

3.3 Role of Supervisory colleges

Q6 Section 3.3 Is the role of supervisory colleges during the monitoring period appropriate? Please provide feedback on how the role should be refined.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
Association of Bermuda Insurers and Reinsurers	Bermuda	No	No	We strongly prefer a consistent, consolidated ICS on an economic risk-based approach. Any ICS should be applied to all insurers to have both a local and global level playing field and/or to avoid having to manage double standards. This is not likely on the short term, so ICS implementation does need to slowdown. In the interim we would not be in favour of an incomplete and likely volatile standard for discussion in supervisory colleges, which are an essential process in the supervision of our company for the protection of our policyholders.
China Banking and Insurance Regulatory Commission (CBIRC)	China	No	Yes	
European Insurance and Occupational Pensions Authority (EIOPA)	EIOPA	No	Yes	The role of supervisory colleges during the monitoring period is appropriate.
Insurance Europe	Europe	No	No	Insurance Europe would appreciate if the IAIS can confirm that all IAIGs under the scope of the ICS monitoring period are part of a supervisory college.
German Insurance Association	Germany	No	No	It is currently not sufficiently clear that the concept of “supervisory college” is implemented widely enough on a global scale to allow comparable and consistent

				processes for the further development of the ICS during the monitoring period. We would expect that the supervisory college consists of members from jurisdictions where our group has relevant business activities (only). Would it be possible to use existing Solvency II supervisory colleges also for this purpose? By doing so this task could become for both supervisors and insurance groups more efficient and less time consuming.
Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin)	Germany - BAFIN	No	Yes	
Global Federation of Insurance Associations	Global	No	No	GFIA agrees with the comment in Paragraph 73 that Supervisory Colleges should play a key role during the monitoring period; however, GFIA would note that there remains significant scope for improvement in supervisors' approach to collective debate and decision making. GFIA recommends that the Colleges consider the need for transitional measures from the perspective of each IAIG and as input to the IAIS-level discussions anticipated by Paragraph 76.
International Actuarial Association	International	No	No	The Insurance Regulation Committee of the IAA recommends a continuing commitment by the IAIS to manage and enhance the ICS framework. We appreciate the need and desire to use factors and/or simpler approximations of risk to meet the desire for comparability. But the world continues to evolve in both its risk exposures and ways to mitigate/pool those risks. Even beyond the field-testing period, the key supervisory need will be to understand when to believe and to disbelieve the numbers being reported, how those numbers may be impacting the market in unanticipated fashion and to adapt/modify the ICS to a world that will be changed by Insur Tech Innovations, Big Data, Climate Change, supervisory/regulatory innovation and other issues yet to be recognized. This will require forums and formats for group wide supervisors and their colleges to share their observations and questions with the IAIS working group and forum of supervisors on a regular basis into the future, as well as with other parts of the IAIS to ensure that reported numbers are linked to appropriate and useful supervisory responses. Given that the ICS is a standard approach, the effective use of its results means that other forms of solvency related disclosures (e.g.

				ORSA, risk sensitivities, stress tests) may be needed to guide effective supervisory responses. More insight into the additional nuances needed for the effective use of an ICS are provided in our answer to Question 47.
Dai-ichi Life Holdings, Inc.	Japan	No	No	Before monitoring period starts, supervisors in the college should understand the issues which each other concerns (e.g. national discretion regarding capital resources, a way of valuation which reflects specific business circumstance, and so on).
General Insurance Association of Japan	Japan	No	Yes	We believe the role of supervisory colleges during the monitoring period described here is appropriate. The prescriptiveness of the assessment conducted by different supervisory colleges should be consistent. Either the forum of supervisors or the Working Group within the IAIS could provide guidance concerning their prescriptiveness.
The Life Insurance Association of Japan	Japan	No	No	• The LIAJ assumes that there may be different views on issues related to ICS, depending on regulators jurisdictions in supervisory college. Discussions in supervisory college should be implemented before the start of monitoring period, though this may be already conducted.
Financial Supervisory Service (FSS) & Financial Services Commission (FSC)	Korea (Republic of)	No	Yes	
American Council of Life Insurers	Office of General Counsel	No	No	We believe that it is not appropriate for the ICS to be used to assess the solvency and soundness of a group during the monitoring period. We are therefore concerned about the proposed automatic insertion of the ICS into supervisory college discussions. While we acknowledge that the consultation states that colleges would merely “discuss and assess the reference ICS,” the consultation also asserts that the ICS will provide a “basis for comparison across IAIGs, and over time, during the monitoring period” (para. 37). During the monitoring period, the ICS will continue to be calculated on a basis that is approximate and unaudited, and that lacks



