

Compiled Comments on *Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame)*

17-Oct-13 to 31-Dec-13

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General comments on 2013 Draft ComFrame.			
Association of Bermuda Insurers and Reinsurers	Bermuda	We are supportive of the concept of regulatory co-operation, particularly when it reduces the amount of duplication that might occur when a Group is subject to multiple over-lapping regulator requests. Consideration should be given to those groups that whilst deemed as an internationally active insurance group (IAIG) only operate within one regional regulatory regime, e.g. Solvency II. At present, ComFrame does not appear to anticipate adequately how it would operate with regimes that serve much of the same purpose. We are concerned that it will create a layer of duplication. Further, ABIR does not support the concept of 'multiple' group supervisors as this would only lead to duplicative requirements, confusion as to who is the lead and would be contrary to the effective use of supervisory colleges which by their design should already include all of the relevant supervisors. With respect to the discretionary authority to have a supervisor determine that a group be deemed an IAIG in the absence of meeting the agreed criteria, ABIR would respectfully request that ComFrame be transparent about both the process and determination to do so. There should also be a mechanism whereby the proposed group can have input into the discretionary process and a right of appeal. In addition, we remain concerned that ComFrame will impose an additional level of regulatory requirements upon IAIGs that are not justified by the need to close supervisory gaps or solve particular problems that IAIGs pose. These include: - Corporate governance and ERM requirements that still appear to impose a highly centralized, hierarchical model with the ultimate parent company being responsible for a number of centralized functions relating to key aspects of insurance company operations and that ignore the varied approaches to management of global businesses which can often be through a series of matrix management or other structures; - Requirements for a group-wide underwriting and claims	

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		management policy and centralised functional policies and plans; and - A requirement to document all specific legislative restrictions applying to transfer of capital or assets from one jurisdiction to another, even for IAIGs that operate in multiple jurisdictions: The basic goal of IAIG supervision should be to make sure that supervisors understand the relevant risks posed by the IAIG's operations and are comfortable that the IAIG is appropriately managing those risks. ComFrame should not prescribe to the IAIG the manner in which it does so. ABIR understands the IAIS and the Financial Stability Board's interest in developing a global insurance group capital standard and we note that the Bermuda Monetary Authority (BMA) already has in place a group risk based capital standard for the insurers which it supervises as a group supervisor. In the development of a group capital assessment for an IAIG, we would support a simple, minimum, base-line risk based capital measurement that can provide an illustration of a group's regulatory capital needs, affords a basis of comparison amongst international groups and focuses on a minimum or floor capital requirement that if breached would be the basis for regulatory action. Group capital requirements are an assessment of capital held by the insurance group and should not be used to compel that the group hold all or part of group capital at an ultimate parent or designated insurer level; rather it is a measure of capital held in the current group structure and does not imply a reallocation or repositioning of regulatory capital. Requirements should not be imposed on the control of capital in excess of the regulatory requirements. Group capital measurements need to respect existing jurisdictional legal entity regulatory requirements and existing group affiliate contracts, parental guarantees or other such measures that continue to guide capital flows and support within the group. ABIR would not support development of an additional capital standard that requires capital in addition to existing group capital requirements, such as those imposed by the BMA. Duplicative or	

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		redundant group capital standards would be inefficient and counterproductive to the functioning of consumer insurance markets. Any new ICS would have to be instituted via jurisdictional law. At such time the interplay of the ICS with existing group capital requirements would have to be assessed and understood; and then could likely lead to amendments in the existing jurisdictional capital standards. ABIR notes that the lack of an agreed public accounting model by the FASB and the IASB for insurance accounting complicates regulatory accounting and thus complicates the development of a group capital measure, since different accounting systems are currently in use. Until such time as an agreed public accounting model is instituted, regulations should respect the use of the public accounting models most widely in use and regulatory prudential deviations from those models should be sparingly created. For the ICS project, supervisors should be cautious in taking actions that compel creation of substantially modified insurance accounting. The application, scope and regulatory intervention of a group capital ICS should be well defined, universally understood and transparent. The focus on the level of capital must be one that looks to sufficiency to run off policyholder obligations and not a "going concern" model since the role of the regulator is to honor the contractual obligations to the policyholders. Additionally, any group capital ICS that is created should not negate the impact of regulatory approved economic capital models for the calculation of group capital in jurisdictions where models are allowed. Other important points include: - The G-SII and ComFrame work streams must continue to remain separate - separate requirements for G-SIIs are only appropriate because of the systemic risk they may present and are not appropriate for IAIGs that do not pose that risk. - Strong confidentiality protections should apply to the company-specific data that will be produced during the field testing process. There should also be greater transparency by regulators as to the process they will follow when receiving an IAIG's confidential	

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		information whether a MMOU or MOU does or doesn't exist. There needs to be transparency on how confidential information is treated and with whom it is shared and under what conditions/circumstances and the process for determining how much of the confidential information is shared. - ComFrame has not been subjected to a cost benefit analysis therefore the value is yet to be demonstrated. Both industry and regulators already face high human capital and systems costs to comply with extensive regulation. ComFrame was initially proposed to be principles based but appears to be becoming increasingly prescriptive, which results in additional costs: - ComFrame should be a best practices guide for how supervisory colleges should work along with provisions to make it operational	
Canadian Life & Health Insurance Association Inc.	Canada	The Canadian Life and Health Insurance Association Inc. ("CLHIA") is a voluntary trade association whose member companies account for 99 percent of Canada's life and health insurance business. Our industry provides a wide range of financial security products such as life insurance, annuities and supplementary health insurance to about 26 million Canadians. Further to our comments on the earlier version of the Common Framework for the Supervision of Internationally Active Insurance Groups ("ComFrame") which we submitted on August 31, 2012, we are pleased to provide input on the October 17, 2013 draft of the document. The CLHIA is an Observer of the IAIS and an active participant in the Global Federation of Insurance Associations ("GFIA"). The CLHIA is submitting comments to provide a perspective of our member companies operating in Canada. We are pleased to note a significant improvement in the overall quality of the ComFrame document with respect to its organization, clarity of the write-up, and crispness of its Parameters and Guidelines. We thank the IAIS for this effort, appreciating its complexity. We continue to support the objective of putting in place a framework for efficient and collaborative supervision of global insurance groups that would provide a basis for comparability of	

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		outcomes of regulation and supervisory processes. Given the non-mandatory nature of the Guidelines, we hope that comparability does not get eroded through material differences in the implementation between various jurisdictions, all the while recognizing some differences are necessary to appropriately reflect unique circumstances. We would like to raise the following three items, the detailed analysis of which is included in the applicable Question. For the ease of reference, we list the items in the order in which they arise in the ComFrame document. However, our most material concern relates to Item #2, the definitions of capital resources in Module 2 Element 5, as it may result in a substantial financial burden on the industry that we would argue is not warranted in view of our economic risks. In particular, insurers are not materially exposed to a "run-on-a-bank" scenario that would force a prompt liquidation of our business. The capital definition for insurers should reflect this longer-term horizon of ongoing operations and wind-up. 1. ComFrame continues to be overly prescriptive The prescriptiveness is evident in the following areas: a. Description of the Board responsibilities, and in particular the parent Board involvement in subsidiary matters in which local Boards and management need to maintain own authority ("mind and management") We suggest deleting from several Guidelines references to requirements "at the group-wide and entity level" or similar wording to that effect. b. Requirements on the contents of specific policies and documentation c. Description of the roles of various functions within a company With respect to both (b) and (c) we suggest that ComFrame states that references to specific policies or functions are intended as illustrative. The policy requirements can be met through a variety of	

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		documentation. Similarly, roles and responsibilities attributed to a particular function can be fulfilled by some other function. d. Types of stress tests required As risk identification, measurement and techniques change through time, there should be enough flexibility in ComFrame for companies to adjust their stress testing approaches in accordance with such changes. We suggest that highly granular descriptions in some of the Guidelines are deleted or significantly streamlined or at least prefaced by their being provided for illustrative purposes only. 2. Definitions of capital resources in Module 2 Element 5 are excessively punitive Our concerns in this area are motivated by the insurance long-term business model, including in a wind-up or liquidation that warrants consideration in the choice of instruments qualifying as capital and recognition of the realizable value of certain assets. They are also influenced by our accounting regime which is currently volatile (C-IFRS), and will potentially become more volatile in the future (IFRS4 Phase II). This accounting regime could destabilize reported equity of insurers. This could be of material consequence for a company's solvency position, necessitating access to a broad range of capital instruments and particular sensitivity to mitigation of spurious volatility and procyclicality in the design of solvency requirements. a. Protection of policyholder claims should be the primary characteristic of "capital" As this protection is granted by law in many jurisdictions, it allows for a wider range of instruments qualifying as capital relative to banks. For example, in many jurisdictions, claims of policyholders rank ahead of any debt creditors, regardless of their legal subordination. In contrast, on the banking side, deposit holders rank ahead of subordinated debt holders only and pari passu with claims of senior debt holders. It follows that senior debt meets the subordination characteristic of "capital" for insurers while it does not for banks.	

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		Given the wording of various Guidelines, we are not clear whether ComFrame is fully aligned with our view of senior debt potentially qualifying as capital and would appreciate a more direct wording to this effect. Irrespective of the ranking of claims discussion above, we note that there are somewhat conflicting indications in Parameter M2E5-5-16 and Guideline M2E5-5-4-1 regarding the requirement or ability to suspend distributions for an instrument to be considered "capital". Such requirements could disqualify from capital subordinated debentures that are traditionally offered in North America and perhaps other markets. Given that these instruments amortize for regulatory capital purposes within 5 years of their obligatory redemption, we believe there is sufficient prudence in place to support their current "capital" status. A similar amortization requirement could be introduced for senior debt as well. For clarity and to respect the underlying principle that the financial instrument qualifying as capital should not accelerate insolvency, we suggest to remove the reference to "deferral" of distributions, replacing it with a statement such as, for example: "Capital instruments must not contain restrictive covenants or default clauses that would allow the holder to trigger acceleration of repayment in circumstances other than the insolvency, bankruptcy or winding-up of the issuer." b. Tiering of capital is excessively restrictive Given our business model, life insurers cannot be forced into an accelerated liquidation of their balance sheet under a "run on a bank" scenario. The capital definition for insurers should be therefore different from that for banks. For example, the distinction between "core capital" and "additional capital" is redundant as "going concern" and "liquidation" scenarios evolve over many years. At the same time, the distinction could introduce excessive and economically unwarranted pressure on equity ("core") capital with limited tools to respond to this pressure. Given the current discussion on accounting for insurance contracts, the reported equity position of insurance companies may become inherently	

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		unstable; under some accounting regimes this is the case already today. We also note in this context that identification of equity components constituting regulatory capital can be reasonably completed only once the construction of the balance sheet to be used for solvency purposes is well-defined. We believe that concerns over the quality of capital resources are better addressed through limits on the composition of capital with ranges providing sufficient flexibility to access various instruments when managing to only one "total capital" ratio. c. Certain deductions from capital are inappropriate given the insurance long-term business model Specifically, intangibles and deferred tax assets ("DTA") maintain value for insurers even under stress conditions. This value can be either crystalized over long run off periods or, alternatively, monetized through the purchase price should the business be divested. In the case of intangibles, this applies not only to computer software but also to trade names, distribution channels, and client lists, among others, all of which have a "realisable value", including in a stress environment. In the case of DTA, in stress conditions a life insurer could restrict new business sales, typically reducing strain and thus favourably impacting taxable income and improving DTA recoverability. It may also divest certain lines of business, structuring such sales in a tax efficient manner to realize DTA associated with that business line. In Canada, life insurance companies can under claim tax reserves to strengthen taxable income in support of utilizing tax loss carry forwards. On an ongoing basis, DTA are subject to rigorous valuation audit reviews to ensure they meet the asset recognition criteria. Furthermore, DTAs related to timing differences from regulatory reserves over tax reserves should be recognized to the extent there is regulatory income in the future in a stress environment even if there is no taxable income. The potential deductions of DTA and intangibles from core capital	

