

Summary of main comments on draft revised ICPs 8, 15 and 16 and ERM-related terms received during November 2017 – January 2018 public consultation and their resolution

Introduction

- The IAIS received numerous comments from both Members and Stakeholders that provided valuable input for further improvements and revisions.
- With this document the IAIS provides responses to the main comments received on ICPs 8, 15 and 16 and ERM-related terms during the public consultation.
- Draft revised ICPs 8, 15 and 16 and ERM-related terms are published for information purposes only, following their endorsement by the Executive Committee in November 2018.¹ Revised ICPs are expected to be adopted in 2019.
- Summary of main comments received and responses to ComFrame integrated in ICPs 8, 15 and 16 and additional questions related to ICP 16 and ComFrame integrated in ICP 16 were published on 31 July, 2018.

¹ See <https://www.iaisweb.org/page/supervisory-material/insurance-core-principles>

General comment on ICPs 8, 15 and 16

Ref.	Summary of comments received	IAIS response
General	ICP standards and guidance are in some cases too prescriptive and limit the necessary flexibility for supervisors and insurers, whereas they should be applied in a proportionate manner. ICP requirements should also be written using a principles-based approach.	As described in the ICP Introduction, the ICPs establish the minimum requirements for effective insurance supervision and are expected to be implemented and applied in a proportionate manner. Therefore, proportionality underlies all the ICPs.

Summary of comments on draft revised ICP 8 (Risk Management and Internal Controls)

Ref.	Summary of comments received	IAIS response
General	It was proposed to merge ICPs 8 and 16.	It was decided to keep ICP 8 and ICP 16 separate, because ICP 8 addresses risk management issues in general, whereas ICP 16 focuses on specific issues, relevant in the context of solvency.
General	Both confidentiality and proportionality are important in connection with ICP 8 and could be more explicitly encouraged by this ICP.	Confidentiality requirements regarding information sharing are covered by ICP 3. The ICPs operate collectively, therefore the requirements set out in ICP 3 are relevant to the other ICPs. According to the ICP Introduction, the ICPs establish the minimum requirements for effective insurance supervision and are expected to be implemented and applied in a proportionate manner. Therefore, proportionality underlies all the ICPs. Supervisors have the flexibility to tailor their implementation of supervisory requirements and their application of insurance supervision to achieve the outcomes stipulated in the Principle Statements and Standards.
General	Materiality should be taken into account and referred to explicitly in various parts of ICP 8.	Materiality is mentioned explicitly when it is necessary taking into account the context of a standard, in particular when a standard is not supported by guidance that provides further details on which risks, activities, etc. should be considered in a particular case. The head of the group is ultimately responsible for the group's sound and prudent management. In doing so, it should take into account the risks and activities of the individual legal entities within the group, focusing in particular on those which are