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

PUBLIC

				formal controls. Companies will not be managing to their ICS ratios because they will not be legally required to do so. Consequently, there is a risk that supervisors could draw misleading and inappropriate conclusions from ICS results during the monitoring period. The IAIS and supervisors should also not create any expectations that the monitoring period results will lead to any real world supervisory outcomes. ICS reporting during the monitoring period should continue to be confidential to the group-wide or lead supervisor and select IAIS working group members who have signed non-disclosure agreements. Evaluation of the impact of the ICS against existing or new local requirements should be performed on the basis of aggregated data. Assuming appropriate confidentiality protections are in place results can be shared with a supervisory college or a select set of involved/host supervisors at the request of an IAIG.
Aegon NV	The Netherlands	No	No	During the monitoring period ICS results should be reported only to group-wide supervisors and should be withheld from broader supervisory college discussion. The IAIS has confirmed that, during the monitoring period, the ICS will not be used as a PCR (paragraph 30). In addition, the ICS will have no legal standing during the monitoring period and will continue to be calculated on a basis that is approximate and unaudited, and that lacks formal controls. A possibility exists that key elements of the ICS may be amended during this time. Therefore discussions of the ICS within colleges are premature. Supervisory discussions may lead to invalid perceptions of solvency and soundness and an inappropriate impact on actual supervision. Due to these factors it is not appropriate for the ICS to be part of supervisory college discussions during the monitoring period. We support submission of data to the group-wide supervisor only.
Legal & General	UK	No	Yes	We are comfortable with this definition

Association of British Insurers	United Kingdom	No	No	The ABI agrees with the comment in Paragraph 73 that supervisory Colleges will play a key role during the monitoring period; however, we consider the IAIS has not adequately described this role in the context of this consultation. Experience of supervisory Colleges in other regulatory regimes (such as Solvency II) suggest that they do not work effectively unless their structure, composition and role is well defined, and they are appropriately run. There is a need for a common understanding of priorities and timelines from all the supervisors that participate in the College.
AIG	United States	No	No	As outlined in the ICS Consultation Document (Paragraph 73), "The members of an IAIG's supervisory college are expected to discuss and assess the reference ICS as reported to the GWS during the monitoring period". We believe that it is premature for the ICS to be used to assess solvency and soundness of a group during the monitoring period since the ICS is expected to be calculated on a best efforts basis which would be unaudited and lack formal controls. Furthermore, IAIGs will not be managing to their ICS ratios since they are not legally required to do so. As a result, there is a risk that supervisors could draw misleading and inappropriate conclusions from ICS results during the monitoring period since the IAIS has promoted the reference ICS to "provide a basis for comparison across IAIGs, and over time, during the monitoring period". (Paragraph 37) As such, the ICS should not be automatically inserted into supervisory colleges, and the IAIS and supervisors also should not create any expectations that the monitoring period results will lead to any real world supervisory implications. Furthermore, confidentiality and non-disclosure agreements need to be established before ICS results can be shared with a supervisory college and/or involved/host supervisors and only with the explicit consent and request from an IAIG.
National Association of Mutual Insurance Companies	United States	No	No	Answer: The Supervisory Colleges should assume the role of the "forum of supervisors".
RAA	United States and many other jurisdictions	No	No	See comments to questions 3 and 4.