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		with limited add-backs to additional capital would not be an appropriate outcome. Based on our experience, DTA in particular tend to be volatile, and their exclusion from capital would add to the pro-cyclicality of solvency requirements. Finally, in order to protect against losses in value for these assets, companies typically hold capital against such risk either through explicit risk charges or limits on the amount of these assets that could be recognized in capital. We find such approaches more reasonable relative to the extreme approach of full capital deductions. d. Deductions pertaining to "secured assets" would adversely impact our risk mitigation tools, notably reinsurance and derivative hedging strategies ComFrame would require the exclusion from core capital of secured assets in excess of the value of the relevant liabilities (Parameter M2E5-7-8). This would adversely impact the costs of risk mitigation tools such as reinsurance and derivative hedging. In some reinsurance structures, collateral is provided in support of capital requirements or as an additional credit protection or a similar risk-mitigator. As such, there are no liabilities present, and thus the value of "secured assets" would be deducted from capital of the collateral provider, substantially raising costs of such risk mitigation for both parties. The requirement could similarly increase costs of derivative hedging strategies. For OTC derivatives, collateral posted is typically subject to a haircut. Under the proposed ComFrame rules, this over-collateralization amount would be excluded from capital, as would be the initial margin posted for derivatives traded through a clearing house. In both cases this is not warranted since both the overcollateralized assets and initial margin are released to the insurer once the derivative is unwound. The proposed ComFrame wording would adversely impact secured funding programs (such as repos) that use over-collateralization, raising costs of liquidity management which could not be	

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		economically justifiable. In a wind-up or liquidation, the secured borrowing would be settled and any excess collateral returned to the insurer and available to fulfill other claims. 3. Confidentiality of information between regulators must be strongly protected and enforced Highly confidential documents such as business plans, internal stress tests and contingency planning documents could be in principle shared with all regulators in jurisdictions where an IAIG operates. These regulators may not be necessarily bound by the same confidentiality standards as the group supervisor. Accordingly, we believe that certain documents should be only reviewed by the group supervisor. Furthermore, jurisdictions must ensure that in addition to confidentiality agreements, supervisors must be exempt from Access to Information requests from third parties. In addition to our three core items discussed above, we have a number of other comments which we provide in the Appendix. These include, among others, our suggestion to differentiate between different types of group "Heads" (e.g., operating company versus holding company), our strong recommendation for only one "group supervisor" being designated for an IAIG; an inappropriate sameness of requirements for "group" and "entity" (e.g., in the determination of risk appetite); and the need for a clear separation of fungibility/transferability and liquidity issues. In the Appendix we also provide references to proposed ComFrame provisions substantiating our comments above. We trust the IAIS will find our comments useful. We extend our good wishes for the completion of the ComFrame, hoping for constructive outcomes that will address prudential requirements in a manner appropriate for the insurance industry.	
Office of the Superintendent of Financial Institutions	Canada	We suggest that ComFrame use the same words and concepts as the IAIS Insurance Core Principles. These being: - Principles - numbered and presented in a box with bold font - Standards - linked to a Principle statement and presented in bold font, with the number of the applicable principle statement followed by the standard number. e.g. the second standard under the	

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		Principle statement 3 appears as 3.2 - Guidelines - linked to a particular Principle statement and/or standard. Guidelines are presented in regular font, with the number of the Principle statement and Standard followed by the guideline number, e.g. the second guideline under Standard 1.3 appears as 1.3.2. In addition, we suggest the expanded use of titles and subtitles to improve visual search.	
China Insurance Regulatory Commission	China	1.Common Framework for the Supervision of Internationally Active Insurance Groups(ComFrame) aims to establish unified global insurance regulatory rules to improve the efficiency of group supervision and fill regulatory gaps, which plays a significant role in promoting global insurance regulatory cooperation and the integration of insurance regulatory rules and regulatory methods. ComFrame consists of three modules: The scope of ComFrame, The IAIG, The Supervisor.13 elements in total, which lays a good foundation for the reunification of global insurance regulatory rules. However, ComFrame mainly refers to the regulatory requirements in developed countries and the international insurance groups in line with current IAIG standards, which is not entirely suitable for China's insurance industry. Therefore we suggest ComFrame pay more attention to the characteristics of emerging insurance markets, attach more importance to the experience in China and other emerging insurance markets in areas such as solvency regulation. 2. In the process of formulating and implementing ComFrame, we propose that ComFrame adhere to developing principles, and leave the specific rules and implementing rules to be developed by the supervisors of host country, meanwhile, take full account of the differences between developed and developing countries and allow developing countries to gradually implement ComFrame requirements to avoid excessive regulatory requirements and implementation costs. 3. With the continuous development of financial mixed operation, more and more insurance groups extend their business areas to banking and securities, the collaboration between different regulatory authorities in financial sector are also increasing. Therefore, we suggest ComFrame carry out some specialized formulation in this respect.	

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European Insurance and Occupational Pensions Authority (EIOPA)	EU	EIOPA welcomes the opportunity to comment on ComFrame Draft in this Public Consultation, marking the end of ComFrame Development phase and the beginning of Field Testing phase. In the consultation of ComFrame in August 2011, EIOPA supported greater supervisory convergence and called for an enhancement of regulatory capital requirements to achieve adequate consumer protection on a global level. EIOPA acknowledges the great advances IAIS has made in this field through the further development of ComFrame and by the introduction of the Insurance Capital Standard. We continue our strong commitment to ComFrame and to the definition of convergent international standards.	
Federation Francaise des Societes d'Assurance (FFSA)	France	The French Insurers Association (FFSA) represents 240 insurance and reinsurance undertakings that account for around 90% of the French market and almost 100% of international businesses. The FFSA welcomes the opportunity to comment on the consultation of the IAIS on a common framework for the supervision of internationally active groups (IAIGs). ComFrame is intended to be a framework that fosters comparability of IAIGs regulation and helps convergence in supervisory processes. It is expected to offer for better supervision of groups. The enforcement and the legal basis of ComFrame and supervisory actions taken accordingly should be carefully considered as well as the way it would interact with legally binding in-force regimes. As a general comment, it is essential that supervisors' actions should follow a clear and transparent system of governance. We welcome the use of a total balance sheet approach and we are supportive of the introduction of principles regarding the governance and risk management systems. However, ComFrame should not constitute a conflicting extra-layer in the group-wide insurance regulation. It should not contravene with current (or foreseen) in-force risk-based local regimes nor contradict G-SIIs framework to come. The FFSA considers ComFrame should be a principle based	

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		approach that would not entail prescriptive requirements. The objective of ComFrame should be to pave the way for a progressive convergence of supervisory review but not create an ad-hoc regime. The framework in consultation is ambiguous to that matter without possibly knowing if we pursue a normalized and standard approach and/or an entity specific approach. In our opinion ComFrame provisions should be sufficiently flexible to integrate existing regimes that fulfills commonly agreed high level principles of economically sound and risk-based approach coupled with proper systems of governance and risk management. Ultimately the development of the ICS within ComFrame should be consistent and compatible with the statement above and due care should be given to pro-cyclicality issues. Common grounds over the valuation basis Common grounds for valuation purposes are not met at this stage. The scope of an IAIG is supposed to be determined based on consolidated financial statements but without specifying a single and global methodology (statements for supervisory purposes or local accounting standards). The FFSA is aware that it is IAIS's intention to test different Balance sheet valuation methodologies in the coming 2014 Field Testing. However, as long as no agreement has been reached regarding valuation and regulatory rules applying and applied by all jurisdictions, local regimes will prevail making necessary the adoption of a flexible and principle based common prudential framework. Adopting normalized capital requirements can only come after the definition of commonly accepted valuation principles. As a consequence, in-force (or foreseen) supervisory regimes that meet high level standards for capital adequacy aligned with ComFrame requirements should be recognized as satisfying ComFrame requirements.	
Institut des Actuares	France	The Institut des Actuares (France) welcomes this consultation. We support the answer provided by the IAA. It would be necessary to have a project consistent with the European solvency 2 framework. It would also be necessary for IAIS to conduct impact assessments to check the real weight of any measures.	

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Allianz Group	Germany	We support the comments submitted by Insurance Europe. In addition to those, we have the following comments. It cannot be excluded that some jurisdictions might, with reference to the specificities of their local/state regulations and constitutional law, be opposed to an alignment with the standard agreed at an international level. Consequently, regulators should ensure a level playing field overall in all member countries, for IAIGs and between IAIGs and non-IAIGs in their respective jurisdictions, taking existing regimes into account when applying ComFrame.	
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	The German Insurance Association appreciates the opportunity to take part in the third public consultation as regards the ComFrame-project of the IAIS. The German insurance industry continues to be supportive to promote the development of ComFrame as an opportunity to provide a comprehensive global regulatory approach for globally acting insurance groups. The current consultation draft shows that considerable progress has been made since the IAIS launched the project back in 2010. There seems to be more flexibility and less of a concern that an additional layer of supervision will be established. However, our detailed comments on various Elements reveal some issues which are not fully consistent with the IAIS intention not to establish a highly prescriptive set of rules. In this context, we would like to remind the IAIS that ComFrame should primarily promote comparability and foster a mutual understanding of material risks IAIGs are exposed to. Therefore, it needs to be ensured that regulatory approaches currently applicable or due for implementation comply with fundamental principles of group supervision instead of overruling existing or evolving regulation with detailed requirements which supervisory purpose is effectively served by other, equivalent legal means. In terms of capital adequacy, ComFrame originally started with the ambition to offer a partly harmonized approach with a considerable degree of flexibility in application. Now it is the IAIS' intention to develop a risk based global insurance capital standard (ICS) by 2016 and ready for implementation in 2019. Although we basically agree that a global framework for the supervision of IAIGs should	

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		include a global capital standard, we are concerned that the expectation to adopt the ICS by the end of 2018 could be a too ambitious time limit to cope with the enormous challenge to agree on a common understanding about the appropriate capitalization of IAIGs. The result of the IAIS' work on global capital standards is likely to have a tremendous impact for the entire insurance industry. Therefore, it is of paramount importance that adequate alignment with existing and evolving capital regimes such as Solvency II which contain a high degree of sophistication will be ensured. This is a very ambitious task which requires a great deal of elaboration and sufficient time. Moreover, there is a massive policy uncertainty about the potential interaction between the backstop capital requirement (BCR) for G-SIIs and the ICS. At this point, much more clarity and transparency is required, not least because groups envisaging a participation in the Field Test need a clear picture about the magnitude of the exercise. We appreciate the decision to exclude requirements on crisis management and resolution from this consultation, at least until the FSB has finalized its considerations on the application of the "Key Attributes of Effective Resolution Regimes for Financial Institutions" to insurers. We took part in the FSB consultation on this issue and made it clear that the current proposals still suffer from a misconception of how insurers operate in crisis and resolution situations and lack the focus on systemically relevant activities of insurers.	
KPMG AG WPG	-	We welcome the opportunity to respond to this consultation on ComFrame for the supervision of Internationally Active Insurance Groups (IAIGs). We support this important initiative of the IAIS and acknowledge the considerable amount of effort and resource that has been undertaken to produce the current consultation paper. As acknowledged by the IAIS, we understand that ComFrame has arisen due to perceived weaknesses in current group-wide supervisory practices, reinforced by the events of the Global	

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		Financial Crisis, namely: - Regulatory focus has predominantly been at an individual firm level and not enough is being done at group or the macro level; - There is a lack of oversight and monitoring of non-regulated subsidiaries/activities; - Legal and legislative limitations exist across borders on insurance group supervision; - Limitations exist in the quality and content of supervision; - There is a lack of coordination of responsibilities and mechanisms among supervisors; and - There is a lack of effective tools to identify and monitor regulatory arbitrage on a cross-sector and cross-border basis. To address these weaknesses, we understand that the IAIS has outlined the aims of ComFrame as: - Developing methods of operating group-wide supervision of IAIGs in order to make group-wide supervision more effective and more reflective of actual business practices; - Establishing a comprehensive solvency framework for supervisors to address group-wide activities and risks and also set grounds for better supervisory cooperation to allow for a more integrated and international approach; and - Fostering global convergence of regulatory and supervisory measures and approaches. It is against this understanding that we have framed our comments and provided our perspectives on the consultation paper. As outlined by the paper, there are a number of significant issues regarding solvency which require further analysis, for example: - The use and scope of a total balance sheet approach; - Whether a consolidated or aggregated accounting measure should be used; - How should risks actually be measured - especially with regard to internal model criteria; - Determining a common methodology approach to capital requirements;	

