooperation with group-wide supervisors of other IAIGs where possible. Information in the public domain should be used for the purposes of the peer-group analysis should be subject to confidentiality requirements. The group-wide supervisor may also use non-public information provided by other supervisors. If sharing non-public information for the purpose of the peer-group analysis, the supervisors should be conscious of the risk of sharing information that in certain situations could compromise the competitive advantage of

	<u>the IAIG's peers. The supervisors may consider whether it is appropriate to anonymise information shared.</u>
CF 9.2.a.5	<u>CF 9.2.a.6</u> In conducting peer group analysis, the group-wide supervisor should consider <u>things/issues</u> such as: • <u>identifying market-wide risks and assessing the impact of such risks on the IAIG;</u> • <u>comparing and identifying good risk management practices among IAIGs;</u> • the similarity of business models <u>and geographical scope of IAIGs;</u> • the size, type and structure of IAIGs; and • <u>the similarity in geographic scope.</u> • <u>internal IAIG practices and governance, including risk management.</u> <u>Information in the public domain could be used for the purposes of the peer-group analysis.</u>
CF 9.2.a.7	<u>It is the group-wide supervisor's responsibility to decide to what extent the outcomes of peer-group analysis are shared with other involved supervisors. Peer-group analysis should be subject to confidentiality requirements (see ICP 3 – Information Exchange and Confidentiality Requirements).</u>
CF 9.2.b	<u>The group-wide supervisor includes in its group-wide risk assessment of thean IAIG includes, at a minimum: least, an evaluation of the following:</u> • <u>the complexity of the IAIGIAIG's group structure and the resulting risks to effective group-wide supervisionresultant risk;</u> • <u>non-regulated and non-financial entities within the IAIG;</u> • <u>a comparison of the risk profile of the IAIG with its risk-carrying capacity to identify matters which may adversely affect its capacity to meet obligations towards policyholders in the long term;</u> • <u>the adequacy and outcomes of the IAIG's stress testing;</u> • the capital adequacy and the availability of capital to meet group-wide capital requirements as well as the regulatory capital requirements for each insurance legal entity within the IAIG; <u>and</u> • <u>the macro-prudential environment in which the IAIG operates;</u> • <u>a reviewthe impact of the complexity of the IAIG's group structure on the effectiveness of its group-wide corporate governance framework;</u>

- ~~a review of the IAIG's approach to its legal and regulatory obligations, its distribution model and its proposals for dealing with specific areas of risk;~~
- ~~an analysis of the adequacy and soundness of the IAIG's enterprise risk management framework for the identification and quantification of risks including an evaluation of whether business activities and internal processes reflect the IAIG's risk assessment;~~
- ~~an evaluation of existing and prospective risks, and how these are reflected in the IAIG's business plans and strategy;~~
- ~~the effectiveness of the corporate governance framework;~~
- ~~an assessment of the potential impact that the IAIG's failure would have on policyholders, the insurance market, and the financial markets as a whole.~~

CF 9.2.b.1 In conducting the group-wide risk assessment, the group-wide supervisor should consider:

- the alignment between the IAIG's competitive position, business plans and strategy, risk appetite, and risk-carrying capacity;
- the IAIG's approach to its legal and regulatory obligations, its product distribution model and its proposals for dealing with specific areas of risk;
- non-regulated and non-financial legal entities within the IAIG;
- the adequacy and outcomes of the IAIG's stress testing;
- the IAIG's ability to meet policyholder obligations in both the near and long-term within the context of the risks arising from the macro environment in which the IAIG's operates; and
- the potential impact that the IAIG's failure would have on policyholders, the insurance market, and the financial markets as a whole.

Complexity

CF 9.2.b.2 An IAIG is likely to have a complex operating structure that spans multiple jurisdictions, especially where it has operations which span different financial sectors. As such, in conducting the group-wide supervisor's group-wide risk assessment, the group-wide supervisor should consider:

- aggregated risk exposures that the IAIG has towards external counterparties, which can arise from direct and indirect exposures, on-balance and off-balance sheet items, regulated and ~~unregulated~~ non-regulated legal entities within the IAIG, the same or different financial sectors across the IAIG, or a combination or interaction of such exposures. ~~The group-wide supervisor should~~

evaluate if the Head of the IAIG has adequate oversight and has implemented an adequate risk management system to assess its aggregated credit, market, insurance and liquidity risk concentrations. Such risk concentrations should be viewed in the context of single or closely related drivers of risk that may have material impact on the IAIG;

- increased operational risk where the IAIG relies on significant cross-border services or support. Such cross-border activity ~~can~~may also increase the complexity of recovery and resolution planning. The group-wide supervisor should evaluate the effectiveness of the IAIG's policies, processes and systems, and assess whether the IAIG has adequate business continuity plan arrangements, to mitigate such cross-border operational risk; and
- significant ~~intragroup~~intra-group transactions—~~(e.g. insurance or reinsurance, intragroup guarantees, commitments, derivative transactions or off balance sheet transactions)~~ which can give rise to contagion effects within the IAIG, or result in a circumvention of sectoral regulatory requirements. The group-wide supervisor should evaluate whether the Head of the IAIG has adequate oversight over all material ~~intragroup~~intra-group transactions.

~~Non-regulated and non-financial entities~~

~~CF 9.2.b.3~~ In conducting the group wide risk assessment, the group wide supervisor should also take into consideration the activities undertaken by non-regulated entities within the IAIG. Non-regulated entities' contribution to group capital adequacy could be assessed by calculation of a proxy capital requirement as if the entity were regulated or through deduction of the group's interest in the unregulated entity. Where risk has been transferred from regulated to unregulated entities in a group, supervisors of the regulated entities should look through to the overall quantum and quality of assets in the unregulated entity. The risk assessment should address third party participations and minority interests.

~~Stress testing~~

~~CF 9.2.b.4~~ In conducting the group wide risk assessment, the group wide supervisor should evaluate the results of the IAIG's group wide stress test, taking into consideration the severity of the stress scenarios in each of the IAIG's major operating jurisdictions, as well as the extent of interaction within the IAIG's different businesses.

~~Capital adequacy~~

~~CF 9.2.b.5~~CF 9.2.b.3 In conducting the group-wide risk assessment, the group-wide supervisor should assess the adequacy of an IAIG's capital

position ~~on a group-wide basis~~ against group capital standards applicable at the ICS as implemented in the jurisdiction level of the Head of the IAIG. The role of the group-wide supervisor in conducting and coordinating this assessment is particularly important in cases where the IAIG has a mixture of insurance, banking and securities sector operations. ~~In coordination with other involved supervisors, the group-wide supervisor should also assess the availability of capital in meeting the regulatory capital requirements for each insurance legal entity of the IAIG in each jurisdiction.~~

~~CF 9.2.b.6~~ CF 9.2.b.4 In conducting the group-wide risk assessment, the group-wide supervisor should identify situations ~~which~~that may give rise to double or multiple gearing. Such situations ~~could~~may occur within IAIGs which are not fully consolidated and when one legal entity holds regulatory capital issued by another entity within the IAIG, where the issuer is permitted to include the capital in meeting its own regulatory requirements. These situations can result in an overstatement of group capital. The group-wide supervisor should require that the capital adequacy assessments of the IAIG exclude intra-group holdings of regulatory capital if not performed on a fully consolidated basis.

~~CF 9.2.b.7~~ CF 9.2.b.5 In conducting the group-wide risk assessment, the group-wide supervisor, in cooperation with other involved supervisors, should ~~conduct an assessment of~~assess the fungibility of capital — ~~that is~~ (its ability to absorb losses arising anywhere in the IAIG as needed. ~~In such instances,~~). The group-wide supervisor should take into account regulatory, legal and other requirements ~~which~~that may affect the IAIG's ability to transfer capital between entities, sectors and jurisdictions, both ~~on a going-concern basis~~ in normal circumstances and in a crisis.

Non-regulated and non-financial legal entities

CF 9.2.b.6 In conducting the group-wide risk assessment, the group-wide supervisor should consider the activities undertaken by non-regulated legal entities within the IAIG by assessing issues such as:

- the potential contagion risks arising from the activities of non-regulated legal entities due to interdependencies or exposures between the insurance legal entities and the non-regulated legal entities within the IAIG;
- the competence of the IAIG Board and Senior Management in understanding and managing the risks arising from the non-regulated legal entities, particularly if these entities are significant to the group;
- the strength of the group capital adequacy to support the insurance legal entities. Non-regulated legal entities' contribution to the group capital adequacy could be assessed by calculation of a proxy capital requirement as if the entity were regulated or through deduction of the group's interest in the non-regulated legal entity; and

- where risk has been transferred from regulated to non-regulated legal entities within the IAIG, the group-wide supervisor in cooperation with supervisors of the regulated entities should look through to the overall quantum and quality of assets in the non-regulated entities. The risk assessment should address third party participations and minority interests.

Stress testing

CF 9.2.b.7 In conducting the group-wide risk assessment, the group-wide supervisor should evaluate the results of group-wide stress tests that the IAIG performed.