Prudential Financial, Inc.	United States of America	No	No	As noted in our response to question 5, we believe supervisors should share their views both positive and negative) from working with the ICS throughout the monitoring period and value (or lack thereof) the tool offers. Paragraph 75 in the consultation document is silent on the frequency of the IAIS work to “collect feedback and views”; we recommend carrying this step out annually through a survey process that culminates with the publication of aggregate anonymized results of the surveys, which are then discussed in workshops with insurers reporting ICS results and broader stakeholder engagement forums. Further, any discussions held at supervisory colleges should also include an assessment of the relationship and interaction between jurisdictional entity level regimes and the ICS that highlights any potentially challenges that will be created or synergies and the potential impacts that may arise for stakeholders (e.g., supervisors, policyholders, consumers, etc.). In addition to our response to question 5, please also refer to our responses to questions 3 and 4 for further information on our thoughts on the role of supervisors in the ICS monitoring period.
American Property Casualty Insurance Association (APCI)	USA	No	No	As stated before, we do not believe that the ICS 2.0 will be “fit for purpose” during the monitoring period and as such we have concerns about this incomplete standard being a central part of discussions in supervisory colleges, which are an essential process in the supervision of our company for the protection of our policyholders. However, if the IAIS still pushes forward per the current timeframe, in Paragraph 74, we recommend that the assessment of the reference ICS and any additional reporting should also include a cost-benefit analysis. We also recommend that the colleges consider the need for transitional measures from the perspective of each respective IAIG and as input to the IAIS-level discussions anticipated by the text at paragraph 76.

				We appreciate that the colleges will discuss and assess additional reporting, including the aggregation-based valuation method. Given the presence of U.S. IAIGs in many markets around the world, the consideration of aggregation in the colleges will expose a significant number of supervisors to the aggregation method.
Liberty Mutual Insurance Group	USA	No	No	There is no reasonable role for the IAIS in connection with the monitoring period or any other aspect, for that matter, of how supervisory colleges are conducted
MetLife, Inc	USA	No	No	As stated above, we have grave concerns with any suggestion that the group wide or lead supervisor be directed by the IAIS to share individual IAIG ratios with the supervisory college. First, GWS or lead supervisors may not be legally permitted to share such information under jurisdictional professional secrecy laws. Second, companies will continue to report on the basis of simplifications, assumptions and proxies and more importantly report on this basis under an ICS for which many key elements remain unresolved (discounting, calibration, diversification). In addition, in 2018 the IAIS introduced new elements that have yet to be fully tested and agreed (three-bucket liability discounting option, non-default spread risk charge) and a number of important “placeholders” (MOCE and tax treatment) continue to be discussed. We would suggest that evaluation of ratios reported by companies during the monitoring period continue to be confidential to the group-wide or lead supervisor and select IAIS working group members who have signed non-disclosure agreements. Evaluation of the impact of the ICS as against existing or new local requirements could be performed on the basis of aggregated data. Sharing and evaluation of ICS ratios with the supervisory college should be a decision reached by the group-wide or lead supervisor with the full agreement of a volunteer company’s management.

Property Casualty Insurers Association of America (PCI)	USA	No	No	No. In paragraph 74, we recommend that the assessment of the reference ICS and any additional reporting should also include an assessment of cost-benefit. What new insights were learned from the ICS both as a process as well as a resulting metric, and at what cost, both in terms of effort and resources of the IAIG, and of supervisors? What changes in the IAIG's business, if any, will the ICS influence? How may those changes impact the broader market and what may be the broader sectoral/societal implications? We also recommend that the colleges consider the need for transitional measures from the perspective of each respective IAIG and as input to the IAIS-level discussions anticipated by the text at paragraph 76.
National Association of Insurance Commissioners (NAIC)	USA, NAIC	No	Yes	Yes.

End of Section 3.3