		material for the group as a whole. The legal entities within a group are, and remain, fully responsible for their own sound and prudent management.
General	The guidance tends not to take into account that group-wide supervisors in different jurisdictions may not have authority to apply all guidance on a group wide basis. In many instances, local supervisors of operating subsidiaries within a group will be charged under their jurisdictions' laws and regulations to regulate activities and transactions covered by the guidance.	The group-wide supervisor has responsibility for the operation of the group through the head of the group. The head of the group in turn has the responsibility to ensure that entities within the group operate prudently within regulatory requirements. The Board of the head of the group should manage the group as a whole, but without undermining the responsibilities of the Board of particular insurance legal entities. Where relevant, it is specified that particular activities should be carried out by the group-wide supervisor in cooperation with other involved supervisors.
General	Stronger emphasis on the integration of risk management into the corporate culture was recommended.	Risk culture is adequately covered in 8.1.4 and ICP 7.
General	There was some confusion about the relationship between ICP standards and guidance, as well as the nature of ICP standards and guidance.	There is a difference between the level of standards and the level of guidance, as explained in the ICP Introduction. ICPs in general expect that the supervisor will require a specific behaviour from insurers and will execute compliance with these requirements (or impose sanctions in case of non-compliance). All standards and guidance are directed to supervisors to effectuate in accordance with their powers and authorities under applicable laws. However, the supervisor cannot be expected to ensure the desired outcome. This is the responsibility of the insurer or - more specifically in case of the group-wide requirements – of the head of the group.
ICP 8.1	It was proposed to delete the last bullet point or specify it. It was also proposed to refer to “material changes” instead of “changes”, and to “appropriate manner” instead of “timely manner”.	The wording has been kept as it provides for necessary flexibility, whereas the details are presented in guidance. The wording proposed was too prescriptive. An insurer should be able to respond to any change. The response itself will depend on the materiality.
ICP 8.1	The first two bulleted items should each insert the word "written" or "documented" before risk management strategy and risk management policy.	Not agreed. The standard already mentions that the risk management system should be documented.
ICP 8.1	There were comments on whether risk management policy or policies should be used (ie singular or plural). Some comments were questioning the requirements to have a risk management policy at all.	ICP 8 refers consistently to a risk management policy (singular). In the view of the IAIS an insurer should have a risk management policy. This requirement was moved from the current version of ICP 16.3. It is not a new requirement.

ICP 8.1 and ICP 8.2	It was suggested to remove the term “appropriately documented”, because a standard requiring an insurer to operate within an “appropriately documented” system of internal controls could be misinterpreted, resulting in unnecessary and overly burdensome documentation requirements for insurers.	The word “appropriately” has been deleted, but the requirements to document the risk management system (ICP 8.1) and the system of internal controls (ICP 8.2) have been kept.
ICP 8.1.1	It was proposed to replace “of all risks of the insurer” by “of material risks of the insurer”.	Not agreed. The risk management system should cover all risks.
ICP 8.1.7 (previously ICP 8.1.8)	It is unclear why documentation is a specific focus of risk assessment rather than the other components of the risk management system, such as identification. The guidance should make reference to judgements, in addition to assumptions.	This guidance is aimed at clarifying some specific aspects of what needs to be documented regarding risk assessment. The wording has been slightly changed. Agreed to add a reference to judgements.
ICP 8.1.13	The guidance is too granular, prescriptive and confusing.	The guidance was deleted as redundant, taking into account references to the risk management policy in other places in ICP 8 as well as in ICP 16.
ICP 8.1.13 (previously ICP 8.1.14)	Risk management policies may not necessarily be relevant for all employees.	It is implicit that a risk management policy may not be relevant for certain categories of employees. The comment seems to suggest that the risk management policy is relevant only for employees directly involved in risk management-related issues. However, such a scope is too narrow. Risk management should be a tool that helps promote the insurers’ corporate governance framework and its corporate culture.
ICP 8.1.14	It was suggested to delete the last sentence as it is both too prescriptive and too vague. It suggests that supervisors recommend training all staff, without regard to their role with the company or group.	Not agreed. It is necessary to provide guidance on how the risk management policy and risk appetite can be promoted internally.
ICP 8.1.14 (previously ICP 8.1.15)	The content of the last part of the guidance was questioned. Horizontal consistency is often not necessary.	Last two sentences have been deleted, to make the guidance more flexible.
ICP 8.1.15 (previously ICP 8.1.16)	This Guidance does not differentiate between changes in the risk management system and changes in risk profile. Changes in the risk profile are part of risk identification and assessment and should be included in ICPs 8.1.5 and/or 8.1.6. It was disagreed that the risk management system should be directly “responsive to changing interests and reasonable expectations of policyholders and other stakeholders”. It was suggested to delete the last sentence of this guidance. These factors should find appropriate	The guidance is focused on changes in the risk management system, and states in principle that it may be necessary to change the risk management system because of changes in the risk profile or other factors mentioned in the guidance. However, this exercise is separate from risk identification and risk assessment. ICP 8.1.15 (previously 8.1.16) is more general, whereas 8.1.16 (previously 8.1.17) is more specific and focuses on requirements related to documentation.