Macro-prudential analysis

CF 9.2.b.8 In conducting the group-wide risk assessment, the group-wide supervisor ~~(, with input from other relevant~~involved supervisors), should ~~take into consideration~~consider the current and ~~forecast~~forecasted business and the macroeconomic environment in ~~all~~ the material jurisdictions ~~that in which~~ the IAIG operates ~~in~~, and assess the cumulative potential impact on the operations of the IAIG. This macro-prudential analysis should also be incorporated into forward-looking stress testing to identify possible events or changes in market conditions that could adversely impact the IAIG's group financial position.

CF 9.4.a The group-wide supervisor, in cooperation with other involved supervisors, establishes requirements for reporting requires the calculation~~Head of the IAIG to report the reference ICS and the capital to meet, at the ICS~~Option of the group-wide supervisor, any additional reporting.

CF 9.4.a.1 Reporting to the group-wide supervisor should be on a confidential basis for the purpose of discussion in the supervisory college.

CF 9.6.a The group-wide supervisor performs on-site inspections at the level of the Head of the IAIG.

CF 9.6.a.1 The group-wide supervisor's on-site inspections should consider group-wide activities and major risks that impact legal entities within the IAIG.

CF 9.6.a.2 During on-site inspections, the group-wide supervisor should have access to the IAIG Board, Senior Management and Key Persons in Control Functions ~~and Senior Management~~ responsible for the group-wide functions wherever these functions are performed.

CF 9.6.a.3 Other involved supervisors should inform the group-wide supervisor of significant planned on-site inspections and communicate the main findings to the supervisory college where they are material to the IAIG or to another insurance legal entity ~~in~~within the IAIG.

CF 9.6.b Where appropriate, the group-wide supervisor, or other involved supervisors with reasonable supervisory interest, join on-site inspections of an insurance legal entity in another jurisdiction ~~with prior~~

~~consent from, coordinated by~~ the relevant involved supervisor ~~and coordinated by, with prior consent from~~ that supervisor.

CF9.6b.1 ~~Joint on-site inspections should be arranged whenever~~ Relevant involved supervisors ~~have~~ should consider organising a ~~reasonable supervisory interest and whenever this avoids duplication of work.~~ The main outcomes of joint on-site ~~inspections~~ inspection to address issues that are material to the IAIG or to another insurance legal entity ~~in~~ within the IAIG. The relevant involved supervisor should ~~be shared~~ share the main outcomes of a joint on-site inspection within the supervisory college.

CF 9.7.a The group-wide supervisor communicates the results of the group-wide supervisory review of the IAIG, including the group-wide risk assessment, to the supervisory college and, as appropriate, to the Head of the IAIG.

Comparison of ComFrame material in ICP 10 with the draft published for consultation in March 2017

CF 10.0.a	<u>Where appropriate, the group-wide supervisor applies supervisory measures directly to the Head of the IAIG. If the Head of the IAIG is not within the group-wide supervisor's jurisdiction, other involved supervisors apply supervisory measures to assist the group-wide supervisor.</u>
CF 10.0.a.1	The group-wide supervisor should have flexibility in <u>the application of how it applies</u> supervisory measures depending on, which may need to vary according to the legal structure of the group, the jurisdiction in which the legal entities in the group are established, and the IAIG's situation. <u>supervisory authority over relevant parts of the group.</u>
CF 10.0.a.2	If the Head of the IAIG is not located in the jurisdiction of the group-wide supervisor, the group-wide supervisor should use indirect powers to apply supervisory measures.
<u>CF 10.0.a.3</u>	<u>Other involved supervisors should assist the group-wide supervisor to apply supervisory measures to the Head of the IAIG or to insurance legal entities if they have direct supervisory powers to do so.</u>
CF 10.0.b	An involved supervisor coordinates with other involved supervisors before requiring a specific preventive or corrective measure if that measure will have a material effect <u>at on</u> the <u>group-level or on</u> supervision of the IAIG as a whole, or on the supervision of an insurance legal entity within the IAIG, unless exceptional circumstances preclude this <u>such</u> coordination.
CF 10.0.b.1	The supervisory college provides a forum for the group-wide supervisor and the other involved supervisors to coordinate preventive and corrective measures. —In addition to supervisory colleges, coordination can take place through a crisis management group (see ComFrame material under ICP 25 Supervisory Coordination and Cooperation).
CF 10.0.b.2	Supervisory measures that should be preceded by coordination between involved supervisors include: restricting the transfer of assets between entities within the IAIG; requiring an increase in capital; and suspending or revoking the licence of an insurer <u>insurance legal entity</u> .
CF 10.0.b.3	There may be exceptional circumstances where the <u>an involved</u> supervisor who that wishes to act cannot involve <u>coordinate</u> in advance <u>with</u> the other involved supervisors. In such circumstances, the <u>involved</u> supervisor should inform <u>the</u> other involved supervisors of the decision made, or action taken, and the supporting rationale, as soon as possible.
CF 10.0.b.4	The <u>An involved</u> supervisor of one of the IAIG's insurance legal entities does not need to coordinate with <u>the</u> other involved supervisors if the preventive or corrective measure will not materially affect the IAIG as a whole or another insurance legal entity. For example, an involved <u>supervisor</u> may not need to coordinate with the other involved

	supervisors before requiring the insurance legal entity to alter its sales practices <u>enhance its regulatory reporting as a preventive measure to monitor the entity's specific business</u> .
CF 10.0.b.5	If an <u>involved</u> supervisor requires an insurance legal entity in <u>within the</u> IAIG to take preventive or corrective measures that are long-term and material in nature, the <u>that</u> supervisor should provide periodic updates to the supervisory college.
CF 10.0.b.6	The requirement to coordinate action (other than in exceptional circumstances) does not imply that the supervisor taking action needs the consent of other involved supervisors to take action which is necessary to discharge its duties under the law in its jurisdiction.
CF 10.2.a	The group-wide supervisor requires the Head of the IAIG to take preventive measures if: • an <u>legal</u> entity within the IAIG seems likely to operate in a manner that ○ is inconsistent with any relevant regulatory requirements, or ○ would have a material adverse effect on the IAIG as a whole; or • the IAIG as a whole seems likely to operate in a manner that is inconsistent with regulatory requirements.
CF 10.2.a.1	The situation described in the first part of the Standard could arise, for example, where one regulated <u>legal</u> entity in the group seems likely to fail to meet its capital requirement, causing the IAIG as a whole to be likely to fail to meet a group capital requirement to which it is subject.
CF 10.2.a.2	The group-wide supervisor should not require the Head of the IAIG to take additional preventive measures if the supervisor of an insurance legal entity within the IAIG has already required that entity to take preventive measures and the group-wide supervisor has assessed that the preventive measures adequately mitigate the risk to the IAIG as a whole.
CF 10.2.a.3	The situation described in the second part of the Standard could arise, for example, where every regulated <u>legal</u> entity in the IAIG meets its capital requirement, but the group as a whole seems likely <u>unlikely</u> to not meet a group capital requirement to which it is subject.
CF 10.5.a	The IAIG's group-wide supervisor coordinates with other involved supervisors if the Head of the IAIG, or an insurance legal entity within the IAIG, fails to take action to address the group-wide supervisor's, or other involved supervisor's, identified concerns.
CF 10.5.b	Where an <u>insurance legal</u> entity within the IAIG fails to take preventive or corrective measures, as required by the involved supervisor, the group-wide supervisor informs the Head of the IAIG of that lack of compliance and requires the Head of the IAIG to take action to ensure compliance.

<u>assists the involved supervisor, to the extent possible, in achieving a compliant outcome.</u>	
CF 10.6.a	Where appropriate, the group-wide supervisor applies<u>imposes</u> sanctions directly to<u>on</u> the Head of the IAIG within the group-wide supervisor's jurisdiction. CF 10.6.a.1 Sanctions should include, but are not limited to, the imposition of fines and penalties (even if non-compliance is due to the actions of a <u>subsidiary in legal entity within the group</u>)IAIG). CF 10.6.a.2 The group-wide supervisor should have flexibility in <u>the application of how it imposes</u> sanctions depending on, which may need to vary according to the legal structure of the group, the jurisdiction <u>in which the legal entities in the group are established,</u> and the IAIG's situation<u>supervisory authority over relevant parts of the group.</u> CF 10.6.a.3 If the Head of the IAIG is not located in the jurisdiction of the group-wide supervisor, the group-wide supervisor should and use indirect powers to <u>apply impose</u> sanctions. CF 10.6.b An involved supervisor <u>coordinates</u>communicates with other involved supervisors before <u>sanctioning</u>imposing sanctions on: • an insurance legal entity; • the Head of the IAIG; or • an individual involved with the relevant insurance legal entity or <u>the</u> Head of the IAIG if the sanction has<u>will have</u> a material effect on the supervision of the IAIG as a whole or a material effect on <u>the supervision of</u> another insurance legal entity. This coordination takes place within the IAIG, unless exceptional circumstances preclude it<u>such communication</u>. CF 10.6.a.1 The <u>involved</u> supervisor should discuss<u>communicate</u> the need for sanctions with<u>to</u> other involved supervisors at the earliest opportunity. Where a<u>an</u> <u>involved</u> supervisor must act before discussing<u>communicating</u> the need for sanctions, the<u>that</u> supervisor should inform the group-wide supervisor and other involved supervisors of the sanction, <u>and the supporting rationale,</u> as soon as possible.