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		- Ensuring consistency in ORSA application - especially in regards to the application of stress and scenario tests; and - Continued difficulty in supervisors themselves reaching a common view and approach regarding methodology of the supervisory assessment process. In addition, we note that the paper still has a number of key issues that require further analysis, especially concerning the application at a group-wide level, for example: - the scope of an insurance group; - uncertainty regarding valuation and how a group capital assessment could be designed; - the approach to setting solvency control levels and associated capital requirements; - whether ComFrame should require different intervention levels; - whether ComFrame should require a single methodology in determining capital requirements or whether multiple methodologies could be allowed; and - whether ComFrame results in one group supervisor or multiple supervisors involved in the supervision of an IAIG and the legal implications arising. KPMG perspective: We continue to strongly support measures to build more integrated and effective approaches to solvency structures at a global level and to foster global convergence of regulatory and supervisory measures and approaches to insurance supervision. Such measures should be fundamental in developing a framework that can support cross-border cooperation and support the implementation of new initiatives such as systemic risk analysis facilitated by effective group-wide supervision. However, we remain concerned that there are a number of structural issues which remain to be addressed, such as: - Determining a globally accepted level of policyholder protection - The role and future of the IAIS as an international standard setter - The envisaged implementation of ComFrame - Greater international cooperation amongst all standard setters - Consumer protection	

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		Determining a globally accepted level of policyholder protection If ComFrame is to achieve international convergence and consistency in supervisory requirements, one of the most important issues to resolve will be that of establishing an appropriate level of policyholder protection - or put another way, determining the risk appetite of supervisors with regard to the failure of an IAIG. An open and informed debate concerning minimum standards of global policyholder protection, and thereby capital requirements, is needed. As the international standard setter for insurance, it would be a curious decision for the IAIS to advocate a new, globally accepted common framework and not articulate the level of policyholder protection it affords. In addition to discussion and agreement on the level of protection to which policyholders are entitled, more debate is needed on the components of an effective global group-wide supervisory regime, for example, the determinants of key tools for an effective insurance supervisory regime. Failure by supervisors to reach satisfactory conclusions on these important components may be considered as regulatory failure by some stakeholders. We acknowledge the efforts now being undertaken within the IAIS to begin analysis of some of these key matters, in particular the creation of the Field Testing Task Force. However, it appears that the primary focus of this group's work is in examining possible stress and scenario tests that could be applied. It is not clear however in what context such tests would reside within a capital framework. We also acknowledge the work now being undertaken by another working group within the IAIS examining the setting of the Backstop Capital Requirements (BCR) and note that these developments will be separately consulted upon in due course. We therefore do not propose to comment on the work currently in progress within these two groups, but highlight the obvious need for the proposals presented in the ComFrame consultation to be adequately aligned with these future developments. It is not yet clear how the IAIS propose this would occur and further information regarding same is required.	

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		We also remain concerned that the IAIS has expressed that ComFrame will not be 'rules-based' and instead will aim to be outcomes focused. While we support these aims generally, it is difficult to envisage a new global framework that does not, at a minimum, clearly set out the quantitative requirements for minimum policyholder protection levels (i.e. capital). Such measures will be necessary to achieve a converged and consistent approach across jurisdictions and for ComFrame to be a cost-effective measure for firms. Given other international initiatives towards applying a systemic risk framework to insurers, achieving greater convergence across global markets and agreeing a common view of policyholder protection levels is considered fundamental, particularly as at present there is no globally consistent framework to apply group-wide supervision requirements, especially concerning quality of capital measures and actual capital requirements. This environment could present unintended regulatory and supervisory consequences such as regulatory arbitrage and provide additional cost burdens for firms. The role and future of the IAIS as an international standard setter The Global Financial Crisis (GFC) highlighted the uncertainty regarding the role, remit and ability of the IAIS to facilitate, or be involved in, any formal review process of an IAIG. Key lessons learned by the industry from the GFC were matters of IAIG data confidentiality and information and mechanisms to freely exchange sensitive information amongst supervisors. As the IAIS is developing ComFrame, greater clarity and articulation concerning its role and powers would be beneficial to both IAIS Members and Observers. For example, it remains unclear as to whether the principal aim of the IAIS is to increase the intensity of supervision of the largest and most complex global insurance groups, or whether the primary intention is to achieve greater global consistency. The first approach focuses on raising standards, and the latter focuses on wide and consistent application of minimum standards.	

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		The envisaged implementation of ComFrame The path to implementation remains unclear. It has not yet been clearly articulated how ComFrame is envisaged to operate, for example, whether ComFrame is intended to perform like the Basel Accord for Banking (with the intention that individual countries will implement ComFrame into their local law and regulation and thereby replacing existing requirements) or whether a much looser supervisory arrangement is intended. For example, is it the intention by insurance supervisors that ComFrame would replace existing regulatory requirements, such that, in using a European example, ComFrame would replace Solvency II or likewise for the US, replace the existing RBC framework? Alternatively, is it the intention for ComFrame to act as an additional set of supervisory requirements in addition to existing national requirements? Related to these concerns, we are of the view that a new capital standard that could replace both Solvency 2 and the US system could be very expensive to implement, and potentially introduce significant wasted cost on the predecessor approaches. We have not seen a detailed cost/benefit analysis performed for ComFrame and would expect that such a study has been undertaken (i.e. can be demonstrated that the ComFrame benefits exceed costs). Given it remains unclear as to the formal application of ComFrame by individual country regulators and supervisors, such uncertainty is increasing anxiety amongst industry stakeholders which is not helpful to ComFrame's overall development going forward. A clear articulation regarding the application and intent of these reforms and the associated costs and benefits should be given priority. Greater international cooperation amongst all standard setters It is clearly important that the IAIS liaises closely with not only the Basel Committee for Banking and International Organization of Securities Commissions (IOSCO), but also the Joint Forum and the Financial Stability Board (FSB) and G20 forums, if it is to appropriately develop ComFrame. How IAIG supervision is envisaged to interrelate with other sectors such as banking and conglomerates is critical to avoid duplication and achieve maximum efficiencies from supervisory processes. Further consideration of how ComFrame would be 'operationalised' on a conglomerate and	

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		group-wide basis would therefore be beneficial. Consumer protection The ComFrame proposals are focused essentially on prudential requirements with no specific consumer protection elements outlined. While we understand that the IAIS has purposely chosen not to include the conduct agenda within the ComFrame proposals, we consider further consideration of how these issues should be integrated into the overall supervisory framework is warranted. This is particularly relevant given the approach by many supervisors is to build upon the OECD concepts of Treating Customers Fairly and Customer Outcomes and includes some key findings from recent insurance conduct issues. The new approach that is emerging moves away from the traditional focus on point of sale and places the regulatory lens squarely into product design and customer value, in particular, the product development process and governance, product features and customer needs and whether products are designed to be suitable and remain suitable for the intended consumer market. Such considerations should be integrated within the overall prudential framework now being developed for ComFrame.	
University of applied sciences Coburg (Hochschule für angewandte Wissenschaften Coburg)	Germany	The ComFrame consultation is supported. Field testing will contribute to develop adequate standards. It is clear that field testing is an additional burden; however it is necessary to make workable the envisaged capital adequacy assessment. The potential destabilising effects on financial stability by establishing a "two tier supervision" (IAIGs vs. non-IAIGs) should be addressed. Although enhancing the individual supervision of IAIGs (micro prudential supervision) ComFrame could contribute to more systemic risk (macro prudential supervision). Therefore, it is of utmost importance to ensure a level playing field and avoiding regulatory arbitrage. ComFrame should be based on existing insurance group supervision systems and allow for convergence (e. g. third-country issues).	

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Global Federation of Insurance Associations	International	The Global Federation of Insurance Associations (GFIA) appreciates the constructive efforts by the IAIS and supervisors to foster a gap-free supervisory system through initiatives such as the development of new Insurance Core Principles (ICPs), the establishment of supervisory colleges, and the ComFrame workstream. We also appreciate the opportunity to offer our comments on the October 17, 2013 consultation draft of ComFrame (October 17 Draft or Draft). As a general matter, GFIA believes that the October 17 Draft is an improved product, focusing on higher-level principles and more accommodating of different regulatory standards and perspectives. Nonetheless, we continue to have concerns with: (1) the level of prescription inherent in certain provisions, (2) the extent to which some of the standards may blur the boundaries between the supervision of systemic risk and group supervision, and (3) the structure of supervisory cooperation in order to ensure that supervisory colleges are robust, effective and efficient. GFIA has organized its comments by Module and Element, providing examples where possible to illustrate our concerns. Individual GFIA members will provide more detailed concerns and examples in their individual submissions. GFIA continues to believe that it is vitally important that ComFrame does not create an additional and prescriptive layer which disregards local regimes. Instead the goal of ComFrame should be to provide a principles based framework which can promote better understanding and ultimately through coordination and cooperation among supervisors facilitate reliance on and recognition of the group supervision conducted by jurisdictions which meet the ComFrame standard. GFIA is pleased to see emphasis in the October 17 Draft on the so-called "Cornerstones" of ComFrame - proportionality, approach to group-wide supervision, operational structures, and allocation of roles - which set forth fundamental principles that are important to the success of ComFrame. Those Cornerstones are consistent with our concerns and, where appropriate, we have cited examples that do not align with one or more of these Cornerstones. GFIA agrees that the specific details of ComFrame - whether embodied in a	

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		Standard, Element, Parameter, or Guideline - must ultimately be consistent with the principles set forth in the Cornerstones.	
Insurance Europe	International	Insurance Europe welcomes the opportunity to take part in this public consultation on ComFrame. Against a backdrop of European insurance groups increasingly being subject to duplicative/ conflicting supervisory requests on their group wide operations ComFrame is not only a welcome but timely initiative. ComFrame offers a real opportunity to improve the regulatory and supervisory environment for groups operating internationally through streamlining supervision, promoting better understanding and ultimately facilitating reliance and recognition of the group supervision conducted by jurisdictions which meet the ComFrame standard. Insurance Europe acknowledges the improvements made to the current draft in line with many of the comments submitted by Insurance Europe and others during previous consultations. In many cases, greater flexibility is now provided on how a particular standard can be met and the reclassification of guidance as purely illustrative has played an important part in achieving this. However, on looking at the detail considerably more still needs to be done if ComFrame is to remain consistent to its objective of fostering commonality and assisting comparability without being "a highly prescriptive set of rules". In this regard, we believe Module 2 still needs to be made less prescriptive and Module 3 strengthened and given greater prominence. Despite some improvements the level of prescription of Module 2 continues to raise concerns on how it will interact with local supervisory regimes. In this regard, it is important that, while strengthening group supervision and improving the cooperation and coordination between supervisors, ComFrame does not create an additional and prescriptive layer of regulation which disregards robust national or regional group supervision regimes. Instead the goal of ComFrame should be to provide a principles based framework against which local regimes can be assessed. Where jurisdictions meet the ComFrame standard involved supervisors should then be strongly encouraged to rely on the group supervision conducted by the group supervisor (i.e. group supervision should be considered equivalent and as such additional verification at group or subgroup level should not need to	