	reflection on concrete risk categories and the insurer's business strategy. Additionally, the Guidance should be limited to material changes in risk profile (like ICP 8.1.17).	
ICP 8.1.17 (previously ICP 8.1.18)	The feedback loop and monitoring of the effectiveness of the risk management system are crucial elements of risk management and should potentially be reflected more prominently in ICP 8. There were proposals to clarify the guidance. There was also a comment based on assumption the Board should be involved in the feedback loop.	The responsiveness to changes is covered in general by standard ICP 8.1, and guidance provides further details in this regard. The guidance is clear enough. The guidance does not indicate that the feedback loop involves the Board, but it should ensure that the Board's decisions are implemented and their effects monitored and reported in a timely and sufficiently frequent manner.
ICP 8.1.18 (previously ICP 8.1.19)	The reference to the insurance group was not clear.	The following change was made: "between the head of the insurance group and its legal entities". The term "the head of the insurance group" is defined in the IAIS Glossary.

Summary of comments on draft revised ICP 15 (Investments)

Ref.	Summary of comment received	Suggested IAIS response
General	ICP 15 should not have investment limitations and allow local rules to be taken into account at legal entity level.	Referencing ICP 15.1.6, ICP 15 can be seen as less prescriptive as the decision is left to the local supervisor to determine investment limitations, based on the specifics of the local circumstances.
General	Investments should not be considered in isolation in ICP 15, but take into account the specifics of the insurer's liabilities and asset/liability management strategy (ALM).	Different ALM strategies are not covered in detail in ICP 15, but allows regulatory requirements to take ALM into account.
General	ICP 15 should not have overlap with other ICPs (ICP 17 in particular, regarding fungibility) nor should it contradict them.	ICP 15 refers to fungibility as a liquidity consideration which is applicable to investments but does not cover all aspects of fungibility.
General	Liquidity should be given more emphasis in ICP 15.	Liquidity is covered in a number of guidance paragraphs in ICP 15.2.
ICP 15.1.4	Bank-centric or other regulatory requirements should not prevent an insurers' ability to invest in a way that is appropriate for their business model.	ICP 15.1.4 does not prevent an insurer from making appropriate investments taking into account the risks it faces.

ICP 15.1.10	Objections to the language stating that under principles-based approach it would be more difficult for the supervisor to take appropriate measures.	Language was changed to state it would be more difficult for the supervisor to determine the need to take supervisory measures under a principles-based approach.
ICP 15.1.12 (previously ICP 15.1.11)	Aggregation of investment exposures is problematic at a group level, given differing jurisdictional laws for allowable investments.	Differences in jurisdictional law does not impact the aggregation of exposures to assess investment risk at the group level.
ICP 15.1.12 (previously ICP 15.1.11)	Objections to requiring contractual evidence of accessing assets for solvency purposes before allowing their inclusion for group purposes, due to costs and often inconclusive results.	Requiring contractual evidence may be a consideration, but it is not prescribed as a requirement in ICP 15.
ICP 15.1.14	Regulatory requirements should not weaken the benefits of being part of a group.	This guidance discusses how the losses from investments in one entity may impact another entity in the group – this does not imply that group benefits do not exist.
ICP 15.2	The meaning of term “appropriate location” for assets availability was questioned.	Appropriate location in this context means the investments are available to meet policyholder claims in the location where claims are paid. Additional guidance was included in ICP 15.2.2 (previously ICP 15.2.3).
ICP 15.2.1 (previously ICP 15.2.2) and ICP 15.2.2 (previously ICP 15.2.3)	The meaning of term “security” was questioned.	Security of investments, in context of ICP 15, is explained in ICP 15.2.1-15.2.8 (previously ICP 15.2.2-15.2.9). Revisions were made to provide greater clarity.
ICP 15.2.3 (previously ICP 15.2.4)	How would a credit analysis conducted by the insurer help improve security of investments? Use of external credit ratings should not be restricted.	The guidance is meant to prevent blind reliance on external ratings. Internal credit analysis may help improve security by improving the insurer’s understanding of the credit. Revisions were made to provide greater clarity.
ICP 15.2.5 (previously ICP 15.2.6)	It should not be suggested that investments located outside the operating jurisdiction may pose a particular risk, and that the insurer can only invest in countries where it underwrites insurance.	The guidance only requires the insurer to consider whether there are additional risks. It does not restrict the insurer’s ability to invest in different jurisdictions.
ICP 15.2.7 (previously ICP 15.2.8)	Questions as to why the language on securities lending made reference to the balance sheet, and why repurchase agreements were not included.	The language was revised to remove reference to the balance sheet, include repurchase agreements and add clarity based on comments.