Comparison of ComFrame material in ICP 12 with the draft published for consultation in March 2017

CF 12.2.a.1	In addition to the <u>resolution</u> objectives in <u>ICP 12.2</u> , the <u>resolution objectives in respect of a framework for resolving</u> IAIGs should also include <u>as an objective the</u> maintenance of financial stability, where applicable. A jurisdiction may, at its discretion, choose to rank these resolution objectives with respect to <u>an IAIGs</u> .
CF12.2.a	The resolution of an IAIG does not rely <u>seeks to minimise reliance</u> on public funding ownership or bail-out by use of public funds. Bail-out by use of public funds does not include use of funds from policyholder protection schemes or resolution funds to support the implementation of resolution actions. However, funds, in principle, should be ultimately recovered from the insurance sector.
CF 12.3.a	Resolution plans are in place for IAIGs in cases where the group-wide supervisor and/or resolution authority, in consultation with the crisis management group of the IAIG (IAIG CMG), deems necessary. CF 12.3.a.1 The group-wide supervisor and/or resolution authority should decide, <u>in consultation with members of the IAIG CMG (see ComFrame material under ICP 25)</u>, whether resolution plans are needed for an IAIG in consultation with members of the IAIG CMG, taking, considering at least the following issues into consideration: • <u>the IAIG's activities and its lines of business;</u> • <u>the</u> number of jurisdictions where the IAIG operates; • <u>the</u> complexity of the IAIG's group structure; and • <u>the possible potential</u> impact <u>of failure of the IAIG</u> on the financial system and the macro<u>real</u> economy in the jurisdictions within<u>in</u> which the IAIG operates. <u>Other issues that may also be taken into consideration are, for example, the:</u> • <u>IAIG's risk management mechanisms; and</u> • <u>expected costs, benefits and outcomes of the resolution planning requirement.</u> CF 12.3.a.2 The group-wide supervisor and/or resolution authority leads<u>should lead</u> the development of group resolution plans, <u>in coordination with members of the IAIG CMG, and involve the IAIG as appropriate</u>. Resolution plans should include a substantive resolution strategy and operational plan for its implementation and identify, in particular: • financial and economic functions that need to be continued to achieve the resolution objectives for the IAIG; • suitable resolution options to preserve such functions or wind them down in an orderly manner;

- data requirements ~~on~~for the IAIG's business operations, structures, and ~~these~~financial and economic functions;
- potential barriers to effective resolution and actions to mitigate those barriers; and
- actions to protect policyholders; ~~and~~.

- ~~clear options or principles for the conclusion of the resolution process.~~

CF 12.3.a.3 Host supervisors and/or resolution authorities may deem it appropriate to have their own resolution ~~plans~~plan for the IAIG's insurance legal entity in their jurisdictions, ~~cooperating when, for instance:~~

- the insurance legal entity's presence in the jurisdiction is large in scope and/or scale;
- the insurance legal entity provides critical and/or non-substitutable insurance coverages; and/or
- its resolution may impact that jurisdiction's financial system and/or real economy.

Host jurisdiction resolution plans should be established in cooperation with the group-wide supervisor and/or resolution authority to ensure that the plan is as consistent as possible with the group-wide resolution plan for the IAIG.

~~CF 12.3.a.3~~CF 12.3.a.4 Resolution plans ~~(where required) are~~ should be reviewed ~~at least annually on a regular basis,~~ or when there are material changes to ~~a firm's~~the IAIG's business or structure or any other change that could have a material impact on the resolution plan, and be updated when necessary. ~~These plans should also be~~ subject to regular reviews within the IAIG CMG.

CF 12.3.b **Where a resolution plan is required, the group-wide supervisor and/or resolution authority, in coordination with the IAIG CMG, regularly undertakes resolvability assessments ~~are regularly undertaken by relevant resolution authorities and/or the IAIG CMG~~ to evaluate the feasibility and credibility of resolution strategies ~~and their credibility,~~ in light of ~~the~~ possible impact of the IAIG's failure on:**

- policyholders; and ~~creditors, on~~
- **the financial system and on the macro-real economy in the jurisdictions within which the IAIG operateoperates.**

CF 12.3.b.1 Resolvability assessments should be conducted at the level of ~~the respective entity~~those entities where it is expected that resolution actions ~~are~~would be taken, in accordance with the resolution strategies for the IAIG, as set out in the resolution plan ~~for the IAIG.~~ The group-wide supervisor and/or resolution authority is responsible for.

~~CF 12.3b.1~~ Resolvability assessments ~~conducted at the group level in coordination with other IAIG CMG member jurisdictions.~~

~~CF 12.3.a.1~~ CF 12.3.b.2 ~~The resolvability assessment~~ should consider if it is feasible and credible for the resolution authority to resolve the IAIG in a way that protects policyholders and maintains financial stability ~~without use of~~ while minimising reliance on public funds.

CF 12.3.b.3 Resolvability assessments should be ~~conducted at least~~ undertaken on a regular basis, or when there are material changes to the Head of IAIG's business or structure, or any other change that could have a material impact on the resolvability assessment. These assessments should also be subject to regular reviews within the IAIG ~~by CMG~~.

~~CF 12.3.b.2~~ **The group-wide supervisor and/or resolution authority.** ~~Where the resolution strategy envisages that, in coordination with the IAIG would be resolved at lower levels, such as an intermediate holding company level or insurance legal entity level, resolvability assessments should also be conducted at such lower levels.~~

~~CF 12.3.b~~ CF 12.3.c ~~The resolution authority CMG~~, requires the Head of the IAIG to ~~develop~~ have and maintain group-wide management information systems (MIS) that are able to produce information on a timely basis ~~to supervisor, for supervisors and/or resolution authorities, for the purposes of resolution planning and resolution actions.~~

~~CF 12.3.b.1~~ CF 12.3.c.1 Information should be available at the ~~group~~ Head of the IAIG and the legal entity level.

~~CF 12.3.c.1~~ **The IAIG's MIS should:**

CF 12.3.c.2 The IAIG may rely on its existing information system, so long as it fulfils the objectives of producing information on a timely basis for the purposes of resolution planning and actions.

CF 12.3.c.3 **The IAIG should:**

- maintain a detailed inventory, including a description and location, of the key MIS used in material legal entities of the IAIG, mapped to core services and critical functions;
- identify and take steps to address legal constraints on the exchange of management information among material entities of the IAIG (for example, as regards the information flow from individual entities of the group to from the Head of the IAIG);
- demonstrate, as part of the ~~recovery and~~ resolution planning process, that ~~they are~~ it is able to produce the essential information needed to implement plans within an appropriate period of time; and
- maintain specific information at a legal entity level, including, for example, information on intra-group guarantees booked on a back-to-back basis.

CF 12.7.a The powers that ~~supervisor~~ the supervisor and ~~—/—~~ or resolution authority ~~testy~~ may exercise, subject to adequate safeguards, for the resolution of an IAIG include, ~~but are not limited to at least~~, the following:

- ~~prohibit the insurer from paying~~payment of dividends to shareholders;
- ~~prohibit the insurer from paying~~payment of variable remuneration to ~~Senior Management~~;
- ~~recover, and allow the recovery of~~ monies from members of the Board~~Boards~~, Senior Management, Key Persons in Control Functions and ~~major risk taking staff~~staff, including claw-back of variable remuneration;
- prohibit the ~~insurer from transferring its~~transfer of the IAIG's assets without supervisory approval;
- retain, remove or replace the members of the Boards, Senior Management and ~~and/or Board Members~~Key Persons in Control Functions;
- take control of, and manage, the ~~insurer~~IAIG, or appoint an administrator or manager to do so;
- withdraw ~~license~~the licence to write new business and put all or part of the insurance ~~business~~ contracts into run-off;
- ~~initiate the liquidation of the whole or part of the insurer~~;
- sell or transfer the shares of the ~~insurer~~IAIG to a third party;
- restructure, limit or write down liabilities (including insurance liabilities), and allocate losses to creditors and policyholders, where applicable and in a manner consistent with the statutory creditor liquidation claims hierarchy and jurisdiction's legal framework;
- override rights of shareholders of the ~~insurer~~IAIG in resolution, including requirements for approval by shareholders of particular transactions, in order to permit a merger, acquisition, sale of substantial business operations, recapitalisation, or other measures to restructure and dispose of the ~~insurer's~~IAIG's business or its liabilities and assets;
- terminate, continue or transfer certain types of contracts, including insurance contracts;
- transfer or sell the whole or part of the assets and liabilities of the ~~insurer~~IAIG to a solvent insurer or third party;
- transfer any reinsurance associated with transferred insurance policies without the consent of the reinsurer;
- temporarily restrict or suspend the policyholders' rights of withdrawing their insurance contracts;
- stay rights of the reinsurers of the ~~cedent~~ceding insurer in resolution to terminate, or not reinstate, coverage relating to periods after the commencement of resolution;

- impose a temporary suspension of payments to unsecured creditors and a stay on creditor actions to attach assets or otherwise collect money or property from the insurer~~IAIG~~;
- require relevant legal entities within the group~~IAIG~~ to submit necessary information for the resolution authority to be able to develop resolution plans;
- require the IAIG to take prospective actions to improve its resolvability;
- establish a bridge institution;
- take steps to provide continuity of essential services and functions by including, but not limited to:
 - requiring other ~~companies in~~legal entities within the same group~~IAIG~~ (including non-regulated entities) to continue to provide these essential services to the entity in resolution, any successor, or an acquiring entity;
 - ensuring that the residual entity in resolution can temporarily provide such services to a successor or an acquiring entity; or ~~procuring necessary services from unaffiliated third parties; and~~
 - procuring necessary services from unaffiliated third parties;
- temporarily stay early termination rights associated with derivatives and securities financing transactions-; and
- initiate the liquidation of the whole or part of the IAIG.

