



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Public

Cover note for draft overall ComFrame released for public consultation on 31 July 2018

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1 Purpose of the note

The purpose of this note is to provide stakeholders with detailed background information on the content of the public consultation package and the process of ComFrame development.

The overall ComFrame includes the ComFrame Introduction and ComFrame material integrated into the following ICPs:

- ICP 5 (*Suitability of Persons*);
- ICP 7 (*Corporate Governance*);
- ICP 8 (*Risk Management and Internal Controls*);
- ICP 9 (*Supervisory Review and Reporting*);
- ICP 10 (*Preventive Measures, Corrective Measures and Sanctions*);
- ICP 12 (*Exit from the Market and Resolution*);
- ICP 15 (*Investments*);
- ICP 16 (*Enterprise Risk Management for Solvency Purposes*);
- ICP 23 (*Group-wide Supervision*);
- ICP 25 (*Supervisory Cooperation and Coordination*).

The document with overall ComFrame includes proposals for new glossary definitions of terms specific to ComFrame¹. ICS-related terms are described in the ICS Consultation Document, which was published for consultation at the same time as overall ComFrame.

The IAIS is now seeking feedback on overall ComFrame through public consultation. Feedback on this material is invited by **30 October 2018 at 24:00 CET (Basel time)**. Only comments submitted via the web-based consultation tools will be considered. After this deadline, the consultation tools will be closed and it will no longer be possible to submit any further comments. Feedback received by this deadline will enable the IAIS to further develop the material for finalisation.

2 Content of overall ComFrame

The overall ComFrame released for public consultation consists of four sections:

a) Introduction to ComFrame

- Published for consultation for the first time in March 2017; and
- Revised based on further development of ComFrame and consultation comments received.

¹ New glossary definitions for ERM-related terms, and revised definitions based on the Nov 2017 – Jan 2018 public consultation of ICPs 15 and 16, and ComFrame material in ICP 15 and 16. They will be published together with revisions made to ICPs 15 and 16.

- b) ComFrame material integrated into ICPs 5, 7, 8, 9, 10, 12 and 25²:
- Published for consultation for the first time as ComFrame material integrated into ICPs in March 2017³;
 - Since then, the text has been subject to the following developments:
 - changes based on comments received during the March – June 2017 public consultation (in March 2018 the IAIS published the summary of the main comments and resolution thereof, as well as all consultation comments received, available [here](#));
 - further amendments of editorial nature and for consistency purposes, in terms of drafting style and terminology;
 - the merger of two parts of ComFrame material integrated into ICP 8, published for consultation in March 2017 and November 2017. The current draft reflects resolution of comments received during those two rounds of public consultation⁴; and
 - ComFrame material integrated into ICPs 9 and 25 has been revised to reflect the impact of the Kuala Lumpur agreement on the implementation of ICS Version 2.0. Please see Section 4 below for further details.
- c) ComFrame material integrated into ICPs 15 and 16, and additional questions for ICP 16 and ComFrame material in ICP 16:
- Published for consultation for the first time in November 2017;
 - Changes based on comments received during the Nov 2017 – Jan 2018 public consultation, the summary of the main comments and resolution thereof, as well as all consultation comments received, are available [here](#);
 - Further amendments were made of editorial nature and for consistency purposes, in terms of drafting style and terminology; and
 - ICP and ComFrame material on recovery planning has been moved from ICP 10.3 to ICP 16.13.
- d) Newly developed ComFrame material integrated into ICP 23, published for consultation for the first time, and addressing the following areas (please see Section 5 below for further details):
- IAIG identification criteria – integration of former Module 1 *Scope of ComFrame* of 2014 draft ComFrame into ICP 23 [CF23.0.a to 23.0.b];
 - Supervisory principles for the identification of the Head of the IAIG [CF23.1.a to CF23.1.f]; and

² Annex 1 clarifies into which versions of ICPs relevant parts of ComFrame material have been integrated.

³ Prior to the integration of ComFrame into ICPs in March 2017, the last version of draft ComFrame in its entirety is from 2014.