ICP 15.2.8 (previously ICP 15.2.9)	There were objections to language that limits group investments in assets that are not secure.	Agreed to revise the language to allow a more principles-based approach.
ICP 15.2.11 (previously ICP 15.2.12)	Language should be amended so it is clear that liquidity means there should be sufficient amounts to pay policyholders; that it does not mean every investment should be liquid.	Agreed; the guidance has been clarified to this effect.
ICP 15.2.12 (previously ICP 15.2.13)	This guidance should be removed as it refers to fungibility which belongs in ICP 17.	This guidance paragraph does not refer to the fungibility of capital rather it refers to the cross-border transfer of assets.
ICP 15.2.13 (previously ICP 15.2.14)	This guidance should be removed as it refers to fungibility which belongs in ICP 17.	This guidance paragraph does not refer to the fungibility of capital rather it refers to availability of liquidity.
ICP 15.2.14 (previously ICP 15.2.15)	Transfer pricing is an accounting/taxation concept and adds no value in guidance and should be removed.	Transfer pricing is not only an accounting or taxation concept; transfer pricing can impact liquidity (e.g. sale at or near market value) of assets.
ICP 15.4.3	An adequate look-through analyses is not always feasible or cannot be sufficiently performed in the case of managed investment funds.	This is already addressed in the guidance.
ICP 15.4.4	The first sentence of the guidance be removed as it is not consistent with a risk-based prudential framework, nor does it appropriately address illiquid investments.	Employing the term, “prudent levels”, in the guidance leaves the insurer with sufficient latitude, and is consistent with a principles-based approach. The language has been revised for greater clarity, indicating that an objective assessment of risks is not always possible in the case of illiquid investments.
ICP 15.4.5	Clarification was requested in the guidance that the use of external investment advisers and/or managers should not release the insurer from its responsibility for the oversight of those investments.	The guidance has been clarified to this effect.
ICP 15.5.2	The guidance should be revised to not suggest that supervisors are required to establish qualitative and quantitative requirements.	The guidance was revised to that supervisors should consider only to the extent that they deem as being necessary.
ICP 15.5.4	Restrictions on the investment strategy for special purpose entities may lead to arbitrary limits, while prudential concerns could in fact be addressed differently. The second sentence of the guidance is unclear—more clarity is needed to understand how the investment strategy for SPEs should be more restrictive than that for an insurer.	The guidance does not dictate restrictions on SPEs; rather, it points out that the insurer’s investment strategy may need to be restrictive, where appropriate. As with each risk exposure, the insurer needs to take the unique characteristics of the exposures into account when deciding whether restrictions outside of the norm are appropriate. SPEs can be less transparent and more complex than more