The resolution authority exercises resolution powers with the necessary speed and flexibility. Powers are used only if suitable and necessary to meet the resolution objectives.

CF 12.7.a.1 The power to require the IAIG to take prospective actions to improve its resolvability should be exercised in a proportionate manner. The IAIG should, where reasonable, first be given the opportunity to make its own proposal to remove any identified barriers to resolution.

CF 12.7.a.1~~CF 12.7.a.2~~ In some jurisdictions, PPSs can be utilised as a bridge institution to which insurance contracts of the IAIG are transferred.

~~CF12.7a.1 The power to require the IAIG to take actions to improve its resolvability should be exercised in a proportionate manner and the IAIG should, where reasonable, first be given the opportunity to make its own proposal to remove any identified impediments.~~

~~CF12.7a.2 The resolution authority should exercise resolution powers with the necessary speed and flexibility. Such powers should be used only if suitable and necessary to meet the resolution objectives.~~

~~CF 12.7.a.2~~CF 12.7.a.3 Essential services mentioned under ~~the 21st bullet point would~~CF12.7a include, in particular, IT.

The scope of,

CF 12.12.a.1 ICP 12 and ~~CFthe ComFrame material under ICP 12 is not limited to insurance legal entities within the group but may be applicable~~, where appropriate, ~~is also extended to the resolution of:~~

- the Head of the IAIG, and any intermediate holding company within the IAIG;
- non-regulated operational entities within the IAIG that are significant to the business of the group;
- non-insurance financial institutions ~~other than insurers~~ within the IAIG; and
- branches of insurers within the IAIG.

This guidance is not intended to override any existing sectoral requirement (e.g. for banks).

CF 12.12.a.2 Resolution actions ~~are~~should be taken for legal entities and branches within the groupIAIG, that fall within the scope stipulated above, as necessary and appropriate.

~~CF 12.12a.1 is not intended to override any existing sectoral requirement (e.g. for banks).~~

Comparison of ComFrame material in ICP 15 with the draft published for consultation in November 2017

~~CF 15.2a The group-wide supervisor requires the Head of the IAIG to establish a group-wide investment policy that sets criteria for investment quality and addresses the selection of, and exposure to, low-quality investments or investments whose security is difficult to assess.~~

~~CF 15.2a.1 The group-wide investment policy should take into account the different regulatory investment requirements of the jurisdictions in which the IAIG operates related to investments in low-quality assets.~~

CF 15.2.ab The group-wide supervisor requires **the Head of the IAIG to ensure that the IAIG conducts its own due diligence** to avoid placing undue reliance on assessments by credit rating agencies with regard to investment selection and risk management process, ~~and to conduct its own due diligence.~~

~~CF 15.2.ab.1 The IAIG should not solely rely on the credit risk assessment provided by credit rating agencies.~~ The IAIG should conduct due diligence to check the appropriateness of ~~such~~ credit ~~risk-rating~~ assessments, using various sources of information, and ~~should~~ ~~conducting~~ its own credit assessments on its larger or more complex exposures.

CF 15.2.a.2 Undue reliance generally refers to unchallenged acceptance of the ratings provided by credit rating agencies.

CF 15.2.be The group-wide supervisor requires the Head of the IAIG to consider the effect of ~~any~~ potential legal and **practical-operational** impediments to the IAIG's ability to transfer capital and assets on a cross-border basis.

~~CF 15.2.be.1~~ The Head of the IAIG should document ~~any~~ specific ~~legislative~~ restrictions that apply to the transfer of capital and assets from one jurisdiction to another, and what, if any, additional restrictions apply in the case of the resolution of ~~a~~ legal entity (see ICP 12 Exit from the Market and Resolution). The IAIG should ~~also~~ have documented procedures on actions ~~that affect the~~ required for cross-border transfer of capital and assets in normal and stressed times.

~~CF 15.2d The group-wide supervisor requires the Head of the IAIG to set minimum criteria for the liquidity and location of its investment portfolio in the group-wide investment policy so that the IAIG can make payments to policyholders or creditors when and where they fall due.~~

~~CF 15.2e The group-wide supervisor requires the Head of the IAIG to set limits or other requirements in the group-wide investment policy so that assets are properly diversified and asset concentration risk is mitigated.~~

~~CF 15.2e.1 The IAIG should avoid excessive concentrations in any particular:~~

- ~~• type of asset;~~
- ~~• issuer/counterparty or related entities of an issuer/ counterparty;~~
- ~~• financial market;~~

- industry; or
- geographic area.

CF 15.2f ~~The group-wide supervisor requires the Head of the IAIG to monitor investments on a group-wide basis to identify levels of exposure to certain investments that are inappropriate according to the group-wide investment policy.~~

CF 15.2f.1 ~~Group-wide exposures which exceed limits or any other instances of non-compliance should be reported periodically to the Head of IAIG. Reports to the Head of IAIG should also include exposures that, even if within limits, could create financial difficulties within the IAIG if the value or liquidity of the investments decreases.~~

CF 15.4a ~~The group-wide supervisor requires the Head of the IAIG to establish limits on intra-group investments in the group-wide investment policy.~~

CF 15.4a.1 ~~Limits on intra-group investments should consider, in particular:~~

- their lack of liquidity;
- contagion or reputational risk;
- valuation uncertainty; and
- potential impact on capital resources.

~~The fact that intragroup investments might be subject to supervisory approval in certain jurisdictions does not remove the requirement for the IAIG to set its own limits.~~

Comparison of ComFrame material in ICP 16 with the draft published for consultation in November 2017 (except CF 16.13, compared with CF 10.3 published for consultation in March 2017)

CF 16.1.a The group-wide supervisor requires:

- ~~the IAIG's group-wide~~ ERM framework to be as consistent as possible across its legal entities;
- ~~Any material~~ differences in the group-wide ERM framework ~~are required~~ to be transparent and explicitly linked to legal and supervisory requirements in the jurisdictions where the IAIG operates, and the distinct nature, scale and complexity of the risks associated with business conducted locally in those jurisdictions.

CF 16.1.b The group-wide supervisor requires the ~~IAIG's group-wide~~ ERM framework to cover at least the following risks and the management of these risks in a cross-border context:

- insurance risk;
- market risk;
- credit risk;
- liquidity risk;
- concentration risk;
- operational risk;
- group risk; and
- strategic risk.

CF 16.1.b.1 While these risks should be recognised and managed in the group-wide ERM framework, each risk category does not have to be managed separately. Some risk types, such as strategic or concentration risk, may be included in other risk categories.

CF 16.1.c The group-wide supervisor requires the ~~IAIG's group-wide~~ ERM framework to consider take into account explicitly group-wide intra-group transactions ~~and exposures (IGT)~~ including:

- the mechanisms to keep track of intra-group transactions that are of substantial importance to, and have a significant consequence for, the IAIG; ~~and~~
- ~~the risks arising from intra-group transactions;~~ and exposures and
- ~~the places appropriate~~ qualitative and quantitative restrictions on such risks.

CF 16.1.c.1 Intra-group transactions ~~and exposures~~ may include, but are not limited to:

- loans;

- guarantees;
- issuance of contingent capital;
- payment of dividends;
- cost sharing structures;
- service contracts;
- management arrangements and outsourcing;
- reinsurance;
- transactions among across different financial services entities ~~of different sectors~~ within the IAIG; and
- equity holdings.

CF 16.1.c.2 On a consolidated, or other aggregated, basis, the risks to the IAIG arising from IGT may not be evident. The IAIG's risk assessment of its IGT should consider, among ~~st~~ other factors:

- fungibility of capital and transferability of assets (such as capital or equity injections from one legal entity into another);
- currency effects such as if there are cost sharing or service contracts between legal entities located in different jurisdictions;
- correlation or concentration of risk;
- practical issues, including the time needed to reallocate risk and risk mitigants among ~~st~~ legal entities; and
- pathways for contagion risk within the group.