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		be carried out). The IAIS have announced that the new risk based Insurance Capital Standard (ICS) will be incorporated into ComFrame. Decisions on capital adequacy should never be made in isolation but alongside qualitative risk management and governance considerations. However, we hope its inclusion does not result in the delay of improvements with respect to supervisory cooperation and coordination which could otherwise be facilitated by ComFrame's implementation. After many years in development Solvency II is now due to be implemented in 2016. Significant resources and expertise have gone into its development and therefore it is vital to the European insurance industry that the ICS sets principles for balance sheet valuation and capital requirements that are aligned and compatible with economic sophisticated risk based capital regimes such as Solvency II. With respect to Module 3 we would like to see the ComFrame text considerably strengthened to ensure that supervisory colleges have mechanisms to maintain their operation in both going concern situations and stress scenarios. In this regard we would welcome the inclusion of a clear decision making process, 'comply and explain mechanism' and non-binding mediation process in the ComFrame supervisory colleges. We are also particularly concerned by the IAIS using the FSB's key attributes for effective recovery and resolution regimes, which was designed with banks in mind, as a starting point for its work on resolution in ComFrame while insurance specific guidance is still to be finalised. However, we will await the insertion of the draft text into Module 3 Element 3 before drawing any further conclusions in this regard. We expect to be provided with an opportunity to comment on this element at a later stage given its omission from this consultation.	
International Actuarial Association (IAA)	International	Different sections require demonstrating or analysing some aspect of the company's risk management. The document as written could imply a requirement for voluminous reporting that is duplicative of the ORSA. For example, some items listed that would likely be duplicated in an ORSA include - M2E3-2-8-2, M2E3-3-2-1, M2E3-3-6-1, M2E3-3-6-2, M2E4-4-1-2 and M2E4-7-1. Is an IAIG expected to report on all of these requirements or will the regulator	

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		validate them on their own? The IAIS document still includes items in ComFrame Module 2 that are either already in the Insurance Core Principles (ICPs) or should be in the ICPs. We understand this may have been intentional, but marking those sections, perhaps via italics or a footnote reference might help in navigating through the document. Other unaddressed items that emerge include: 1."What is appropriate and what are the consequences of failure? Some examples include M2E4-1, M2E4-1-1. 2. What is undue reliance? M2E4-1-3, M2E4-4-1-3. 3. How to tell if a reinsurance program exposes the balance sheet beyond its risk tolerance levels (also, this seems to be written more like a notice to the regulator of what to consider). 4. What will be the regulator tolerance for and options for addressing "failure" or weak compliance? In national jurisdictions, there are specific legal powers linked to instances of failure or weak compliance. The IAA will face a similar question if it creates standards that apply to actuaries working to comply with ComFrame requirements. 5. What criteria are to be used to assess materiality of entities or business units and materiality of concentration risk for intra-group reinsurance arrangements (M2E1-1-1-1, M2E1-1-1-3, M2E3-3-1-1, M3E2-1-3-1)? Lastly, the guidance seems silent on the specifics of a diversification credit - How will it be handled? It is referenced on M2E3-4-1-2, but not described elsewhere and if (or how) it is allowed.	
Financial Services Agency	Japan	JFSA appreciates the opportunity to comment on the proposed ComFrame draft. We acknowledge that the current draft has accomplished significant improvement in its readability, thanks to substantial contributions by the relevant TC working parties and a specialised team for drafting. However, we would like to raise a few major concerns over this draft noticed through our review. We would like to raise three general issues: 1. Scope of the group The Introductory Remarks in the current draft states that	

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		ComFrame is intended to be a framework for supervisors to efficiently and effectively cooperate and coordinate by providing a basis for comparability of IAIG regulation and supervisory processes. The draft, however, does not clearly define the scope of the group to which ComFrame applies. In the current draft, the scope will be solely determined in a subjective manner that is based on an agreement between group-wide supervisors and involved supervisors. We do not believe such subjective determination process achieves the purpose that ComFrame should provide as a basis for comparability of IAIG regulation and supervisory process. We propose that the scope of the group under the ComFrame would at least be listed in the Introductory Remarks as a remaining issue that needs to be decided in the near future. If not, ComFrame may not create the comparable framework even in the future. 2. Group supervision The Introductory Remarks also states that ComFrame focuses on the effective group-wide supervision of internationally active insurance groups (IAIGs) and creates the high level principle for supervision of IAIGs. However, the current draft, stating in the Introductory Remarks that Group-wide supervision is conducted on an outcomes basis and within ComFrame no preference is given to either a direct or an indirect supervisory approach, has not made any change from the ICPs regarding the group supervision. To achieve the effective group-wide supervision, at least a holding company of the IAIGs should be included in the scope of supervision via a direct approach. We believe the current draft should include the high level principles for supervision of IAIGs and achieve the effective group-wide supervision and would propose this issue at least be listed in the Introductory Remarks as a remaining issue that needs to be decided in the near future. 3. Valuation The final draft does not specify the basis of valuation. It is our understanding that the valuation will be considered in the process of BCRs or ICS. We would suggest such plan be clearly mentioned in the introductory part. Otherwise, readers of the ComFrame draft may wonder how the IAIS would address the valuation issue.	

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The General Insurance Association of Japan	Japan	- We appreciate the draft ComFrame in that some articles are consolidated and overlaps with the ICPs are reduced, making the draft easier to understand overall. - Having said that, we also believe that ComFrame should be a framework that ensures that various types of insurance groups have a certain degree of latitude to establish reasonable arrangements depending on their respective characteristics, taking into account merits and demerits. In that sense, the current version of the draft still has descriptions requiring the Governing Body to set up an excessive governance and management structure. - For example, insurance businesses, especially primary insurance businesses, are highly local and tightly associated with the characteristics of the jurisdictions where the entities are located. Each group entity establishes an underwriting policy and claims management policy based on its management strategy and policy, and maintains an actuarial function to appropriately assess its liabilities. In our view, there is no necessity for the Governing Body to maintain functions that overlap with those of the individual entities. Such roles should be appropriately allocated within the group. - Concretely, we believe the Governing Body should take on appropriate risk control from the viewpoint of the group as a whole, by establishing a group-wide ERM policy and determining its risk appetite. - As for Recovery and Resolution Plans (RRP), we understand that related articles will be discussed in M3E3 (Crisis management and resolution measures among supervisors). Given that the original purpose and meaning of RRP is to address systemic risk and such risk may exist within NTNI businesses and not within traditional insurance businesses, we believe the contents of resolvability assessment and RRP should be commensurate with the size and complexity of NTNI businesses. As for insurers with a small amount of NTNI businesses, approval should be given to simplify their resolvability assessment and RRP depending on the degree, frequency and scope of their NTNI businesses.	
The Life Insurance Association of Japan	Japan	We, The Life Insurance Association of Japan (LIAJ), would like to express our respect to the IAIS for its efforts to develop the common framework for the supervision of internationally active insurance groups. We are also grateful for its dedication to valuing	

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		and accepting observers' comments. We are aware that some of our comments submitted in response to the 2012 ComFrame draft published for consultation are responded in this ComFrame draft, and furthermore we recognise that it is properly improved as a final draft because simple terms and structures are totally used. Therefore, we believe that it is heading in the right direction. However, as some of the requirements set out in this ComFrame draft remain excessively prescriptive, there is a concern that those requirements may not be able to maintain consistency with national legislations and market environments. As stated in the Cornerstones of ComFrame in the Introductory Remarks, the requirements set out in this ComFrame draft should aim to achieve group-wide supervision on an 'outcome basis'. Thus, we believe that the requirements in this ComFrame draft should be set out on principle basis. We believe that it would be required to carefully verify if the said requirement would be applicable in practice through the field tests. Besides, we would like to reiterate our comments which were submitted on the 2012 ComFrame draft but not properly understood by IAIS since we believe that further consideration should be needed. In addition, we would like to make comments on M2E5 which is the newly included in this ComFrame draft. With regard to capital requirements, we would like to submit additional comments where appropriate, when further details are provided for consultation.	
Komisja Nadzoru Finansowego - KNF (Polish Financial Supervisory Authority)	Poland	The KNF supports IAIS' efforts towards building convergent international standards with regard to cross-border insurance activity. The project is valuable from the point of view of host supervisors, as it specifies their role in the process of group-wide supervision. ComFrame seems to be a balanced and flexible framework for group-wide supervision carried out on the global level.	
The Geneva Association	Switzerland	The Geneva Association appreciates the opportunity to comment on the International Association of Insurance Supervisors (IAIS) 2013 Draft Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame). The Geneva Association supports the ComFrame objective of efficient and effective group-wide supervision of internationally active insurance	

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		groups (IAIGs). In April 2013, The Geneva Association contributed to the ComFrame discussion by publishing a survey of chief risk officers (CROs) on group-wide risk and capital management of IAIGs . Therefore, the answer to the consultation focuses primarily on the area of capital adequacy (Module 2, Element 5) in view of the future development of a risk-based global insurance capital standard.	
Lloyd's of London	UK	Lloyd's appreciates the opportunity to respond to this consultation on ComFrame. We believe that the latest draft incorporates material improvements on earlier versions and our comments are therefore less extensive than those we have made in the past. Nevertheless, we continue to think that IAIS should carefully consider the level of prescription that is appropriate for an international supervisory framework, intended to enhance cooperation and coordination between local supervisory regimes, not to replace them or to act as a further level of regulation overlaying them. We continue to have concerns about the application of ComFrame to internationally active solo entities. It remains unclear the extent to which ComFrame is intended to apply to such entities: we believe that ComFrame will benefit the supervision of internationally active insurance groups, but will not enhance the supervision of solo entities writing international business.	
RSA Group	UK	We welcome the opportunity to comment on this draft of ComFrame and on the whole we support the proposal for a common framework for the supervision of internationally active insurance groups. We have concerns however that the draft as currently constructed potentially duplicates reporting requirements on a legal entity as well as group level. In relation to the capital proposals, we believe this signposts to significant complexity whilst not providing enough information on what the standard will be. It may have been better to postpone consultation on this part of the draft until views on the capital framework were more developed. In general however we would make the point that whatever capital proposals emerge these must be in alignment with Solvency II developments and should not	

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		become an additional layer of capital and associated reporting requirements. In relation to the supervisory module, we are also keen to understand what the powers of any lead supervisor would be and how they are intending to be enforced globally.	
Association of British Insurers (ABI)	United Kingdom	The Association of British Insurers (ABI) thanks the International Association of Insurance Supervisors (IAIS) for the opportunity to comment on its latest 2013 draft of ComFrame. Constructive engagement and consultation between ComFrame's various stakeholders will be a principal determinant of the success with which the Framework is developed, and we welcome the open approach to consultation. Generally speaking, we believe that the latest draft represents an improvement compared to previous iterations, focusing as it does on higher-level principles and being more accommodating of different regulatory approaches. We are supportive of the four "cornerstones" of ComFrame: proportionality; outcomes-focused approach to group-wide supervision; non-prescription of operational structures; and allocation of roles. Clearly, the specific details of ComFrame - whether embodied in standards, elements or guidelines - must ultimately be consistent with the principles set forth in the "cornerstones". A well-developed, outcomes-focused approach is of crucial importance when dealing with a number of different regulatory regimes and approaches; the parameters and guidelines that support the standards in the framework should not be too prescriptive and should instead allow flexibility to accommodate existing and future regimes that follow similar principles. This is particularly relevant within the European Union where considerable resource over a number of years has been devoted to both the development of - and preparation for - Solvency II. It is important that this work towards a risk-based, efficient economic capital framework is not undone, and that the development of an	

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		Insurance Capital Standard within ComFrame should be consistent and comparable with Solvency II. However, despite improvements having been made, we believe that significant issues remain with the most recent draft, and we set out our concerns in more detail in the other sections of our response. In summary, however, we have the following main concerns: 1) Module 2 Element 5 (M2E5) places restrictions on eligible capital that are far too strict and are in conflict with the provisions contained both in existing regimes and those in development (for example, Solvency II). In addition, it is premature to prescribe requirements on capital resources until the valuation basis for ComFrame has been determined; 2) the level of detail contained within the latest draft is, in places (for example, M2E5) too great and risks pre-judging the outcome of important field testing work and the on-going development of a Backstop Capital Requirement (BCR) and Insurance Capital Standard (ICS); 3) other elements of Module 2 are also too detailed and prescriptive (for example, in relation to enterprise risk management (ERM) policies and potentially onerous reporting requirements); 4) Module 3 is in need of improvement as it does not currently give due consideration to the potential issues of - and solutions to - supervisory cooperation and coordination in a non-binding framework. There is also an imbalance between the level of prescription in Module 2 and Module 3. We would like ComFrame to place greater emphasis on effective supervisory cooperation and coordination. We believe that field testing exercises have a very important role to play and should be used to develop ComFrame over the coming years before it is finalised. Engagement with field testing should be encouraged in order to build an evidence base that should be used to inform further development. In relation to crisis management and resolution, further material will need to be provided before we are able to provide an informed judgement on this subject, although we do include some high level comments in relation to M3E3. We hope that the impending	