		straightforward investments and as such, they may warrant other restrictions. The guidance has been clarified to this effect.
ICP 15.5.12	The language of the guidance was too broad, condoning the speculative use of derivatives, while placing the burden upon supervisors to ascertain the insurer's intent ex-post on the use of such complex and wide-ranging products. The language should be narrower, restricting or at least, not explicitly recognising speculative operations.	At a jurisdictional level, the use of derivatives can be more restrictive than indicated by ICP 15 guidance.
ICP 15.5.12	The guidance does not seem to allow for the use of derivatives to take on insurance-related risk as part of the underwriting/insurance risk-taking business. Such derivatives are not part of the "investment" side of operations and should be treated separately by taking into account the dichotomy between risk management and speculation.	The language does not preclude the use of derivatives in taking on insurance-related risk. See ICP 13 Reinsurance and other forms of risk transfer for further guidance on the use of derivatives.

Summary of comments on draft revised ICP 16 (Enterprise Risk Management for Solvency Purposes)

Ref.	Summary of comment received	Suggested IAIS response
General	There are significant overlaps and duplications between ICP 16 and ICP 8, and these ICPs should be merged or appropriately aligned.	ICP 8 deals with effective systems of risk management and internal controls in general, while ICP 16 requires the insurer to establish an ERM framework within the risk management system and further elaborate it from a perspective of solvency purposes. Although there may be some intended overlaps between ICP 8 and ICP 16 due to roles and readability of each ICP, in order to minimise the overlaps between them and clarify the relation and positioning of these ICPs, some standards and guidance were moved from ICP 16 to ICP 8 and some expressions have been amended. Because of these structural and expressional revisions, IAIS does not believe the merger of ICP 8 and ICP 16 would be necessary.
General	Inconsistencies in terminology used in ICP 16 and ICP 8 should be resolved.	The IAIS agrees it is important to have consistency of the terminology used in ICP 8 and ICP 16. The use of risk terms was reviewed and the definitions of the terms in the Glossary were newly added or revised where necessary.

General	With limited exception, the revised introductory guidance language within ICP 16 does an excellent job of defining what enterprise risk management is and is not. Revisions to overall ICP 16 reflect recent advances in methods and theory in ERM. Revisions appear to be technically sound and practical.	Noted and appreciated.
General	ICP 16 uses various terms such as ‘members’, ‘legal entities’ and ‘entities’ interchangeably throughout the document.	Agreed, there should be consistency in using terminology. Language was reviewed and revised for consistency and clarity.
ICP 16.0.5	Revise language to include that ERM should be embedded into the corporate culture.	The guidance has been revised to this effect.
ICP 16.0.6	It is always appropriate to take account of future plausible projected outcomes; therefore it was suggested to delete ‘where appropriate’ in the guidance.	Agreed to delete “where appropriate” as suggested.
ICP 16.0.7, ICP 16.2.6, ICP 16.2.8 and ICP 16.2.9	The definition of internal models in the IAIS glossary is inconsistent with the use of the term in ICP 16.	The definition of “internal model” in the Glossary was revised to clarify the meaning throughout the ICPs.
ICP 16.0.7	Insurers use different levels of ERM, and it should be clear that ERM does not require the use of internal models.	The guidance has been revised to this effect.
ICP 16.1.1	Risk types defined here should be aligned with the list given in CF 16.1b, even though CF16.1b specifically refers to an IAIG context.	Agreed and revised the guidance to include concentration risk, political risk, conduct risk, and strategic risk in other risks. These risks are also defined in the Glossary.
ICP 16.1.6, ICP 16.1.7 and ICP 16.1.8	Guidance in ICP 16.1.7 and ICP 16.1.8 on group perspectives go beyond identification of risks and their interdependencies and reiterate many of the aspects mentioned in ICP 16.1.6.	Since group risk is discussed in previous guidance ICP 16.1.5 and ICP 16.1.6, it is reasonable and useful for readers that interrelationship between legal entities within the insurance group and related points to be considered in ERM framework and group-wide solvency assessment be discussed here. The last sentence of ICP 16.1.6 was moved to the end of ICP 16.1.7 for clarification.