CF 16.1.c.3 The IAIG should ~~be aware of, and~~ take account of, the risk of support being withdrawn by from one part of the IAIG to another due to adverse publicity, poor results, ~~or~~ operational inefficiencies, or supervisory measures in another part of the IAIG.

CF 16.1.c.4 The ~~IAIG should address, in its group-wide~~ ERM framework, should address any financial or other activities (e.g. maturity transformation, securities lending) being undertaken by individual legal entities that may change the risk profile of the group. For example, in securities lending transactions, the group-wide ERM framework may provide that high quality assets not be swapped with low quality assets, that appropriate arrangements for the provisioning of collateral are in place, or that the maturity of the swapped assets does not significantly alter the risk profile of the IAIG.

CF 16.2.a The group-wide supervisor requires the Head of the IAIG to ensure that the IAIG measures all reasonably foreseeable and relevant material risks using an economic capital model and taking into account of the risks that the IAIG faces in different sectors, jurisdictions and economic environments.

CF 16.2.a.31 The IAIG should prioritise its risks in a consistent, ~~and~~ reliable ~~and valid~~ manner using appropriate means, including the use of an economic capital model.

CF 16.2.a.42 The economic capital model should be based on techniques that estimate the amount of capital needed in reasonably foreseeable adverse situations to which that the IAIG is or may be exposed to, to the extent it is reasonably foreseeable. The economic capital model should support is used to drive or validate major management decisions and by focusinges deeper attention on capital adequacy.

CF 16.2.a.23 The IAIG should consider the output of its economic capital model and regulatory capital requirements as inputs to its capital planning, which covers at least the IAIG's business planning period.

CF 16.2e2.b The group-wide supervisor requires the IAIG's risk measurement to include stress and reverse stress testing and scenario analysis the IAIG deemsthat are deemed relevant to itsthe IAIG's risk profile.

CF 16.2e2.b.1 ~~The IAIG should identify stresses pertinent to its risk profile.~~ ThisStresses should include (but may not be limited to) stresses those in the risk transfer markets that may have an adverse effect on its-the IAIG's business plan. For example, when developing its stresses scenarios, the IAIG should consider reinsurance capacity and related risk transfer costs in future periods after a catastrophic event.

CF 16.2b2.c The group-wide supervisor requires the group-wide IAIG's ERM framework to be independently reviewed at least once every three years, in order to ascertain that itthe ERM framework itself remains fit for purpose.

CF 16.2b2.c.1 The group-wide ERM framework review may be carried out by an internal or external body as long as the reviewer is independent and not responsible for, nor been actively involved in, the part of the group-wide ERM framework that it reviews.

CF 16.2.c.2 It may be necessary for the IAIG to perform an ad hoc review after a major change has occurred, such as a change in its risk profile, structure or business strategy.

CF16.4.a The group-wide supervisor requires the group-wideIAIG's ERM framework to establish and maintain processes tofacilitate the communication of its risk appetite internally and within the IAIG and externally.

CF 16.4.a.1 The granularity of disclosure may differ between internal and external communication.

CF 15.2a16.6.a The group-wide supervisor requires the Head of the IAIG to establish and maintain a group-wide investment policy that sets criteria for investment quality and addresses the selection of, and exposure to, low-quality investments or investments whose security is difficult to assess.

CF 15.2a16.6.a.1 The group-wide investment policy should take into account the different regulatory investment requirements of the jurisdictions in which the IAIG operates related to investments in low-quality assets.

CF 15.2d16.6.b The group-wide supervisor requires the Head of the IAIG to set minimum criteria for the liquidity and location of its investment portfolio

in the group-wide investment policy so that the IAIG can make payments to policyholders or creditors when and where they fall due.

CF 16.6.b.1 The minimum criteria for liquidity may be addressed by reference in the group-wide investment policy to a separate liquidity policy.

CF ~~15.2f~~16.6.c The group-wide supervisor requires the Head of the IAIG to set limits, or other requirements, in the group-wide investment policy so that assets are properly diversified and asset concentration risk is mitigated.

CF ~~15.2f~~16.6.c.1 The IAIG should avoid excessive concentrations in any particular:

- type of asset;
- issuer/counterparty or related entities of an issuer/ counterparty;
- financial market;
- industry; or
- geographic area.

CF ~~15.4a~~16.6.d The group-wide supervisor requires the Head of the IAIG to establish limits/criteria on intra-group investments in the group-wide investment policy.

CF ~~15.4a~~16.6.d.1 Limits/Criteria on intra-group investments should consider, in particular, take into account, when appropriate:

- their lack of liquidity;
- contagion or reputational risk;
- valuation uncertainty; ~~and~~
- potential impact on capital resources; ~~and~~
- nature of the IAIG's business; and
- financial strength of the individual legal entities.

The fact that intragroup investments might may be subject to supervisory approval, in certain jurisdictions, does not remove the requirement for the Head of the IAIG to set its own limits/criteria.

CF ~~15.2g~~16.6.e The group-wide supervisor requires the Head of the IAIG to monitor investments on a group-wide basis to identify levels of investment exposure ~~to certain investments that are inappropriate according to~~ do not comply with the group-wide investment policy.

CF ~~15.2g~~16.6.e.1 Group-wide investment exposures ~~which that~~ exceed limits, or any other ~~instances of~~ non-compliance, should be reported ~~periodically~~ to the Head of IAIG Board and Senior Management upon identification. Reports to the Head of IAIG Board and Senior Management should ~~also~~ include material exposures that, even if within limits, could create financial difficulties within the IAIG if the value or liquidity of the investments decreases.

CF 16.7.a The group-wide supervisor requires the Head of the IAIG to ensure that the IAIG implements its group-wide ERM framework by establishing procedures and monitoring practices for the use of sufficient, reliable and

relevant data for its underwriting, pricing, reserving and reinsurance processes.

~~CF 16.7a.1 The IAIG should clarify whether the data used are based on consolidation or on another aggregation method of the IAIG's various entities. The IAIG should take into consideration the implications and inherent risks of the selected methodology when developing its ERM framework. For example, intra-group transactions may be eliminated in consolidation and may not be reflected in the consolidated financial statement of the IAIG at the top level. In using the consolidation basis for the ERM framework, the IAIG may be able to account, and take credit, for diversification of risk. Conversely, using another aggregation method may facilitate a more granular recognition of risk.~~

Group-wide claims management policy

CF 16.7.b The group-wide supervisor requires the Head of the IAIG to establish and maintain a group-wide claims management policy, as part of the group-wide ERM framework, that establishes ~~includes~~ procedures ~~on~~for:

- ~~• delegations of authority for claims settlement;~~
- ~~• criteria for accepting or rejecting claims;~~
- ~~• escalating claims;~~
- claims estimation and settlement;
- feedback into the group-wide underwriting policy and reinsurance/risk transfer strategy; and
- claims data reporting for group analysis.

CF 16.7.b.1 The group-wide claims management policy may establish procedures for:

- delegations of authority for claims settlement;
- criteria for accepting or rejecting claims; and
- escalating claims.

CF 16.7.b.2A group-wide claims management policy should allow insurance legal entities to establish individual claims management policies and procedures, adjusted to supervisory requirements and circumstances in their jurisdictions.

~~CF 16.7.b.43 The escalation procedure for Escalating claims data from an entity to the group-wide risk management should include~~may include information about sudden increases in claim ~~amounts~~activity, ~~slowness~~delays in settlements and ~~increased~~ rejections.

Group-wide reinsurance and risk transfer strategy

CF 16.7.c The group-wide supervisor requires the Head of the IAIG to establish and maintain a group-wide reinsurance and risk transfer strategy as part of the group-wide ERM framework that ~~addresses~~ considers the following issues, as applicable:

- the interaction ~~of with~~ the group-wide ~~underwriting policy with the IAIG's reinsurance strategy~~risk and capital management strategies;

- how the ~~IAIG's~~ risk appetite ~~and risk tolerance levels are~~ achieved, on both a gross limit and net retention basis;
- the ~~IAIG's~~ appetite for reinsurer credit risk, including approved security criteria for reinsurance transactions and aggregate exposure criteria to individual or related reinsurers;
- ~~where the autonomy afforded to~~ individual insurance ~~legal~~ entities ~~are authorised or required to enter into some "entity specific" reinsurance arrangements on their own account, and the management and the aggregation of these exposures in the group-wide context;~~
- procedures for managing reinsurance recoverables, including required reporting from insurers;
- intra-group reinsurance strategy and practice;
- use of alternative risk transfer, including capital markets risk transfer products; and
- effectiveness of risk transfer in adverse circumstances ~~under reinsurance contracts are properly reflected in solvency assessment.~~

Group-wide actuarial policy

CF 16.7.d The group-wide supervisor requires the Head of the IAIG to establish and maintain a group-wide actuarial policy, as part of the group-wide ERM framework, that consists of a set of group-wide practice standards, covering at a minimum least:

- the process to assess the appropriateness, at the group-wide level, of the data, methodologies and underlying models used, as well as the assumptions made in the calculation of technical provisions ~~and the calculation of reinsurance recoverable assets;~~
- the process to calculate reinsurance recoverable assets taking into account the design of the reinsurance programme under the reinsurance strategy of the IAIG; and
- model risk management of internal models that generate actuarial and financial projections for solvency purposes.