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		consultation in 2014 will go some way to helping in this regard.	
International Underwriting Association of London	United Kingdom	We welcome the new principles-based presentation of the ComFrame, which is clearer, shorter and more concise than previous versions. The degree of granularity and prescription of the earlier versions did mean they were overly complex and lacked clarity. That would have given rise to confusion and potential difficulties in compliance, so the present version represents a significant step forward.	
Prudential Regulatory Authority	United Kingdom	The document is much easier to read and clearer than the last version. However, the inconsistent use of (ICP) standards without any ComFrame standard is confusing - we recommend that all standards should have stand-alone ComFrame standards, whether or not an ICP one is also quoted.	
American Council of Life Insurers	United States	The American Council of Life Insurers (ACLI) welcomes the opportunity to communicate its views to the International Association of Insurance Supervisors (IAIS) on the 2013 Draft of the Common Framework for the Supervision of Internationally Active Insurers ("ComFrame"). ACLI is a Washington, D.C.-based trade association with more than 300 member companies operating in the United States and abroad. ACLI advocates in federal, state, and international forums for public policy that supports the industry, marketplace, and the 75 million American families that rely on life insurers' products for financial and retirement security. ACLI has been consistently and constructively engaged throughout the ComFrame development process. This submission highlights the ACLI's comments on the current 2013 Draft ComFrame as the process moves into the critical Field Testing phase. Confidentiality: ACLI acknowledges and appreciates the IAIS's continued recognition of the importance of confidentiality protections for non-public company information collected or shared in connection with ComFrame. ACLI believes that strong confidentiality protections for non-public	

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		company information, collected, maintained, or shared in connection with any supervisory activity conducted in connection ComFrame, are an essential precondition to effective supervision, cooperation and information exchange among supervisors. Strong confidentiality protections are critically important in view of the increasing supervisory focus on "forward looking" assessments of companies' financial solvency and the anticipated resulting substantial increase in the collection, maintenance, and exchange of very sensitive, proprietary company information. There is particular concern that ComFrame provide strong, unambiguous confidentiality protection for information included in insurers' group-wide Enterprise Risk Management (ERM) Frameworks and ORSA's, likely to include trade secrets and material non-public inside information. Accordingly, ACLI urges that it be made clear that non-public company information, collected, maintained, or shared in connection with field testing, the oversight of IAIGs' group-wide ERM policies and ORSA's and group governance frameworks, supervisory colleges or any other ComFrame activity, should be protected pursuant to a confidentiality framework or regime that includes the tenets set forth below. To be clear, ACLI believes that ComFrame should include a confidentiality framework or regime applicable to any collection, maintenance or exchange of non-public company information in connection with any ComFrame activity, not just in connection with the exchange of information among supervisors of a supervisory college, as proposed in ComFrame Standard M3E2-2. Further, ACLI submits that a ComFrame confidentiality framework or regime should: - Provide legally enforceable confidentiality and security protections for non-public company information; - Provide for home country confidentiality protections to be preserved when non-public company information is collected, maintained or exchanged by or among domestic or international supervisory authorities; - Prohibit any disclosure of non-public company information to any	

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		recipient unless the proposed recipient agrees, and has the legal authority, to both keep the information confidential and protect it from disclosure, except where required by a court of competent jurisdiction or by law, other than a freedom of information law; and - Require any recipient of non-public company information to provide notice to the company prior to any legally compelled disclosure of non-public company information and of any breach in the confidentiality or security of non-public company information. ACLI has previously provided specific comments, informed by the above, that explain ACLI member companies' continued concerns with the IAIS MMoU Confidentiality Regime, most recently in our response to the survey on the applicability of the IAIS MMoU to supervisory colleges. ACLI also submitted comments to the Financial Stability Board (FSB) regarding its Consultative Document on Information Sharing for Resolution Purposes. While ACLI had some concerns with the document, it is noteworthy and ACLI appreciated that it included several key provisions in line with the tenets described above. ACLI appreciated that the FSB Consultative Document proposed that under jurisdictions' legal frameworks (or gateways), disclosure of non-public company information always should be conditioned on the recipient authority being subject to adequate confidentiality requirements and safeguards, and that jurisdictions should ensure their legal framework establishes a regime for the protection of confidential information, that imposes adequate confidentiality requirements and provides for the effective sanctions and penalties for breach of confidentiality requirements. ACLI also appreciated the FSB's proposal that jurisdictions' legal framework should exclude the application of freedom of information legislation to information received from foreign authorities.	
American Insurance Association	United States of America	The American Insurance Association (AIA) appreciates the opportunity to submit comments on the International Association of Insurance Supervisors (IAIS) October 17, 2013 Public Consultation Document for the Common Framework for the Supervision of Internationally Active Insurance Groups." (ComFrame Draft or Draft) AIA represents approximately 300 major U.S. insurance	

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		companies that provide all lines of property-casualty insurance to consumers and businesses in the United States and around the world. AIA members write more than \$117 billion annually in U.S. property-casualty premiums and approximately \$225 billion annually in worldwide property-casualty premiums. AIA's membership includes U.S. insurers that write insurance only within the U.S., U.S. insurers that write insurance inside and outside the U.S., and insurers that are U.S. subsidiaries of multi-national insurers. This membership diversity enables AIA to analyze issues from many perspectives and enables us to draw on the global experience and expertise of our companies with many forms of insurance regulation. The outcome of the ComFrame debate will have consequences for AIA members wherever they conduct business. Whether those consequences are adverse or beneficial depends largely on whether ComFrame is viewed and implemented as a guidance document for group-wide supervision or as a new layer of regulation that is applied to internationally active insurance groups (IAIGs). As a general matter, AIA believes that the ComFrame Draft is an improved and streamlined product, focusing on higher-level principles and more accommodating of varying regulatory standards and perspectives. Nonetheless, we continue to have concerns with the Draft. Mindful of the IAIS' view that our concerns should be supported by substantive examples, we have organized our comments by the following themes and have tried to be as specific as possible in noting where language in the Draft does not meet one or more of the ComFrame cornerstones: 1. Retaining a distinction between systemic risk regulation and group-wide supervision. AIA continues to believe that the IAIS initiative for identifying, designating and regulating activities and firms that have the potential to be a source of systemic risk should be separate from the IAIS ComFrame workstream for the group-wide supervision of IAIGs, except where an IAIG is also a global systemically important insurer (G-SII). To the extent that policy measures that are designed to reduce systemic risk are applied to	

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		insurers that do not present such a threat, the ability of those insurers to provide capacity may be undercut, reducing the overall competitiveness of private markets where those insurers would otherwise deploy capital. Equally important, for insurance groups headquartered in or operating in the U.S., federal law explicitly differentiates between the heightened prudential supervision that will apply to designated systemically important financial institutions (and insurance firms that are organized under a bank or thrift holding company structure) and state-based insurance regulation, reinforcing the distinction between entities that are a potential source of systemic risk and those that are not. 2. Avoidance of new prescriptive regulatory layers for IAIGs. ComFrame should provide a platform for more effective and efficient group-wide supervision of IAIGs. As a result, the specific provisions of ComFrame - particularly those aimed at the IAIG in Module 2 - should be flexible enough to work with the different regional, national, and sub-national supervisory regimes. Moreover, ComFrame should not establish a new set of rigid standards that would add regulatory complexity for IAIGs. While the ComFrame Draft is more streamlined and principles-based generally, there are numerous provisions that remain overly prescriptive. As shown repeatedly over the past two decades, prescriptive regulatory solvency standards can exacerbate, as opposed to ameliorate, individual company solvency risk and even systemic risk. ComFrame can succeed by establishing consistent, principles-based standards for all IAIG's, while allowing for the implementation of these standards within each jurisdiction in harmony with the domicile's accounting and regulatory framework. 3. The criteria for determining whether a group is an IAIG should be transparent. The factors and selection process for classifying an insurance group as "internationally active" and subject to ComFrame should be objective, transparent, easy to apply based on the facts, and proportionate. The current provisions in Module 1 do not yet accomplish these objectives. 4. Supervisory colleges should be robust and effective, and	

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		promote efficient regulation in all jurisdictions. ComFrame should lead to supervisory colleges that benefit participating regulators and the IAIG by increasing the understanding of the IAIG in the context of the college and encouraging greater coordination, coherence, and efficiency in the application of potentially diverse standards to that IAIG The four cornerstones of ComFrame - proportionality, approach to group-wide supervision, operational structures, and allocation of roles - are consistent with and reinforce the above themes. When addressing these themes and where appropriate, AIA has cited examples of provisions in the ComFrame Draft that may not align with one or more of the cornerstones. "Proportionality" emphasizes the importance of tailoring the application of ComFrame to the "nature, scale and complexity of the IAIG," while the "operational structures" cornerstone underscores the different organizational structures of IAIGs and ComFrame's neutral view of differing structural approaches. "Allocation of roles" is important to understanding the objective behind Module 3, and the approach to group-wide supervision emphasizes the fact that ComFrame at its core is an exercise in supervisory cooperation and coordination that must respect a diverse array of jurisdictional regulatory standards that apply to IAIGs today. Most importantly, the cornerstones reflect fundamental principles that are important to the structural success of ComFrame. AIA agrees that the specific details of ComFrame - whether embodied in an element, standard, parameter, or guideline - must ultimately be consistent with the principles set forth in the cornerstones. The IAIS has expressly requested comment on the group-wide supervision cornerstone. That cornerstone states: "Group-wide supervision is conducted on an outcomes basis and within ComFrame no preference is given to either a direct or an indirect supervisory approach." AIA supports this cornerstone without modification. For IAIGs and supervisors, group-wide supervision requires a delicate balance among several overlapping objectives and interests: regional, national and sub-national regulatory	

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		regimes, the objective of maximizing supervisory efficiency, legal limitations on enforcement authority, and the practical challenges of operating an international business in highly competitive markets. The cornerstone's emphasis on outcomes-based considerations preserves the flexibility needed to achieve an appropriate balance among these incongruent objectives and interests. This is particularly critical as the capital standard development process evolves under ComFrame. Indeed, retaining this cornerstone may be essential to ComFrame's success during implementation. I. THE SYSTEMIC RISK INITIATIVE SHOULD REMAIN SEPARATE FROM THE GROUP-WIDE SUPERVISION OBJECTIVE OF COMFRAME. A. Consideration of the Impact of Applying the Same Capital Standards to Both G-SIIs and IAIGs is Premature. In the consultation cover memo, the IAIS implicitly seeks comments on the extent to which policy measures and enforcement authority directed at G-SIIs should extend to IAIGs. AIA has commented frequently on the need to maintain a supervisory distinction between G-SIIs and IAIGs, particularly as it relates to certain policy measures like higher loss absorbency (additional capital) and the preparation of resolution plans. Most recently, we have seen this issue arise as the development of the Backstop Capital Requirement (BCR) proceeds. Unfortunately, at this stage, there are many more questions than answers. The questions include: - Will the BCR apply to IAIGs, and what will that mean as a practical matter if targeted HLA is a natural outgrowth of the BCR? - How does the BCR relate to the insurance capital standard (ICS) that will be developed as part of ComFrame? - Will the capital adequacy assessment element of ComFrame be overtaken by the ICS/BCR? - If there are no distinctions between the capital standards that apply to G-SIIs and IAIGs, how can supervisors be certain that the capital standards are minimizing systemic risk or, alternatively,	