ICP 16.2.9 (previously ICP 16.2.8)	In order to use internal models to calculate figures, insurers need to meet relevant regulatory requirements. However, this guidance only partly explains the expected benefits of using internal models, without clarifying relevant regulatory requirements and those specific to internal models. It was also mentioned that the use of internal models for regulatory capital requirements is not always an option.	The requirements for the internal models to be approved for use in determining regulatory capital requirements by the supervisor are addressed in ICP 17. ICP 16 deals with the internal models, in general, used for internal management purposes regardless of regulatory requirement. The definition of “internal model” in the Glossary is revised for clarity. Agreed to insert “where permitted”.
ICP 16.2.13 (previously ICP 16.2.12)	The drafting seems to be open for perspectives other than going concern, creating room for such in the context of “financial difficulty”. It was further questioned if departure from the going concern basis was intended to be as flexible, and, if that is the case, request for more detail on alternative approaches.	If an insurer is in financial difficulty, then modelling on a going concern basis is not appropriate. The last sentence was deleted for clarity.
ICP 16.2.15 (previously ICP 16.2.14)	It is difficult to understand why the second sentence is needed as the insurer would, as part of the usual model calibration process, use its own modelling criteria.	It seems this sentence overlaps with the first sentence of ICP 16.2.12 (previously ICP 16.2.11). Agreed to delete the second sentence.
ICP 16.2.21	The first sentence presents an overly narrow view of reverse stress testing. Reverse stress testing can be defined in many ways and does not necessarily focus on the point at which an insurer will fail. It could be used to identify the most likely scenarios that would lead to a specified trigger event, such as a ratings downgrade or a reduction in capital coverage below a certain level.	Language has been revised to broaden the definition of reverse stress testing.
ICP 16.3	The requirement that an insurer’s ERM framework “describe” the relationship between its risk appetite, risk limits, and economic capital is overly prescriptive.	Agreed to replace “describe” with “reflect” to prevent it from implying the documentation of the relationship which is not the intent of this standard.
ICP 16.3.5	If back-testing is ultimately recommended, the IAIS will need to provide clear requirements on which models are in scope as this could be inadvertently become a very wide-ranging requirement. Insurers should not be obliged to perform back-testing. Back-testing should be optional where - depending on the respective model used – it is appropriate for validation purposes.	The internal models used in ERM framework are encouraged to be back-tested to the extent practicable, especially those used for management decision making. Since this is guidance, it does not represent any requirements as stated in the introduction to ICPs.

