

7.4 Look-through

Q73 Section 7.4 Are there any comments on the look-through approach that the IAIS should consider in the development of ICS Version 2.0? If “yes”, please explain with sufficient detail and rationale.

Organisation	Jurisdiction	Confidential	Answer	Answer Comments
CLHIA	Canada	No	Yes	The ICS mentions that “look-through approach should apply to indirect investments”. It would be helpful if the ICS document can elaborate what “indirect investments” are.
China Banking and Insurance Regulatory Commission (CBIRC)	China	No	Yes	We support the look-through approach. However, currently for most Chinese insurers, it is often difficult to obtain underlying data due to a lack of an established information system and processing procedures. Therefore, a transition period may need to be allowed for, to allow such system to be built up and run effectively.
Insurance Europe	Europe	No	No	Insurance Europe proposes to define a materiality threshold for the application of the look-through approach. Furthermore, where the look through approach is not possible for investment funds, insurers should be allowed to apply a simplified approach based on the underlying target asset allocation and on data grouping.
Global Federation of Insurance Associations	Global	No	No	

Dai-ichi Life Holdings, Inc.	Japan	No	Yes	We would like the IAIS to carefully consider the case where the look-through approach is not possible for the calculation of the ICS requirement, in the light of the proportionality principle. Insurers might be forced to address both the complexity of the look-through approach and the significantly increased cost due to rigorous application of the approach. A simplified approach such as the estimation of risk exposures based on the benchmark index to allow for the use of data before the reference data should be considered. Particularly regarding hedge funds, it should be noted that they disclose overall investment policies and asset classes, while the investment status of individual equities may not be disclosed. In the case where the look-through approach is not applied for hedge funds or infrastructure funds, one possible approach would be the consideration of an average risk charge at each asset class.
General Insurance Association of Japan	Japan	No	Yes	It is difficult to implement a full look-through on all asset classes including investment funds. Therefore, a simplified approach should be applied. For example, a look-through of investment in trust funds could be evaluated in line with other asset classes, such as funds invested in bonds and common stocks. Also, the look-through approach could better reflect reality by categorizing such investments under new or relevant preexisting categories.
The Life Insurance Association of Japan	Japan	No	Yes	• The LIAJ would like the IAIS to carefully consider the case where the look-through approach is not possible for the calculation of the ICS requirement, in the light of the proportionality principle. Insurers might be forced to address both the complexity of the look-through approach and the

				significantly increased cost due to rigorous application of the approach. • A simplified approach such as the estimation of risk exposures based on the benchmark index and the use of data before the reference date should be considered. Particularly regarding hedge funds, it should be noted that they only disclose overall investment policies and asset classes, but they don't disclose the investment status of individual equities. • In the case where the look-through approach is not applied for hedge funds or infrastructure funds, one possible approach would be the consideration of an average risk charge at each asset class.
Financial Supervisory Service (FSS) & Financial Services Commission (FSC)	Korea (Republic of)	No	No	
Legal & General	UK	No	No	We are comfortable with the current treatment.
National Association of Mutual Insurance Companies	United States	No	Yes	The standard formula should be more flexible allowing for differences in jurisdictional treatment of risks.
Property Casualty Insurers Association of America (PCI)	USA	No	Yes	PCI's yes or no response was simply required in order to open the text box and file comments. We believe this question to be best addressed by field test volunteers who have the ability to do so with the benefit of actual data for support and context. The absence of a response by PCI should not be taken one way or the other with respect to the subject of the question.

End of Section 7.4