CF 16.7.d.1 The group-wide practice standards comprising the group-wide actuarial policy should:

- be compliant with applicable law and regulation, accounting regime, and professional actuarial standards ~~in which the group operates in;~~
- formalise materiality thresholds to trigger higher levels of management interactions to ensure well-governed activities;
- provide for a data validation process that supports actuarial activities to ensure data quality, comprehensiveness, granularity and timeliness;
- provide a framework for determining assumptions used in valuations, including a process of incorporating the actual experience of the IAIG and its insurance legal entities, as well as a process of developing

	assumptions if the IAIG does not have enough actual experience in a particular business line or market; • articulate model validation and maintenance procedure to ensure that model usage and model modifications align with its <u>the</u> risk appetite and risk limits structure; and • create consistent management information requirements from in-depth reviews and quarterly monitoring of actuarial activities.
CF 16.7.d.2	The group-wide actuarial policy should contain practice standards to raise awareness of any <u>matters</u> that has <u>have</u>, or is <u>are</u> likely to have, a materially adverse effect on the solvency, reserves or financial condition of one of the insurance legal entities, or the IAIG as a whole. <u>Such standards that</u> would prompt the IAIG's group-wide actuarial function to inform the relevant Board, <u>Senior Management</u> or Key Persons in Control Functions at the insurance legal entity level, as appropriate, for suitable action (see <u>ICP 8 Risk Management and Internal Controls</u>).
CF 16.7.d.3	Differences <u>in reporting</u> may exist (for example, in reporting) at the insurance legal entity level to comply with jurisdictional requirements. The IAIG's group-wide actuarial policy should focus on group-wide reporting requirements, both for internal management purposes and for reporting and disclosure purposes.
CF 16.7.d.4	<u>The group-wide actuarial policy may address the consistency between the base assumptions and those under stressed conditions. As a result, such consistency may provide coherence with any risk-based capital requirements or economic capital model, as well as the forward-looking view in the ORSA.</u>
CF 16.7.e	The group-wide supervisor requires the group-wide actuarial function, as part of the <u>group-wide</u> ERM framework, to <u>report annually issue an annual group-wide actuarial opinion, report, advice or review</u> (whether certified or not) to the IAIG Board that covers <u>on</u> at least the following: • a prospective analysis of the financial situation of the IAIG which goes beyond the current balance sheet of the IAIG; • the reliability and sufficiency of the technical provisions; • the adequacy of reinsurance credit for technical provisions; and • consideration of non-insurance <u>legal</u> entities and non-regulated <u>legal</u> entities.
CF 16.7.e.1	The group-wide actuarial function should provide the IAIG Board an analysis of the current and future financial condition of the IAIG given recent experience and the group-wide <u>policies for underwriting policy, group-wide claims management and investment and the group-wide policy</u>, reinsurance strategy and group-wide investment policy.
CF 16.7.e.2	The IAIG may use the underlying actuarial reports submitted by the individual insurance legal entities as input to its annual <u>group-wide actuarial opinion, report, advice or review</u> <u>reporting</u> to the IAIG Board. Further examples of issues that could be addressed in the annual group-wide actuarial opinion, report, advice or review include:

- the assumptions used by all of the insurance legal entities in the group and the consolidation/aggregation method applied at the group level;
- the methodologies used to determine current estimates by each insurance legal entity and the consolidation/ aggregation method applied at the group level;
- the methodologies used to determine the margin over current estimate ~~(MOCE)~~ by each insurance legal entity and the consolidation/aggregation method applied at the group level;
- the availability and appropriateness of data used in valuations;
- back-testing of assumptions and valuations;
- uncertainty in current estimates used by both insurance legal entities and at the consolidated/aggregated/consolidated group level;
- the adequacy of pricing, taking into account the underwriting policies, at the appropriate unit level, ~~and at~~ the insurance legal entity level and the group level;
- the performance of the IAIG's insurance portfolios and analysis of any changes in business volumes, exposures, mix of business and pricing during the year;
- asset-~~liability~~ management under the group-wide investment policy;
- suitability and adequacy of reinsurance or other forms of risk transfer arrangements, taking into account the strategies for underwriting and claims management, as well as the overall financial condition and risk appetite of the IAIG; and
- the extent of reliance onto which the values provided by non-insurance legal entities are relied upon.

CF 16.10.a The group-wide supervisor requires the Head of the IAIG to perform a group-wide ORSA, using both quantitative and qualitative approaches, which consider stakes into account at least:

- the legal and management structures of the group;
- ~~restrictions on capital movements;~~
- group-wide economic capital models;
- risk aggregation;
- the ~~transferability of assets~~ fungibility of capital between jurisdictions and the transferability of assets within the group ~~fungibility of capital~~; and
- ~~both~~ the outputs of the economic capital model and the regulatory capital requirements.

CF 16.10.a.1 In conducting its group-wide ORSA, the IAIG should consider all material risks arising from insurance its legal entities ~~and other entities~~, including non-regulated ones. ~~Other risks that are important to consider~~

~~as part of the group-wide ORSA are~~ in particular, political risk and reputational risks should be considered.

CF 16.12a ~~The group-wide supervisor requires the IAIG to identify and considers the risks arising from its strategy as part of its ORSA.~~

~~CF 16.12a.1~~ These risks should include, but not be limited to:

- ~~• the ability of the IAIG and entities to handle significant or unusual growth or shifts in business volumes~~
- ~~expertise and resources required to manage proposed new lines of business or operations in new jurisdictions.~~

Recovery planning

CF 16.13.a The group-wide supervisor requires the Head of the IAIG to:

- develop a recovery plan; that identifies in advance options to restore financial strength and viability;
- review and update the recovery plan on a regular basis, or when there are material changes; and
- take actions for recovery if the IAIG comes under severe stress.

CF 16.13.a.1 The group-wide supervisor should consider the IAIG's nature, scale, and complexity when setting recovery plan requirements, including the form, content and detail of the recovery plan and the frequency for reviewing and updating the plan.

CF 16.13.a.2 Recovery planning is the responsibility of the IAIG. The IAIG ~~needs to~~should be able to take actions for recovery, in particular when any pre-defined criteria are met that trigger ~~recovery actions are met. The group-wide supervisor requires an IAIG to take further actions where actions for recovery already taken by the IAIG are ineffective or insufficient.~~

CF 16.13.a.3 ~~Pre-defined criteria that trigger recovery actions may be qualitative or quantitative. The criteria may include a strong likelihood that implementation of the insurer's solvency position will be below the PCR level.~~ recovery plan.

CF 16.13.a.4 ~~The~~ Recovery plans developed by the IAIG should cover all material entities within the group, ~~including holding companies and non-regulated companies.~~

CF 16.13.a.5 ~~The~~A recovery plan should serve as a guide for the IAIG and the group-wide supervisor for crisis preparedness and crisis management to plan and manage severe stress scenarios.

CF 16.13.a.6 The IAIG should ensure that:

- it has a robust governance structure and sufficient resources to support the recovery planning process, which includes clear allocation of responsibilities; and
- recovery planning is integrated into the IAIG's overall governance processes; .

- ~~it has in place systems to generate on a timely basis the information required to support the recovery planning process; and~~
- ~~it takes into account the impact of stress situations on intra-group transactions and associated cash flows and their availability when drawing up its recovery plans.~~

CF 16.13.a.7 Recovery plans are an integral part of the risk management process of an IAIG, ~~to identify~~aimed at identifying actions to be taken in severe stress conditions~~scenarios~~ that pose a serious risk to the viability of the IAIG, or any material part of its insurance business. Recovery plans generally describe how the IAIG would:

- continue operating its business, including ~~through a modified legal structure (e.g., consider by considering operations that could be discontinued or divested);~~ or
- continue operating certain lines of insurance business while restructuring or running off its discontinued business lines in an orderly fashion.

CF 16.13.a.8 Recovery plans should include:

- ~~concrete,~~ a description of the entities covered by the plan, including their legal structure, core business lines and main risks;
- a description of functions and/or services that are significant for the continuation of the IAIG (for example, shared services, such as information technology services and outsourced functions);
- pre-defined criteria with quantitative and qualitative trigger points, governance, escalation mechanisms and supporting processes to ensure timely implementation of recovery actions;
- credible options to respond to a range of ~~significant~~severe stress scenarios, including both idiosyncratic and market ~~-wide~~ stress;
- ~~measures~~ways to address capital shortfalls and liquidity pressures and to restore the financial health of the IAIG, ~~including the management taking into account intra-group transactions and possible actions it would take~~ to manage the potential cash flow implications of a severe stress scenario;
- ~~description~~assessment of ~~functions~~the necessary steps and/or ~~services that are critical for the group;~~
- processes time needed to ~~ensure timely implementation of implement the~~ recovery actions; including the risks associated with the implementation of the actions; and
- ~~quantitative or qualitative trigger points, and governance and escalation mechanisms, to ensure that the plan or individual measures are initiated in a timely way; and~~

- strategies for communication with ~~key~~ external stakeholders.