ICP 16.4	While identifying an insurer's risk appetite should form an integral part of an effective risk management system and would be reflected throughout a company's ERM system, ORSA, ALM, and Investment policy, the format in which it is documented should not be mandated.	As described in ICP16.4.3, risk appetite may not necessarily be limited to a single document.
ICP 16.4.1	Since an insurer's risk appetite statement deals with its risk-taking approach linked to its business strategy, it is not always necessary to include in the statement the quantitative measures used to calculate the insurer's capital and risks.	As described and defined in FSB's paper "Principles for an effective risk appetite framework", the IAIS also believes risk appetite statement should include qualitative statements as well as quantitative measures even though those are in the different document as described in ICP 16.4.3. Furthermore, "as appropriate" ends the sentence of this guidance.
ICP 16.4.8	The current wording seems to imply that the group should set legal entity risk appetites. This is, however, inappropriate as legal entities will all have their own Boards. If what is meant is that the group should have a view on the contribution of any entity to its risk limits (e.g. no entity should be responsible for no more than x% of an earthquake), then this should be reworded to more appropriately reflect that point.	The guidance has been revised for clarity to describe that the Board and Senior Management of an insurance legal entity within the group should consider the group limit when setting its own risk limits structure.
ICP 16.5 and ICP 16.5.1	It may not be necessary to have a separate ALM policy where this is only a small part of the business. The ALM should be addressed explicitly with risk management policies as appropriate. Prescribing the required content of such a policy is also too granular for standard level, does not allow for differing organizational constructs, and should either moved into guidance or be deleted so that the ICP focuses on the outcomes.	Every insurer should have an explicit ALM policy. Regarding the concern with granularity, ALM activities and their relationship with product development, pricing functions and investment management is relevant. Guidance ICP 16.5.1 was revised to reflect the nature of the business.
ICP 16.6	The decision on the detailed content of this policy should be at the discretion of the insurer. Overall, the standard should, however, be moved to ICP 15, including a reference to ICP 16 because the investment policy forms part of the ERM framework.	ICP 15 focuses on how the supervisor establishes regulatory investment requirements and ICP 16 deals with the investment policy from a risk management perspective and focuses on how the supervisor requires insurers to establish an ERM framework.
ICP 16.6	The references to "investment policy" in ICP 16.6 should be plural (policies), as it is not unusual for the enterprise risk management process and framework to be documented through multiple risk-specific policies. The detailed requirements set forth in this guidance are excessively prescriptive and do not allow for differing organizational constructs.	The investment policy may not necessarily be expressed in a single document. However, the way it is expressed should provide the insurer's Board with a coherent and holistic, yet concise and easily understood, view of the insurer's investments. Even if a certain area is assigned the responsibility for certain activities, it does not prevent the insurer from reassigning the execution of that activity to another area when the insurer deems it to be appropriate.

ICP 16.6.2	This guidance is overly prescriptive and certainly cannot be applied to all (re)insurers to a full extent. The list of examples for “inherently risky financial instruments” does not provide any valuable guidance for supervisors / (re)insurers and will become out of date (despite not being exhaustive). The inclusion of derivatives in this list should be clarified to extend only to derivatives that are uncollateralised and have potential for counterparty risk.	Guidance has been revised to leave more flexibility. The wording “inherently risky” instruments has also been changed to “inherently complex”. However, the list is still deemed helpful.
ICP 16.7.1	The requirement that “the underwriting policy should cover the underwriting process, pricing, claims settlement (both in terms of timing and amount) and expense control” ignores the reality that claim settlement practices may be dictated by statute and must be reflected by the underwriting policy, not set by the underwriting policy.	The guidance has been revised to this effect.
ICP 16.8.1	The “outcome” of the ORSA should also be documented.	The guidance was revised to this effect.
ICP 16.9	It is not appropriate to require Board ownership or responsibility for the ORSA. Other commenters thought that the standard should better articulate what is required of the Board as contrasted with Senior Management.	It is, on the contrary, of the utmost importance to an appropriate risk management framework that the Board be responsible for adopting the ORSA, whereas Senior management is responsible for its implementation. Guidance was added to clarify the respective responsibilities of the Board and Senior management.
ICP 16.9.2 (previously ICP 16.9.1)	Clarification on the role of the risk management function in the ORSA process should be provided.	The responsibility of the Risk management function to perform the ORSA has not been explicitly prescribed in order to allow for flexibility.
ICP 16.11	The standard should state that one essential purpose of the ORSA is to determine the capital needs of an insurer when the company is in financial distress.	This concern is addressed in the second bullet point in the standard ICP 16.12 and guidance ICP 16.12.4.
ICP 16.11.1	The drafting of the guideline could be understood as if the IAIS was promoting the establishment of another capital requirement in the form of economic capital.	The IAIS is not promoting the establishment of another capital requirement in the form of economic capital, therefore the last sentence of this guidance was deleted to avoid confusion.

