

Summary of main comments on draft revised ICP 20 received during 29 June 2018 – 28 August 2018 consultation and their resolution

Introduction

- IAIS received numerous comments from both Members and Stakeholders that provided valuable input for further improvements and revisions.
- With this document, the IAIS provides an update with responses to main substantive comments received on ICP 20 during the consultation.
- The revised ICP 20 will be published for information purposes only¹ and is expected to be adopted in 2019.

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

General comments on ICP 20

Ref.	Summary of comment received	Suggested IAIS response
General	The guidance in revised ICP 20 is overly-prescriptive and detailed. In fact, parts of ICP 20 go beyond information relevant to give policyholders and market participants insights into insurers' business activities, risks, performance, and financial position. Such guidance should be removed from ICP 20.	With the revisions made based on the consultation, and outside of the addition of one requirement on non-GAAP measures, the substance of the revised ICP 20 is unchanged. The IAIS has not received feedback to date that ICP 20 is overly-prescriptive and detailed, and notes that the substance of ICP 20 is consistent with a general purpose financial statement requirements in many jurisdictions.
General, 20.1, 20.2, 20.3, 20.9, 20.10, 20.11, 20.12	In many jurisdictions, Supervisors do not have the authority to prescribe the disclosure requirements for general purpose financial statements.	Revised draft ICP 20 to remove language in the ICP standards, where the Supervisor may lack legal authority.
General	Some of the disclosure requirements would require the publication of proprietary and confidential information.	ICP 20 includes guidance on proprietary and confidential information, which discusses the need for the supervisor to strike a balance between the need for meaningful disclosure and the protection of proprietary and confidential information.
General	ICP 20 should explicitly recognise that applicable jurisdictional disclosure requirements, which serve the same objective, should be considered as an appropriate implementation of this ICP.	Draft ICP 20 includes a statement in the guidance that "public general purpose financial reports may largely comply with jurisdictional disclosure standards that are reflective of this ICP."

General	The principles of proportionality should be applied in a consistent manner to avoid creating competitive disadvantages.	As described in the ICP Introduction, the ICP's 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.
General	The current draft ICP 20 appears to lack a materiality consideration. Disclosures are only useful if they are based on material information and not too detailed where user could get lost.	ICP 20 adequately addresses both issues. The principle of ICP 20 is to provide disclosures that are relevant to give policyholders and market participants a clear view of the insurer. Information must be material to be relevant. Additionally, the ICP provides guidance to Supervisors to consider the need for disclosures that deliver key information rather than unnecessary volumes of data.
General	It appears that the revised ICP 20 is focused on the financial reporting instead of supervisory reporting.	ICP 20 is focused on public disclosures that are relevant to policyholders and market participants. The objective is broader than that of solvency reporting, and it is important to note that for some jurisdictions, the financial statements and disclosures for public reporting and solvency reporting are very similar, if not the same. In general, good disclosure, whether for solvency purposes or general purpose financial reporting is useful for financial statement users. The ICP also notes that general purpose financials might largely comply with ICP 20 and calls on Supervisors to consider this when developing or amending disclosure requirements.

General	The "supervisor should/may require' construction is overused, and results with the guidance reading overly prescriptive. Suggest performing a general review taking these concerns into account to ensure the revised guidance in this ICP has the appropriate tone.	Revised draft ICP 20 to remove language that appears to transform the guidance into requirements.
20.0.1	Reporting requirements should be limited to information that is absolutely necessary for the required purpose and the related addressee. Excessive reporting requirements make reporting overly burdensome for insurance companies and reports confusingly complex for the public.	The requirements in the proposed revisions are consistent with the current ICP 20; however, a slight revision to the language was made to emphasize that the disclosures should be of material information.
20.0.4	Due to differences in measurement requirements between general purpose financial statements and solvency statements, it may not be feasible or worthwhile to provide reconciliations between the different regimes.	Revised guidance language in ICP 20.0.4 to encourage qualitative disclosure rather than quantitative, unless it is possible to provide a reconciliation.
20.2	Quantitative information is not available for all aspects mentioned in the Standard.	Revised standard to require appropriately detailed information rather than both qualitative and quantitative information.
20.2.5	The description of the level of knowledge an insurer can expect from a reader should be specified.	Removed language on the level of knowledge of the reader, since it is not possible to specify the appropriate level of knowledge necessary to understand the disclosures.
20.5	Technical provisions are not always determined on future cash flows.	Revised standard to require the disclosures, where relevant.

20.5.4	The margin over the current estimate and the current estimate may not always be calculated separately. Additionally, in some jurisdictions there is not a margin over the current estimate since the reserves are calculated on an undiscounted basis.	Revised the guidance to begin with “where relevant” since various jurisdictions have different ways of incorporating margins.
20.9	Disclosures about the insurer’s asset-liability management on a segmented level should not be required.	The standard does not require disclosure on a segmented level, but it does allow a Supervisor to require it where appropriate.
20.12	The ICPs should not invite an insurance supervisory authority to usurp the role of other authorities in its jurisdiction.	Revised standard to apply to those institutions issuing public generally accepted financial statements and using non-GAAP measures.