⁴ See the summary of the main comments received during March-June 2017 public consultation and the resolution thereof (available [here](#)) and a separate communication on the outcome of the November 2017-January 2018 public consultation on additional ComFrame material in ICP 8, related to revision of ICPs 8 and 16 aimed at removing overlaps and duplications between those two ICPs (available [here](#)).

- Scope of group-wide supervision for an IAIG [CF23.2.a].

2.1 Presentation of the material

ComFrame is built and expands upon the high-level standards and guidance currently set out in the ICPs, which generally apply on both an insurance legal entity and group-wide level. For this reason, the text of relevant ICPs is included in the document together with overall ComFrame. The ICP text is not subject to public consultation and is published only for information purposes as context for ComFrame material. For this reason, the ICP text has been greyed-out.

In the following cases, the ICP text is not greyed-out and provided only for informational purposes⁵:

- ICP text on recovery planning (moved from ICP 10.3 to ICP 16.13) as background material for ComFrame text on recovery plans;
- Additional guidance ICP 7.0.8 to clarify the role of materiality at the group level and describe the division of responsibilities between the head of the group and the legal entities within the group;
- Additional text and revisions to existing guidance in ICPs 7 and 8 to show how the IAIS plans to reflect some former ComFrame guidance in the ICP text (as applicable to all insurance groups rather than IAIGs only); and
- Certain ComFrame text integrated into ICP 16 that was determined to be better placed in ICP 16 text, i.e. at ICP level rather than ComFrame level (as applicable to all insurance groups rather than IAIGs only).

Overall ComFrame is presented both in a clean and a redline version. The redline version allows for easy comparison with previous versions of particular parts of ComFrame material (i.e. with the versions published for consultation in March and November 2017 and with the 2014 Draft ComFrame, where relevant).

3 Relationship of ICS Version 2.0 with the rest of ComFrame and changes reflecting the agreement on the implementation of ICS Version 2.0

In June 2017 in Old Windsor, the IAIS Executive Committee (ExCo) agreed on the following:

- ICS Version 2.0 will be adopted in 2019 as a stand-alone document, and not yet presented as ComFrame material integrated into ICPs.
- ComFrame will be adopted, minus ICS Version 2.0, by end-2019.

For this reason, ICS Version 2.0 is presented for public consultation in a separate document, available [here](#). This does not alter the fact that ICS Version 2.0 is part of ComFrame.

⁵ This ICP text – subject to further changes – will be published for consultation in mid-2019, together with other adjustments to ICPs (if needed).

In November 2017 in Kuala Lumpur, the ExCo agreed that the implementation of ICS Version 2.0 would be conducted in two phases (KL agreement):

- In the first phase, referred to as the five-year monitoring period, ICS Version 2.0 will be used for confidential reporting to group-wide supervisors and discussion in supervisory colleges. The ICS will not be used as a Prescribed Capital Requirement (PCR) in this phase (i.e. the ICS results will not be used as a basis to trigger supervisory action).
- The second phase will be the implementation of the ICS as a group-wide PCR.

The main amendments introduced into ComFrame material to reflect the KL agreement are as follows:

- Standard CF9.4.a has been revised to refer to requirements for reporting of the reference ICS and, at the option of the group-wide supervisor, any additional ICS reporting (with some guidance in CF9.4.a.1 and new paragraph 20 in the ComFrame Introduction explaining the nature and the purpose of this reporting); and
- New Standard CF25.6.c refers to relevant discussions and assessments to be carried out within the IAIG's supervisory college (with guidance CF25.6.c.1-2 and new paragraph 20 in the ComFrame Introduction explaining the nature and the purpose of those discussions and assessment).

The above mentioned ComFrame material provides high-level requirements in this regard, which are further specified in the ICS Version 2.0 Consultation Document. The following details are described in the ICS Version 2.0 Consultation Document:

- The expectations for the IAIS and supervisors during the five-year monitoring period of the reference ICS and additional supplementary reporting.
- The reference ICS components, e.g. the market-adjusted approach to valuation, criteria for qualifying capital resources and the standard method for determining the ICS capital requirement.
- The additional reporting, at the option of the group-wide supervisor, of GAAP Plus and other methods of calculation of the ICS capital requirement, including internal models.
- The incremental costs and benefits of the ICS for IAIGs.