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		maximizing private market capacity? AIA respectfully requests that the IAIS defer formal consultation on the capital standards issues until the various approaches are at a more advanced stage. At that time, the IAIS should seek specific input from observers so that a more informed response can be made. B. For U.S.-based Insurance Groups, the Dodd-Frank Act Provides Legal Separation between Systemic Risk Supervision and Insurance Supervision. In the United States, the federal Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) provides the legal basis for the U.S. Financial Stability Oversight Council (FSOC) to designate non-bank financial institutions (such as insurers) as domestic systemically-important financial institutions (SIFIs) and grants authority to the Board of Governors of the Federal Reserve System (Federal Reserve) to apply heightened prudential supervision to those firms. The Dodd-Frank Act also establishes the basis for the FSOC to determine whether any new or unregulated financial activities present a systemic threat to financial stability and to provide recommendations to the U.S. financial regulators with primary enforcement authority over those activities. At the same time, the Dodd-Frank Act recognizes the primacy of the state-based insurance regulatory system for insurers that are not designated SIFIs. Thus, while the Act provides a legal basis for applying heightened supervision and policy measures at the national level, it does not extend enforcement authority or enhanced standards to insurers that have not been designated. In fact, the Act specifically preserves existing state authority for those companies. (We do note that the Dodd-Frank Act grants the Federal Reserve - which has regulatory jurisdiction over federally-chartered depository institutions - the authority to establish and enforce certain standards with respect to bank or savings and loan holding companies, even if one or more of the affiliates of those holding companies are insurers. However, the Act specifically preserves state insurance regulatory jurisdiction for insurance companies that	

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		are not structured as such.) To the extent that ComFrame attempts to apply G-SII policy measures more broadly to U.S. IAIGs, the Dodd-Frank Act presents a practical impediment that must be accommodated. AIA respectfully submits that this type of national obstacle provides the best rationale for retaining the group-wide supervision cornerstone without modification. C. The ComFrame Draft Contains Some Provisions that Continue to Blur the Boundaries between the G-SII and ComFrame Initiatives. While AIA believes any serious discussion of the relationship among the different IAIS capital standard workstreams should await further development, the current ComFrame Draft does discuss the concept of recovery and resolution plans, which is typically a measure applied only to systemically designated firms. With respect to the extension of resolution/contingency plan measures to IAIGs, these issues arise under Module 2 and 3. We will address Module 3 first, as the IAIS has posed specific questions for comment related to the development of resolution plans and the role of the FSB Key Attributes. At the outset, we recognize the distinction between business continuity plans and so-called "living wills." The former is an appropriate subject for ComFrame, while the latter crosses the line that separates systemically risky companies from internationally active groups. Thank you again for the opportunity to submit AIA's views on the latest draft of ComFrame. This is an important initiative to the association and its diverse property-casualty member companies. Striking the proper balance between regulatory coordination and cooperation, respect for existing supervisory regimes, and an insurance group's business model and structure will ensure that the final product advances both the effectiveness and efficiency of group-wide supervision, while promoting competitive private markets. We look forward to continuing involvement in the IAIS process so that these objectives are achieved.	
National Association of	United	The National Association of Mutual Insurance Companies (NAMIC)	

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Mutual Insurance Companies	States of America	is the largest property/casualty trade association in the United States, with 1,400 international, national, regional and local mutual insurance member companies serving more than 135 million auto, home, and business policyholders and writing in excess of \$196 billion in annual premiums. NAMIC is pleased to offer the following comments. NAMIC is a member of the Global Federation of Insurance Associations (GFIA) and generally supports the views expressed in the GFIA comment letter. We also generally support the comments made by the National Association of Insurance Commissioners as well. Initially it was envisioned that ComFrame would be a tool to enhance supervisory cooperation and not intended to supplant local regulatory authority. NAMIC believes this should continue to be the goal of the ComFrame effort. NAMIC members have some specific concerns and examples that supplement the issues raised in the GFIA and NAIC comment letters. We appreciate your consideration of our comments on behalf of NAMIC members.	
Property Casualty Insurers Association of America (PCI)	United States of America	PCI has supported ComFrame from its beginning to the extent it improves coordination, cooperation and efficiency of supervision of large international insurance groups. The focus on supervisory colleges within ComFrame is a very encouraging step in this direction. We remain concerned, however, that ComFrame will impose an additional level of regulatory requirements upon IAIGs that have not been justified by the need to close supervisory gaps or solve particular cross-border issues that IAIGs may pose. By our count this draft contains some 20 additional requirements for IAIGs. These include: - Corporate governance and ERM requirements that still appear to impose a highly centralized, hierarchical model with the ultimate parent company being responsible for a number of centralized functions relating to key aspects of insurance company operations; - Requirements for a group-wide underwriting and claims management policy;	

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		- A requirement to document all specific legislative restrictions applying to transfer of capital or assets from one jurisdiction to another, even for IAIGs that operate in more than a hundred jurisdictions: - A required group-wide, forward looking actuarial opinion. The basic goal of IAIG supervision should be to make sure that supervisors understand the relevant risks posed by an IAIG's operations and are comfortable that the IAIG is appropriately managing those risks. ComFrame should not dictate to the IAIG the manner in which it does so. We also oppose the use of ComFrame to impose a global group insurance capital standard (ICS). We have serious reservations about the fact that one of the two valuation approaches that will be field tested requires adjusting assets and liabilities on a market-consistent basis where we believe this valuation approach is not appropriate on the liability side. We believe that the ComFrame group capital assessment should remain an "assessment", where breach of the "benchmark" level triggers a discussion with an IAIG's supervisory college, and not become a group capital requirement, where breach triggers specific regulatory actions. Other important points include: - The G-SII and ComFrame workstreams must continue to remain separate - separate requirements for G-IIs are only appropriate because of the systemic risk they may present and are not appropriate for IAIGs that do not pose that risk. - Strong confidentiality protections should apply to the company-specific data that will be produced during the field testing process. - All observers must be provided input into the field testing process where confidentiality issues are not involved, since if ComFrame imposes requirements on IAIGs that have competitive impacts, the resulting pressure to eliminate competitive distortions may affect all of insurance supervision and business around the globe. - The document should state more clearly that the ComFrame Cornerstones and confidentiality provisions apply to all parts of ComFrame. Finally, the results of this project, and its individual specific recommendations, should be judged against one simple question -	

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		do they improve the policyholder protection provided by an industry and its regulatory structure around the world that has a very good track record of providing policyholder protection?	
ACE Group	USA	ACE Group supports the goal of ComFrame to create a framework to efficiently and effectively supervise internationally active groups, "IAIGs". We are optimistic that the emerging tools of group supervision, supervisory colleges and ORSAs provide an effective way for ACE's relevant supervisors to efficiently gather information about the ACE Group and to collaborate and coordinate their activities related to the group. In our view, ComFrame's focus should be on group wide issues of governance, risk management, and capital management and relationships between legal entities. ComFrame should not confuse this clear mission by creating standards for legal entities which are the purview of host supervisors. ACE's experience to date with group supervision and with the supervisory college process has been consistent with these goals. ComFrame has great potential to create greater regulatory efficiencies for both supervisors and IAIGs provided it sticks to its stated goals and does not impose redundant or conflicting requirements and informational burdens and provided the host supervisors become sufficiently comfortable with the information provided through the college so that they do not make duplicative requests at the local level. The current draft of ComFrame, particularly Module 2 has improved from prior versions in that it is clearer and somewhat less prescriptive, although there are still areas which can be improved. Field testing should provide an opportunity to ensure that ComFrame is a practical framework which can be implemented within the different regulatory and legal systems in which IAIGs operate.	
Association of Financial Guaranty Insurers	USA	The Association of Financial Guaranty Insurers (AFGI or the Association) welcomes the opportunity to comment on the 2013 draft of the Common Framework for the Supervision of Internationally Active Insurers (ComFrame). AFGI is the trade association of the insurers and reinsurers of public finance obligations, infrastructure bonds, asset-backed securities, and other financial obligations. Financial guaranty insurance provided by AFGI members guarantees the timely payment of scheduled	

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		payments of interest and principal due on insured securities. Association members facilitate affordable financing and improved market access for municipal and others issuers in sectors serving a substantial public purpose, including	
CNA	USA	We appreciate the opportunity to respond to the recent ComFrame exposure draft and CNA continues to be a strong advocate for a converged global regulatory framework such as ComFrame with the hope that it will lead to greater uniformity in insurance solvency regulation worldwide. Such uniformity eases the cost of regulation for internationally active insurance group while reducing the risk of regulatory arbitrage and preference by some jurisdictions for domestic groups. CNA believes this latest exposure draft is a significant improvement over prior versions and applauds the IAIS on the significant progress it has made in making ComFrame more principles based and far less prescriptive. With that being said, we must highlight the fact that the most historically contentious aspects of ComFrame have been removed from this exposure draft and are being discussed by the IAIS behind closed doors with limited observer interaction. These issues include critical topics such as valuation, International Group Capital Standard (ICS), resolution and legal authority over the holding company by the group supervisor. Regarding valuation, CNA suggests that the IAIS limit the number of valuation approaches currently being considered in the first round of field testing and start with the valuation basis for technical provisions currently used in most groups' consolidated general purpose financial statements, which is management's best estimate, excluding any prudential margin. A discount rate should be determined by the group based on the nature and duration of the liabilities and applied to the technical provisions. In addition to this information, the group should also provide a detailed description of the valuation basis used and an explanation as to how the values were derived. This would allow the IAIS to determine if comparability could be achieved under existing regimes without requiring groups to prepare financial information on a basis of accounting which is vague and unfamiliar to potential IAIG's.	

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		While CNA continues to support a group capital assessment over a more rigid capital requirement, we do understand the pressure the IAIS is receiving to develop a Group International Capital Standard (ICS). Therefore, CNA recommends that the ICS be developed as a factor based approach derived from publicly available information. The factors should be calibrated with public data from the entire potential IAIG population, not just volunteers, to ensure an accurate representation of the entire population. This would allow for simplified verification by the group supervisor while making it efficient for groups to implement and monitor going forward. This approach would also ensure consistency in measures across IAIGs, improving comparability across IAIGs and allow regulators to stress factors consistently across the industry should they so desire. Finally, since horizontal comparability of IAIGs appears to be a key priority of the IAIS for ComFrame, we suggest that Module 3 be expanded to document how this comparability will be achieved in practice among the various group supervisors. Will the IAIS or another organization maintain IAIG financial information in a centralized database allowing it to be analyzed by the IAIS Secretariat and insurance supervisors worldwide? If not how will this horizontal comparison be accomplished? We suggest the long term objective of ComFrame and how it is envisioned working in practice be documented since it will assist Observers in understanding how ComFrame will be implemented in practice, thus facilitating more timely and thoughtful recommendations.	
Institute of International Finance - IIF	USA	A principles-based framework The IIF would like to reiterate that ComFrame should remain a principles- and outcome-based framework. ComFrame should focus on the development and articulation of broad principles, together with background material which is explicitly intended for purposes of illustration. It should allow flexibility in how the standards are met and not be too prescriptive to prevent conflict with, and unnecessary changes to, current and developing local frameworks that meet the principles. The IMF in coordination with the IAIS and FSB will need to ensure a proper assessment of	

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		national regimes against the standards (e.g. via its FSAP program), identify non-compliant jurisdictions, and facilitate their compliance. A framework facilitating group-wide supervision Overall, priority should be given to establishing a framework that enables supervisors to coordinate and reconcile their efforts to supervise effectively insurers' group-wide activities and to address the enterprise wide risks arising out of these on a comprehensive and consistent basis. Effective supervisory oversight of insurance groups is particularly important to allow for all material risks to be identified and assess how effectively these are being mitigated through sound risk management and governance. Importantly, ComFrame as an international standard for the supervision of IAIGs will be a benchmark against which national regimes will need to be assessed for this purpose. Therefore, it is important that it is clear that ComFrame is a reference point for such assessments and that where existing or proposed measures meet or exceed ComFrame principles no changes will be required. Module 2 remains too prescriptive While we recognize that module 2 was further expanded to address sound governance and enterprise risk management practices as well as assessing capital adequacy, the IIF is of the opinion that parts of module 2 continue to be too prescriptive. In particular, although parts of Module 2, Element 5 are in line with IIF members' practices, the restrictions surrounding qualifying capital remain a very strong concern. The long-term nature of insurance business differentiates insurers from banks, in particular with regards to resolution. These differences in business models need to be reflected in the definition of qualifying capital. In our view: - The prescription of "a priori" deductions from qualifying capital should be avoided. - Tiering is a concept designed for banks and may therefore not be appropriate for insurers. - The proposed criteria for qualifying capital are unjustifiably restrictive. However, as the valuation basis has yet to be determined it would	