CF 16.13.a.9 Pre-defined criteria should be well-defined and aligned with contingency plans. They should include qualitative and quantitative criteria, such as a potential breach of a prescribed capital requirement (PCR). Criteria may also include triggers based on: liquidity, market conditions, macro-economic conditions, and the insurer's operational conditions.

~~CF 16.13.a.9~~ CF 16.13.a.10 Possible ~~measures~~ actions for recovery include:

- ~~actions to strengthen~~ strengthening the IAIG's capital position, such as recapitalisations;
- capital conservation ~~measures~~, such as cost containment and suspension of dividends and of payments of variable remuneration;
- reorganisation of corporate structure, ~~including and divestitures, such as~~ sales of subsidiaries legal entities or portfolios;
- voluntary restructuring of liabilities, ~~e.g. such as~~ debt-to-equity conversion; and
- ~~measures to secure~~ securing sufficient diversified funding and adequate availability of collateral in terms of volume, location and quality.

~~CF 16.13.a.10~~ CF 16.13.a.11 The group-wide supervisor should regularly review the recovery plan, including the predefined criteria, the assumptions and severe stress scenarios underlying the plan, to assess its credibility and likely effectiveness. Where necessary, the group-wide supervisor should provide feedback and require the IAIG to ~~revise these assumptions and scenarios~~ address any material deficiencies.

CF 16.13.a.12 The group-wide supervisor is not bound by the actions contemplated in the IAIG's recovery plan. If the IAIG comes under severe stress, the group-wide supervisor may require the IAIG to take other measures for recovery.

CF 16.13.b The group-wide supervisor requires the Head of the IAIG to ~~develop~~ have and maintain group-wide management information systems (MIS) that are able to produce information relevant to the recovery plan on a timely basis ~~in normal times for recovery~~.

CF 16.13.b.1 The IAIG may rely on an existing information system, so long as it fulfils the objectives of producing information relevant to the recovery plan on a timely basis.

~~CF 16.13.b.1~~ CF 16.13.b.2 It is important that the IAIG ~~have~~ has available the information necessary for executing recovery actions ~~available~~ when needed. Some of this information may be similar to the information needed for resolution, ~~while;~~ however, recovery may also require other information ~~that may be different~~ (see ComFrame material under ICP 12 Exit from the Market and Resolution).

Comparison table of relevant ComFrame material in ICP 23 with 2014 draft ComFrame³

ComFrame integrated into ICP 23 (2018 draft) ⁴	2014 draft ComFrame
CF 23.0.a The group-wide supervisor, in cooperation with other involved supervisors, determines whether an insurance group or an insurance legal entity operating through branches, is an IAIG after considering whether it meets both the following criteria: • Internationally active: ○ Premiums are written in three or more jurisdictions; and ○ Gross written premiums outside of the home jurisdiction are at least 10% of the group's total gross written premiums. • Size (based on a three-year rolling average): ○ Total assets are at least USD 50 billion, or ○ Gross written premiums are at least USD 10 billion.	ComFrame Standard M1E2-1 The group-wide supervisor leads the process of identifying an IAIG in cooperation with other involved supervisors. Any involved supervisor can prompt the process. ComFrame Standard M1E1-1 Supervisors identify whether or not a group qualifies as an internationally active insurance group (IAIG). Parameter M1E1-1-1 An insurance group qualifies as an IAIG if it meets the following criteria: (a) international activity criterion • premiums are written in three or more jurisdictions and • percentage of gross premiums written outside the home jurisdiction is at least 10% of the group's total gross written premium. and (b) size criterion (based on a rolling three-year average) • total assets are at least USD 50 billion or

³ This table refers to Elements 1 and 2 of Module 1 of the 2014 draft ComFrame. The content of Element 1 Module 3 of the 2014 draft ComFrame is now addressed by ICP 23, revised in 2015. The content of Element 1 Module 4 is addressed by draft revised ICP 25, endorsed by the Executive Committee in 2017 and published on the IAIS website for information purposes.

⁴ This table does not include ComFrame material from CF 23.1.a to CF 23.2.a, which is new material and therefore cannot be compared with the 2014 draft.

	gross written premiums are at least USD 10 billion.
CF 23.0.a.1 The criteria should be assessed based on the insurance group's reported financial statements, either on a consolidated basis when available or as otherwise submitted to the group-wide supervisor. Intra-group transactions should be eliminated when calculating the amount of insurance business written in each jurisdiction and total insurance business written, and when calculating the total assets of the group.	Parameter M1E1-1-2 The criteria in M1E1-1-1 for identification purposes are applied on the basis of the insurance group's consolidated financial statements prepared for supervisory purposes or, where such statements are not available, on the basis of consolidated general purpose financial statements. <i>Guideline M1E1-1-2-1</i> <i>If an IAIG pursues insurance activities with an associate or through a joint venture or joint arrangement, involved supervisors should take these activities into account for identification purposes to the extent provided for in the consolidated financial statements prepared for supervisory purposes or consolidated general purpose financial statements.</i>
<i>First part covered by standard CF23.0.a.</i> CF 23.0.a.2 "Total assets" are, at least, group assets related to the insurance business of the group.	<i>Guideline M1E1-1-1-1</i> <i>"Premiums are written in three or more jurisdictions" are those written by subsidiaries or branches.</i> <i>"Total assets", at a minimum, are group assets related to the insurance business of the group.</i>
CF 23.0.a.3 "Gross written premiums" represent a measure of the volume of insurance business being written. Where alternative but similar volume measures are required under the accounting framework applicable to the group, then these alternative measures may be used as a more practical way of deciding if a group meets the criterion for an IAIG. An example of an alternative measure may be "premiums received" as required for disclosure	N/A (new 2018 guidance reflects IFRS 17 developments)

	purposes under International Financial Reporting Standard 17.	
CF 23.0.a.4	Although an insurance legal entity that has no parent or subsidiaries is not an insurance group, it should be regarded as an IAIG if it operates on a branch basis in foreign jurisdictions and meets the criteria. The supervisor of this entity, in cooperation with other involved supervisors, would determine whether the IAIG criteria are met. References to a 'group' in this context would include such entities operating through branches which are identified as IAIGs.	<i>Guideline M1E1-1-1-3</i> <i>Although an insurance entity which has no parent or subsidiaries is legally not an insurance group, it should be regarded as an IAIG if it operates on a branch basis in foreign jurisdictions and meets the criteria.</i>
CF 23.0.a.5	For the purposes of assessing groups against the internationally active criterion, the United States of America should be regarded as a single jurisdiction and member states of the European Union should be regarded as separate jurisdictions.	N/A (new 2018 guidance added for clarification)
CF 23.0.a.6	Any involved supervisor may prompt the process of identifying an IAIG. If no group-wide supervisor has been determined, the supervisor most demonstrating the characteristics of a group-wide supervisor should invite involved supervisors to participate in the process of determining whether a group is an IAIG.	<i>Guideline M1E2-1-1-2</i> <i>Where no supervisory college exists, any involved supervisor may request that an insurance group be analysed to determine whether it meets the criteria. The supervisor demonstrating the characteristics of a group-wide supervisor should invite involved supervisors to participate in the process of identifying an IAIG.</i> <i>Guideline M1E2-1-1-3</i> <i>Where involved supervisors have not formally identified and agreed upon a group-wide supervisor, the supervisor demonstrating the relevant characteristics should assume the role of group-wide supervisor and take responsibility for coordinating the process of identifying an IAIG.</i>
CF 23.0.a.7	The scope of an insurance group should be determined before considering whether the criteria	N/A (added to specify the order of the exercise)

	for determining whether the group is an IAIG are met.	
CF 23.0.a.8	If there is already a supervisory college for a group, it should be used to facilitate the determination as to whether the group is an IAIG.	<i>Guideline M1E2-1-1-1</i> <i>Where a supervisory college exists, it should be used to facilitate decision making among involved supervisors.</i>
CF 23.0.b	In limited circumstances the group-wide supervisor has discretion to determine that a group is not an IAIG even if it meets the criteria or that a group is an IAIG even if it does not meet the criteria.	Parameter M1E1-1-3 Involved supervisors have discretion in applying the criteria to determine whether an insurance group qualifies as an IAIG. <i>Guideline M1E1-1-3-1</i> <i>The discretion allows involved supervisors to:</i> • <i>qualify an insurance group that does not meet the criteria as an IAIG</i> <i>or</i> • <i>not qualify an insurance group that does meet the criteria as an IAIG.</i>
CF 23.0.b.1	If discretion has been used, then the reasons for exercising such discretion should be based on verifiable and documented quantitative and qualitative information.	<i>Guideline M1E2-1-2-1</i> <i>Where discretion has been applied to treat the group as an IAIG, the group-wide supervisor should clearly document the considerations that have led to the decision to apply the discretion.</i>
CF 23.0.a.1	Examples of situations where a group-wide supervisor may exercise discretion to determine that a group is an IAIG despite not meeting all the criteria are where: • a host supervisor requests that the group be treated as an IAIG owing to the materiality of its operations in the host jurisdiction;	<i>Guideline M1E1-1-3-2</i> <i>The following examples show how involved supervisors may apply their discretion:</i> • <i>an involved supervisor requests the group-wide supervisor to consider an insurance group as an IAIG if its business activities in the host jurisdiction are material, even though the group does not meet some of the criteria</i> • <i>a group will meet the criteria in the near future, for example, through mergers and acquisitions</i>