ICP 16.14 (previously ICP 16.13)	It should be clarified that when language addresses solvency assessment and capital management processes, the regulatory capital setting is not automatically affected.	Such clarification is not deemed necessary. The standard doesn't refer to regulatory capital but to "solvency assessment and capital management processes". Guidance material is focused on the eventual need to improve risk management processes and not on the adequacy of regulatory capital requirements. Furthermore, guidance ICP 16.14.13 (previously ICP 16.13.13) already states that additional quantitative requirements should not be routinely applied.
ICP 16.14.3 (previously ICP 16.13.3)	Some commenters suggested additional possible questions that the supervisor could consider while assessing the insurer's ERM framework.	The list of questions provided is neither mandatory nor exhaustive. The suggestions received were considered useful and added to the examples.
ICP 16.14.6 (previously ICP 16.13.6)	Guidance is too prescriptive about the information to be provided by the insurer on the ERM framework and risk and solvency assessments.	The guidance provides examples not requirements.
ICP 16.14.8 (previously ICP 16.13.8)	Requesting too much information could be too burdensome and inefficient for both insurers and supervisors. A supervisory assessment of the ERM should not result in an excessive intrusive action regarding the insurer's business strategy.	The wording of the guidance have been slightly amended to allow more supervisory discretion. In addition, the third sentence was deleted as it was repetitive with the second sentence.
ICP 16.14.9 (previously ICP 16.13.9)	Some commenters express their concerns with respect to prescribed market-wide stress test and a global "one-size-fits-all" approach.	The guidance is not prescriptive. Supervisors have flexibility to decide whether such market-wide stress test is requested or not, which insurers are under scope and the scenarios to be tested.
ICP 16.14.9 (previously ICP 16.13.9)	Supervisors should not be encouraged to require insurers to apply prescribed or standard stress tests as part of the ORSA.	The referred guidance is not part of ORSA; it's part of a broader ERM framework.
ICP 16.14.17 (previously ICP 16.13.18)	Some commenters disagree that the supervisory assessment of the group's ERM framework should in every case affect the level of capital that the insurance group is required to hold for regulatory purposes and any regulatory restrictions that are applied.	The guidance does not prescribe that the supervisory assessment of the group's ERM framework should, in every case, affect the level of capital but rather "may affect the level of capital".
ICP 16.14.19 (previously ICP 16.13.20)	Another sub-category of groups (ie "insurance groups that are regarded as particularly important") is not helpful and should be deleted or aligned with the overall framework.	The mentioned reference has been deleted.

Summary of comments on draft revised ERM-related terms

Ref.	Summary of comment received	Suggested IAIS response
Q253 General	Some expressed concerns on the definition of ERM-related terms which were usually used in a company specific manner. For example, the terms “net risk exposure” and “gross risk exposures” in the definition of “risk profile” are usually company-specific, and are not consistently defined themselves.	While some ERM related terms may be used in a company specific manner, the definitions provided for ICP 16 are broadly described to facilitate a common understanding of the terminology. For example, the definition of ‘risk profile’ is based on FSB’s “Principles for an Effective Risk Appetite Framework” (18 November 2013).
Q254 “ERM for Solvency Purposes” and Q255 “ERM framework”	Upon further review it was determined that the definitions for ERM for solvency purposes and ERM framework for solvency purposes not be included in the IAIS glossary and be maintained in the introductory guidance of ICP 16.0.1 and ICP 16.0.2, respectively.	Deletion of the definition for ERM for solvency purposes and ERM framework for solvency purposes from the IAIS glossary.
Q256 “Risk capacity”	The definition should account for an insurer’s own assessment of risk exposure and/or economic capital in the determination of risk capacity as well as regulatory capital requirements.	The definition has been revised to include reference to “economic capital” based on comments and ICP 16.4.4.
Q258 “Risk limit structure”	The relationship between the terms “risk limit”, “risk limits structure”, “risk appetite”, and “risk appetite statement” should be clarified.	The relationship of these terms are explained in ICP 16.0.6, ICP 16.3 and ICP 16.4, including related guidance. For the risk limits structure, please also refer to the descriptions under ICP 16.5, ICP 16.6, and ICP 16.7.