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		be premature to conclude on these aspects at this time. This is because the valuation basis will have implications for capital resources and the capital benchmark. In particular, whether the currently proposed tiering or capital deductions are needed or appropriate will depend on the final valuation basis and the calibration and design of the capital benchmark. Strengthening the role of a single group-wide supervisor IIF members agree on the critical role of an effective single group-wide supervisor who should coordinate the process of enterprise wide risk assessment in close collaboration with other supervisors in order to avoid duplicative requests for an IAIG. Effective means that the group-wide supervisor (1) is accepted amongst other supervisors, (2) has a group-wide perspective and addresses issues on a consolidated basis, and (3) ensures that information is available, albeit on an appropriately controlled basis, to enable other supervisors to carry out their responsibilities with respect to group issues. More clarity is needed on the links between IAIS capital requirements The IAIS and FSB should ensure that the goals of and links between developing and existing insurance capital requirements are clearly articulated.	
Liberty Mutual Group	USA	Liberty Mutual recognizes that international insurance groups consist of multiple operating entities that conduct business in different countries, thousands of miles apart, using different currencies, languages, and legal systems. Such entities can present complicated logistical, jurisdictional, and process issues for insurance supervisors. Therefore, a consistent approach to cross-border supervision of all IAIGs is a critical component of an effective global insurance marketplace and is in the interest of insurers, supervisors, and consumers. We support efforts by supervisors to address these issues by improving the effectiveness and efficiency of group supervision of IAIGs. We acknowledge that supervisors need to understand how	

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		each IAIG conducts its business activities, measures and manages risk, and evaluates its capital needs, among other important factors. Supervisors should require transparency (while protecting confidential information) so that all involved in the supervision of an IAIG understand the group without blind spots. The four "Cornerstones of ComFrame" are excellent benchmarks to measure the achievement of this overall objective. The IAIS can best ensure this understanding among supervisors by focusing on how better to coordinate supervision of large insurers. Much can be accomplished by building a framework that fosters collaboration and coordination, focuses on improved processes and outcomes, and affords flexibility in supervising large insurance organizations. Such an improved system will benefit both supervisors and insurers on a day-to-day basis. Equally, it will promote effective supervisory responses to any future crisis. An essential part of such an improved system is the effective and consistent use of supervisory colleges to enhance meaningful engagement between supervisors and management and to promote a better understanding of an IAIG's business. Appropriate reliance upon other supervisors' judgment, forged jointly in supervisory colleges, rather than through the imposition of standardized supervisory rules, will lead to comparability and harmonization of international insurance supervision. We applaud the elements of the 2013 Draft ComFrame aligned with these goals and, as a result, generally agree with and support the provisions of Module 1, and Module 3. Furthermore, we believe that much of the harmonization and convergence of supervisory rules and standards that Module 2 proposes will naturally follow from greater supervisory coordination, as envisioned in Module 3. In particular, we believe the starting point for Module 2 should be the language presented in M2E2-14-4 that calls for an IAIG to provide clear explanation of its strategy and governance structure in sufficient detail to allow its group-wide supervisor to understand the direction of the IAIG and its key legal entities and business lines. In addition, IAIGs should be required to provide clear explanation on critical policies and functions including underwriting, claims management, liability valuation, actuarial function and	

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		policy, compliance function, risk management function, and internal audit function. Procedures and management of these critical areas could include: - Oversight by the Board of Directors - Oversight through controls by function or internal audit process - Documentation as to whether a process is centralized or decentralized - Identification of controls to ensure adequacy of those procedures This would support productive dialogue between the IAIG and its supervisors that will inherently lead to greater mutual understanding. However, too much of ComFrame will not achieve the goals the IAIS has set for ComFrame, because of a prescriptive approach to insurance supervision that contradicts the express objectives of ComFrame's cornerstones. Regardless of the geographic scope of an insurance group's business, we do not believe it necessary or feasible to establish monolithic supervisory standards intended for uniform application to all insurers or even all globally active insurers. As a result, we have concerns about the inflexible standards much of Module 2 imposes on large insurers. Most importantly, we question strongly the emerging premise in ComFrame discussions that all IAIGs somehow present greater risk and that supervisory standards designed for G-SIIs should apply to other IAIGs, as well. To the contrary, aside from the absence of systemically important activities, the diversification provided by an IAIG's global operations can make it much less vulnerable to stress than a company of equal size and structure operating in a single country. As ComFrame is field tested and revised, it is critical that supervisors clearly distinguish between measures that may be appropriate for G-SIIs but are not for IAIGs. We disagree strongly with the notion that an insurance group, simply because it is labeled an IAIG, should be subject to different capital standards that may require larger amounts of capital. Imposing such standards on insurers that are not systemically important will be anti-competitive, costly, unnecessary, and	

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		ultimately not in the best interest of consumers who seek innovative products and reasonable prices. Liberty Mutual opposes the imposition of a single "one-size-fits-all" group capital standard for all IAIGs across all jurisdictions. We believe that supervisors should understand how an IAIG's management measures risk within a group and how management designs and uses the group's internal economic capital model. To accomplish this goal, we are open to working toward any system of evaluating capital adequacy that preserves necessary flexibility for supervisors and insurers across all jurisdictions. For example, ComFrame could articulate the key components that should be part of any group's capital model and a consistent supervisory process to evaluate its use. However, ComFrame should not dictate the model, nor prescribe the amount of capital an IAIG should hold. A final general observation is the 2013 Draft ComFrame uses many terms that do not have common global usage. The drafters must more clearly define the terms used in ComFrame. We cite numerous examples of such terms in our comments that follow.	
NAIC	USA	U.S. state insurance regulators support the development of ComFrame to the extent that it results in an outcomes-focused framework that enhances supervision of IAIGs. ComFrame should not result in prescriptive and duplicative layers of global requirements that mandate changes to U.S. supervision inconsistent with the best interest of U.S. insurance companies or consumers. In general, the U.S. state insurance regulators' overall approach and expectations for ComFrame are: - There is great potential for ComFrame as a framework for international supervisory cooperation based on the IAIS Insurance Core Principles (ICPs) and used by supervisory colleges to improve the effectiveness and efficiency of international group supervision. - ComFrame does not exist in a vacuum and should leverage, not duplicate or contradict, the existing foundation of the IAIS ICPs.	

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		- The purpose of fostering global convergence should be to arrive at a common degree of regulatory effectiveness and understanding for IAIGs without necessarily creating a need for identical rules. - Given the different regulatory approaches and legal systems among IAIS members, ComFrame must be a dynamic and flexible framework focused on regulatory collaboration. We strongly support the use of supervisory colleges, which are currently evolving. It is important for these colleges to continue to mature around the world, understanding that their focus will likely evolve as various regulatory and supervisory developments around the world mature through the inclusion of new elements and practices (e.g. ORSA). As the drafting phase of ComFrame concludes and the field testing process commences, it will be important that ComFrame continue to evolve as well so that it can be a useful tool for supervisors. As ComFrame continues to evolve, it should focus on improving the supervision of IAIGs by also identifying potential regulatory gaps and helping to bring developed and developing markets to a common level of supervisory outcomes. Since the inception of ComFrame, the IAIS has been very clear that ComFrame is concerned with the on-going supervision of IAIGs and is not focused on whether an insurance group presents risk to the global financial system nor does ComFrame directly address systemic risks. As ComFrame evolves and policy measures on GSII and capital-related standards (BCR, HLA, ICS) develop, all of these workstreams will need to be coordinated; however, it is important that these clear distinctions remain so that the end results reflect what is appropriate and necessary for IAIGs and for GSII respectively.	
Northwestern Mutual	USA	Northwestern Mutual appreciates the opportunity to comment on this third consultation draft of ComFrame. Our company, headquartered in Milwaukee, Wisconsin, USA, was founded in 1857 and today is among the largest writers of individual life insurance in the United States. We offer our policyowners a full	

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		array of life insurance products, including permanent whole life, term and universal life. In addition, we offer annuities, disability and long-term care insurance, and, through subsidiaries, brokerage and advisory services for individuals and businesses. As we said in our comments to the initial consultation draft of ComFrame, we support eliminating gaps in the regulation of insurance groups - whether those groups maintain an international insurance business or, like us, do not. To the extent ComFrame seeks to help regulators better identify and address such gaps through increased coordination and cooperation, we support that objective. But, of course, ComFrame seeks much more than just facilitating supervisory coordination and cooperation. It seeks to establish a globally comparable system of group-level regulation and supervision of internationally active insurers. We continue to believe that the focus on global comparability misses the target of closing gaps, and we maintain serious concerns that the effort will increase costs, inefficiencies and homogenization of available insurance products. We also recognize that the IAIS has committed to develop an international global capital standard for internationally active insurers, in response to the Financial Stability Board's direction to develop a plan for a comprehensive, group-wide supervisory and regulatory framework for internationally active insurers. And so, while we continue to hold the concerns expressed in the preceding paragraph, our comments work from the premise that the fundamental commitment of the IAIS and FSB to increased regulatory comparability is not open for comment. Accordingly, we focus our comments today on the following targeted concerns: - The need for ComFrame to hold to a principles-based approach, rather than imposing prescriptive standards on insurance groups; - Areas of blurring between supervisory and management responsibilities; - Confusion between concepts of systemic importance and	

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		concepts more directly relevant to supervision of internationally active insurers which have not been designated as systemically important; - Importance of respecting the statutory responsibilities of regulators of the legal entity, and of recognizing the benefits of the entity-focused approach - and the hazards of ignoring it; and - Threats presented by inadequate protection of the confidentiality of sensitive, proprietary company information. In addition, given the IAIS's direction on developing a global insurance capital standard, we offer suggestions under M2E5 below for elements that should be considered in an assessment of group capital adequacy. We do appreciate the significant improvements that have been made from prior drafts of ComFrame. In particular, the degree of prescriptiveness and instances of redundancy have been meaningfully reduced.	
Prudential Financial, Inc.	USA	Prudential Financial Inc. (Prudential) welcomes the opportunity to provide comments to the IAIS' Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) 2013 exposure draft. As previously stated, Prudential supports the overall strategic direction of ComFrame, in particular its specific focus on the uniqueness and risk-based nature of the insurance business model, the significant role of a lead supervisor and the importance placed upon enhanced supervisory coordination and cooperation. However, certain sections in Module 2 remain overly prescriptive and pose potential barriers to successful ComFrame implementation by 2019. The following comments offer specific examples of this prescription. With 2014 rapidly approaching it is important for IAIS to use this important consultation as a foundation for providing greater clarity and direction for the upcoming ComFrame field test exercise and its expectations. Prudential would also like to note its support and endorsement for separate comments submitted by the Institute for International	

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		Finance and the Geneva Association.	
CRO Forum - CRO Council - CFO Forum	Worldwide	The CRO Forum, the CRO Council and the CFO Forum (hereafter: "The Forums") continue to support the IAIS efforts in developing an international framework to facilitate better coordination and cooperation in the supervision of groups and greater understanding of risks and benefits arising from group wide operations and processes. We recognize and appreciate the IAIS efforts in integrating many comments of The Forums and other Observers in the updated version of ComFrame. We highlight below our feedback on the revised version. In summary, we continue to re-iterate that ComFrame should be principles based in order to provide a common basis for convergence of best supervisory practices and facilitate the recognition of existing or future risk-based (including economic) supervisory regimes. We are concerned that ComFrame will introduce a new and conflicting layer of supervision in addition to existing and proposed approaches to local and group supervision, which would potentially add capital charges and/or non-productive reporting burdens over local existing regimes. The development of the ICS within ComFrame should be consistent and compatible with existing risk and economic-based regimes under which our companies operate. Our companies have spent substantial resources in recent years preparing for new regimes or complying with existing proven regimes. Such fundamental and time-consuming progress towards efficient risk and economic-based capital frameworks should not be undone. Furthermore, policyholder protection and competitiveness of the insurance sector which is increasingly vital in the current state of our economies need to be safeguarded, meaning that ComFrame should establish a proper level of policyholder protection that is the same for every insurer and does not make insurance products unduly expensive . Finally, we believe there is the risk of an un-level playing field, and hence market distortion between local and IAIG carriers if ComFrame is not fully adopted by local jurisdictions after its agreement at the IAIS global level.	