4 ComFrame material integrated into ICP 23

The first ComFrame section in ICP 23 [CF23.0.a to 23.0.b] provides for the criteria to be applied for the identification of international active insurance groups (IAIGs). The draft text integrates the former Module 1 Scope of ComFrame of the 2014 draft ComFrame into ICP 23. The IAIS has sought to maintain a close alignment between the draft agreed upon in 2014 and the current version, limiting its amendments mainly to changes required by the new ComFrame drafting style. Some aspects related to identification of an IAIG have also been clarified in guidance.

The second ComFrame section in ICP 23 [CF23.1.a to CF23.1.f] provides supervisory principles for the identification of the Head of the IAIG. The ICS Version 1.0 Consultation Document published for consultation in July 2016 included questions eliciting views on where

the Head of the IAIG should be in conglomerates. A significant number of comments suggested that the IAIS should further elaborate on how the relative weights of insurance, other financial business and non-financial business in conglomerates should be taken into account. As a response to this feedback, the IAIS developed ComFrame material on the identification of the Head of the IAIG, aimed at facilitating consistency of supervisory judgement without constraining flexibility. This is new material, presented to stakeholders for the first time (there is no equivalent text in the 2014 draft ComFrame).

The third part of ComFrame material in ICP 23 [CF23.2.a] concerns the scope of group-wide supervision for an IAIG and obtaining relevant information, including information about related group entities.

5 Next steps and the adoption of revised ICPs and ComFrame

Following the close of the public consultation, the IAIS will start its internal process to review and resolve comments received. The IAIS plans to publish the outcomes of this public consultation, including a summary of the main substantive comments and resolution thereof, on the IAIS public website in July 2019.

The IAIS plans adoption of all revised ICPs and ComFrame (including ICS Version 2.0) at its Annual General Meeting in November 2019.⁶

There may be a need to further revise certain ICPs and ComFrame before adoption in 2019, as a result of for instance:

- the thematic approach and integrating ComFrame material into ICPs: draft revised ICPs related to ComFrame may require further adjustments for consistency with other parts of ComFrame that are still being developed.
- the review of the framework to mitigate systemic risk in insurance: this review involves a public consultation at the end of 2018, including any policy measures to address potential systemic risk as part of ICPs and ComFrame (including ICS Version 2.0) to be adopted in 2019. As this work may have implications for existing and recently consulted upon ICPs and ComFrame material, the relevant ICPs and ComFrame material will be reviewed and revisions made as appropriate.

⁶ For details of the process please document “Timeline of ComFrame Development and ICPs Revision” on the IAIS website, [here](#).

Annex 1: ICP text used in overall ComFrame document

It was agreed by the IAIS ExCo in November 2016 that for ICPs related to ComFrame, ICP revisions would generally not be adopted by the AGM until 2019, with adoption of a revised ICP before 2019 being an exception. Revised ICPs completed prior to 2019 but not adopted by the AGM are available on the IAIS website as drafts endorsed by the Executive Committee, released for information purposes only and subject to potential further changes before being submitted to the AGM for adoption in 2019.

Relevant parts of ComFrame are integrated into the following versions of ICPs:

- ICP 5 (Suitability of Persons) – the version adopted by the AGM in November 2015;
- ICP 7 (Corporate Governance) – the version adopted by the AGM in November 2015;
- ICP 8 (Risk Management and Internal Controls) – the draft version published for consultation in November 2017;
- ICP 9 (Supervisory Review and Reporting) – the draft version endorsed by ExCo in November 2017;
- ICP 10 (Preventive Measures, Corrective Measures and Sanctions) – the draft version endorsed by ExCo in November 2017;
- ICP 12 (Exit from the Market and Resolution) – the draft version endorsed by ExCo in November 2017;
- ICP 15 (Investments) – the draft version published for consultation in November 2017;
- ICP 16 (Enterprise Risk Management for Solvency Purposes) – the draft version published for consultation in November 2017 and including the ICP 16.13 material that was moved from ICP 10.3;
- ICP 23 (Group-wide Supervision) – the version adopted by the AGM in November 2015;
- ICP 25 (Supervisory Cooperation and Coordination) – the draft version endorsed by ExCo in November 2017.