CF 23.0.a.2 Examples of situations where a group-wide supervisor may exercise discretion to determine • the group is expected to meet the criteria in the near future owing to mergers or acquisitions; • the group's international activity or size have decreased owing to some temporary or transitory effect such as an economic shock or exchange rate fluctuations and it would not be reasonable to alter the group's identification as an IAIG for a short period; • the group has related entities which are not included in the consolidated financial statements, but which are relevant to the risks of the group; • the group has significant off-balance sheet assets (such as funds under management held on behalf of investors) which arise from insurance operations and so are more appropriately included in the total assets when assessing the group against the size criterion; • the group changes or rearranges its business activities to avoid meeting the IAIG criteria including by splitting the insurance business into multiple sub-groups with separate operational controllers.	• <i>a group will not meet the criteria in the near future as a result of, for example, expected disposal of part of the group business activities</i> • <i>a group's activities are predominately in its home market with minimal business activities in a number of jurisdictions</i> • <i>there are entities additional to those in the consolidated financial statements which are relevant from the perspective of risk to the group.</i> <i>Guideline M1E1-1-3-3</i> <i>If an IAIG changes or rearranges its business activities to avoid meeting the criteria, involved supervisors should consider whether to exercise discretion and treat the group as an IAIG.</i>
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that a group is not an IAIG despite meeting the criteria are where: • the group is expected to cease to meet the criteria in the near future owing to disposals or ceasing to write new insurance business for some or all of its business; • the group's international activity or size have increased owing to some temporary or transitory effect such as an economic shock or exchange rate fluctuations and it would be unreasonable to identify the group as an IAIG for a short period; • the group's business outside of the home jurisdiction exceeds 10% in aggregate but its business in any one jurisdiction outside the home jurisdiction is negligible.	
CF 23.0.c The group-wide supervisor notifies the group of its decision to identify it as an IAIG and reasons for that decision.	Parameter M1E2-1-2 The group-wide supervisor documents the reasons for the identification of the group as an IAIG. Parameter M1E3-1-3 The group-wide supervisor documents the reasons for the scope of group subject to supervision.
CF 23.0.d The group-wide supervisor, in cooperation with other involved supervisors, regularly reviews previously made determinations concerning whether a group is an IAIG.	Parameter M1E2-1-3 Involved supervisors regularly review whether a group qualifies as an IAIG.

CF 23.0.d.1 Such reviews should take place at least once every three years.	
Covered by ICP 23 (guidance 23.1.2)	<i>Guideline M1E1-1-1-2</i> <i>An IAIG may be:</i> • <i>an insurance group that only conducts insurance business</i> • <i>a financial conglomerate dominated by insurance business that also includes other financial business such as banking or securities related activities</i> • <i>part of a financial conglomerate dominated by other financial business</i> • <i>part of a diversified conglomerate including non-financial activities.</i>
Covered by ICP 23 (guidance ICP 23.0.4)	Parameter M1E2-1-1 Involved supervisors identify an IAIG, coming to a joint decision where possible. If a joint decision is not possible within a timely manner, the group-wide supervisor is responsible for making the decision. <i>Guideline M1E2-1-3-1</i> <i>A group may cease to meet some, or all, of the criteria due to certain factors, for example a decrease in gross written premium due to a temporary economic shock. If supervisors expect it to resume meeting the criteria within a few years, they should continue to treat the group as an IAIG.</i>



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Comparison of ComFrame material in ICP 25 with the draft published for consultation in November 2017

CF 25.0.a.1 When determining the group-wide supervisor of an IAIG, the involved supervisors should ~~place particular emphasis on~~consider which supervisor would have direct powers over the Head of the IAIG (see ComFrame material under ICP 10 Preventive Measures, Corrective Measures and Sanctions).

CF 25.6.a The group-wide supervisor establishes a supervisory college for the IAIG, which meets at least annually.

CF 25.6.a.1 If a supervisory college does not already exist, one should be formed and its first meeting should take place in a timely manner after the identification of the IAIG.

CF 25.6.a.2 Priorities for the initial supervisory college meeting should include, at ~~a minimum~~least:

- confirming ~~the designation of~~ the group-wide supervisor and the structure of the supervisory college;
- describing the scope of group-wide supervision including, where applicable, an explanation from the group-wide supervisor of its decision to exclude an entity from the scope of group supervision; and
- discussing ~~the~~ proposed coordination agreements.

CF 25.6.a.3 When an in-person meeting is not practicable, the meeting should take place by teleconference or other means.

~~CF 25.6.a.3~~CF 25.6.a.4 The group-wide supervisor should ensure that the ~~IAIG~~IAIG's supervisory college discusses the most relevant elements of the group-wide supervisory process and the supervisory plan. ~~In particular,~~ The agenda set by the group-wide supervisor should provide for discussion of at least the IAIG's ~~main risks, group-wide governance, enterprise risk management and the IAIG's financial condition.~~

- group-wide corporate governance framework;
- enterprise risk management;
- main risks and intra-group transactions;
- financial position; and

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	• <u>regulatory capital adequacy and compliance with supervisory requirements.</u>
CF 25.6.a.4	<u>CF 25.6.a.5</u> When deciding on the topics to be covered in the <u>IAIG's</u> supervisory college <u>meeting</u>, the group-wide supervisor should cooperate and coordinate with involved supervisors to ensure that matters pertinent at <u>an legal</u> entity level are appropriately raised.
CF 25.6.b	The members of the <u>IAIG's</u> supervisory college communicate and exchange information on an ongoing basis.
CF 25.6.c	<u>The members of the IAIG's supervisory college discuss and assess a summary of the reference ICS prepared by the group-wide supervisor, as well as a summary of any additional reporting that has been reported at the option of the group-wide supervisor.</u>
CF 25.6.c.1	<u>The assessment of the reference ICS and, if applicable, any additional reporting should include:</u> • <u>a comparison with existing group capital standards or calculations that are in development;</u> • <u>the extent to which material risks of the IAIG are captured;</u> • <u>the appropriateness and practicality of the calculations required; and</u> • <u>any difficulties in implementing the measure by the IAIG.</u>
CF 25.6.b.1	<u>CF 25.6.c.2</u> The purpose of the supervisory college discussing and assessing the summary of the reference ICS, and of any additional reporting, is to help refine the ICS.
CF 25.7.a	The group-wide supervisor establishes a crisis management group <u>for the IAIG</u> with the objective of enhancing preparedness for, and facilitating the recovery and resolution of the IAIG.
CF 25.7.a.1	Membership of a crisis management group for IAIGs (collectively referred to as the 'IAIG CMG') should include the group-wide supervisor, and other involved supervisors and resolution authorities in relevant major jurisdictions.
CF 25.7.a.1	<u>The crisis management group</u> A crisis management group may be established under a different name so long as <u>the group</u> fulfils the objectives of <u>an IAIG CMG</u> a crisis management group for the IAIG ('IAIG CMG').
CF 25.7.a.2	There should be clear conditions as to the <u>composition of membership of the IAIG CMG</u>. Membership of the IAIG CMG <u>should include:</u> • <u>If the group-wide supervisor;</u> • <u>the other relevant involved supervisors; and</u> • <u>to the extent possible, relevant resolution authorities.</u>
CF 25.7.a.3	<u>The supervisory college may qualify as an IAIG CMG if:</u>

- the supervisory college's coordination arrangements address recovery and resolution; and
- membership includes the necessary resolution those authorities, a supervisory college may qualify as an which would otherwise be members of the IAIG CMG.

~~CF 25.7.a.3~~ CF 25.7.a.4 The IAIG CMG should keep under active review the:

- progress in coordination and information sharing within the IAIG CMGs CMG and with host resolution authorities that are not represented in the IAIG CMG;
- the processes for recovery and resolution planning process and resolution planning (where required) for the IAIG; and
- the resolvability of the IAIG.

CF 25.7.b The group-wide supervisor puts in place a written coordination agreement between the members of the IAIG CMG ~~members~~.

CF 25.7.b.1 ~~Coordination agreements~~ The coordination agreement should describe, at least:

- roles and responsibilities of the respective members of the IAIG CMG ~~members~~; and
- the process for coordination and cooperation, including information sharing, among members of the IAIG CMG ~~members~~.

CF 25.7.b.2 ~~Coordination agreements could include memoranda~~ The coordination agreement may take the form of a memorandum of understanding.