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EY	Worldwide	EY welcomes the development of a framework for supervision of internationally active insurance groups. We believe that such a framework has the capacity to contribute to a more consistent level of supervision. Advances in mutual recognition and co-operation between supervisors are to be welcomed. We have however some concerns that, for groups that are already subject to group supervision nationally or regionally, the proposed framework has the potential to add another and unnecessary level of regulatory compliance. Accordingly, we believe that emphasis should be placed on assessing existing frameworks for group supervision as substantially equivalent, in order to avoid duplication. We support the development of a global capital standard for insurance, provided that this standard is risk based, and reflects the characteristics and risk profile of the entity concerned, and is appropriately calibrated in accordance with international practice. A global standard will need to be adopted by a significant number of jurisdictions and ComFrame should encourage alignment of national frameworks to the global standard and enable effective transition.. Finally, on the topic of resolution regimes, we note the unfinished nature of the debate initiated by the FSB on the extension of the KA to non-banks. Further development is needed in the international standards in this area.	
General comments on the Introductory Remarks			
Association of Bermuda Insurers and Reinsurers	Bermuda	We have no specific comments on the Introductory Remarks that are not addressed elsewhere.	
Canadian Life & Health Insurance Association Inc.	Canada	The ComFrame document imports a considerable volume of provisions from Insurance Core Principles ("ICP's"), in many instances with no or sparse clarification of the unique application to IAIG's. While explicit quotes from ICP's suggest the ComFrame completeness as a document for the effective supervision of IAIGs, the approach also raises questions on the relevance of those many ICP provisions that are not imported into ComFrame. We suggest	

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		the IAIS provide clarification on the relationship between ICPs and ComFrame. ComFrame does not address the important differences between the regulation of operating life insurers and holding companies. We believe the document needs to provide explicit guidance to supervisors as to at what level in the organization the Head is deemed to be and whether the Elements should be applied differently for different Heads. For example, the Elements dealing with ERM are broadly applicable to any form of Head but the Elements dealing with capital should differ between those to be applied to operating insurers relative to holding companies. The distinction between holding companies and operating companies would also impact approaches to capital structures, leverage, and intra-group transactions.	
Office of the Superintendent of Financial Institutions	Canada	Under "Cornerstones of ComFrame", OSFI suggests that the statement "no preference is given to either a direct or indirect supervisory approach" be deleted. OSFI strongly supports the view that the group-wide supervisor should have the power to directly supervise the Head of the IAIG. The powers granted to supervisors should be comprehensive and effective so as to ensure that supervisors are able to request the information needed and do other things necessary to achieve appropriate group-wide supervision. Without these powers, supervisors must rely on indirect methods to try to obtain the information it requires to assess risks and require management and the Board to take corrective and other actions. This may work well in good times but not so well when the IAIG is under stress.	
Financial Supervisory Commission	Chinese Taipei	The IAIS has agreed to develop a risk based global Insurance Capital Standard (ICS) and to include it within ComFrame to assess capital component within its solvency regime; therefore, we suggest to add a descriptive paragraph in the introductory remarks.	
European Insurance and Occupational Pensions Authority (EIOPA)	EU	We believe the Introductory Remarks, if kept in the future as part of ComFrame, need to be adapted to the future role of ComFrame, as the comprehensive, group-wide supervisory and regulatory framework for IAIGs, including a quantitative capital standard, requested by the FSB. Similar comments apply to the introductory remarks specific to M2E5, on page 64 of the document.	

Organisation	Jurisdiction	Comments	Resolution of comments
		The section on Cornerstones of ComFrame should be revisited taking into account the change in status referred in the previous paragraph.	
Federation Francaise des Societes d'Assurance (FFSA)	France	The FFSA welcomes the introduction of cornerstones in ComFrame as they give straightforward fundamental lines of the framework. We particularly support the inclusion of the principle of proportionality, the flexibility as regards operational structures and the need of a clear and coordinated allocation of roles between the group-wide supervisor and other involved supervisors. The allocation of roles should be strengthened in order to clearly state the responsibilities of the group-wide supervisor. Furthermore the chapter on Adequate powers and responsibilities is crucial to us. Supervisors' actions should have a sound and legal basis specifying their mandate.	
Allianz Group	Germany	The concept of materiality and proportionality should be a common principle for the application of all Elements, Parameters and Guidelines. Additionally for the avoidance of doubts "materiality" should explicitly be included in M2E1-2-2, M2E2-5, M2E3-1-2, M2E3-1-6-1, M2E3-2-3, M2E3-2-8-3, M2E3-4-2-1, M2E4-7-2, M2E4-8, M2E4-8-1-2, M2E4-8-2-1.	
BaFin	Germany	At No. 5 of the Introductory Remarks, at "Allocation of Roles", the last sentence reads "Where a role or activity is allocated to a group-wide supervisor it is expected that this role or activity will always be carried out in cooperation with other involved supervisors.". Even though this statement is reasonable in general, we propose to add "where appropriate" at the end of the sentence. Otherwise it could read as if in each and every case such cooperation has to take place, even in e.g. very minor cases where this might not be appropriate.	
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	We explicitly agree with the notion that "ComFrame is primarily intended to be a framework for supervisors to efficiently and effectively cooperate and coordinate by providing a basis for comparability of IAIG regulation and supervisory processes" and	

Organisation	Jurisdiction	Comments	Resolution of comments
		should not "be a highly prescriptive set of rules." As a consequence, ComFrame should establish fundamental and indispensable supervisory principles instead of imposing detailed requirements which are likely to conflict with existing or evolving regimes, irrespective from whether the underlying supervisory purpose is met. We encourage the IAIS to further investigate the draft for issues which could benefit from more focus and less detail. The GDV firmly believes that the introduction of cornerstones provide some reasonable fences for the understanding and interpretation of ComFrame. This is particularly true for the principle of proportionality and the allocation of roles. Each standard, parameter and guideline needs to be carefully measured against the cornerstones and, if required, reduced to its essential meaning.	
KPMG AG WPG	Germany	Please refer to our general comments	
University of applied sciences Coburg (Hochschule für angewandte Wissenschaften Coburg)	Germany	In general the ComFrame hierarchy as proposed is acceptable. But it has to be ensured that guidelines and parameters are not misinterpreted as requirements set out in the ComFrame Standards. It has to be emphasized that proportionality might imply that practical approaches illustrated in guidelines do not fit to a specific IAIG without endangering the outcome expected by meeting the requirements of the ComFrame Standards.	
Global Federation of Insurance Associations	International	In the cover memo accompanying the October 17 Draft, the IAIS requested specific comment on the Group-Wide Supervision Cornerstone. That Cornerstone states: "Group-wide supervision is conducted on an outcomes basis and within ComFrame no preference is given to either a direct or an indirect supervisory approach." GFIA supports this Cornerstone without modification. For IAIGs and supervisors, group-wide supervision requires a delicate balance among several overlapping objectives and interests: regional, national and sub-national regulatory regimes, the objective of maximizing supervisory efficiency, the reality of legal limitations on enforcement authority, and the practical challenges of running an international business in highly competitive markets. The Cornerstone importantly preserves the flexibility necessary to achieve a balance among these potentially	

Organisation	Jurisdiction	Comments	Resolution of comments
		incongruent objectives and interests. Indeed, retaining this Cornerstone may be essential to ComFrame's success during implementation.	
Insurance Europe	International	Insurance Europe welcomes the inclusion of cornerstones in ComFrame's introduction as they help provide useful clarity on the key principles fundamental to the ComFrame draft. It is important that these principles are not overlooked by supervisors when focusing on ComFrame's standards and parameters but are kept in the forefront of supervisors' minds when reading and ultimately implementing it. In particular, we welcome inclusion of the principle of proportionality in the cornerstones. Proportionality is a fundamental feature of any risk based regime and it is therefore vital that ComFrame standards reflect the nature, scale and complexity of the risks faced by undertakings. Under the heading "Practical application of the ICPs and ComFrame' we would welcome the insertion of the following text (as previously included in ComFrame drafts and supported by an IAIS Technical Committee decision). "Where existing systems meet ComFrame reporting requirements then no changes will be needed." The IAIS originally made the above statement in the context of ComFrame reporting requirements; however, we believe the principle should apply to all ComFrame standards including in the area of capital and solvency. With respect to the cornerstone on allocation of role, we believe this needs strengthening. We would like to see inclusion of language clarifying that it is the group supervisor who is responsible for taking the final decision in the case of disagreement following discussion with other involved supervisors unless clearly stated otherwise.	
International Actuarial Association (IAA)	International	3 ComFrame hierarchy; The ComFrame wording suggests that guidelines should rarely include the word "should." Later paragraphs in the main body are	

Organisation	Jurisdiction	Comments	Resolution of comments
		inconsistent in this regard. Some follow the concept of guidelines containing non-binding guidance and illustrations, while some include specific requirements. It would help to have a consistent decision of the usage.	
World Bank (WB)	International	As the general public may have a different perception of what is an internationally active insurance group than the more constrained ComFrame definition, I suggest adding the word "defined" before "internationally active insurance groups" in the first sentence. ComFrame does not achieve effective supervision of all internationally active insurance groups - only the IAIGs. Suggest deleting "ComFrame will reduce compliance and reporting demands on IAIGs" as it is not clear from the work so far that this will be the case. In the introductory comments it states "Module 2 contains the standards with which the supervisor will require...". For consistency "the supervisor" should be replaced with the more specific terms used in the balance of the document where "Involved supervisors" and "group-wide supervisor" are used. This will make it clear who "the supervisor" is in this sentence. I prefer to delete the reference to risks "that might not exist in simpler insurance groups" as there are some quite complex non-IAIG internationally active insurance groups and some have failed in recent years. The IAIS could be criticised if it provides guidance or background wording pronouncements that suggest that all IAIGs are complex and non-IAIGs are not. The commentary for element 3 suggests that it is "addressing all relevant and material risks to enable the IAIG to calculate its solvency". I suggest that the promise of "all" is an overreach and should be moderated. Module 2 Element 6 did not appear. We consider that it is important that there be public disclosure that an entity is a designated IAIG, the identity of the group-wide supervisor, and the scope of the group subject to ComFrame as all of these are subject to some discretion and might otherwise be subject to misunderstanding by	

Organisation	Jurisdiction	Comments	Resolution of comments
		stakeholders and current and potential policyholders. To that end, when an obvious IAIG is not designated due to the operation of supervisory discretion, this would also seem to be something that should be publicly known. In the introductory comments addressing module 3 there is another reference to "supervisors" which should be "involved supervisors" In the first paragraph of the text under the heading "ComFrame Hierarchy" there are two references to "supervisors" that should be clarified as "involved supervisors" or "group-wide supervisors" as the authors intend. Currently the intention is not clear. The statement commencing "Parameters set out specific ..." also should be clarified as "involved supervisors" or "group-wide supervisors" as the authors intend. Currently the intention is not clear. Under heading 4 there is a reference to "IAIG supervisors" that should be clarified as "involved supervisors" or "group-wide supervisors" as the authors intend. Currently the intention is not clear. We do not see the relevance of the proportionality section given that there is an intention that there be only 40 or so IAIGs that are all large and complex. There seems to be no parameter that would be different. If the number of IAIGs was to be much larger then it would be relevant to retain but this is not the case and has been the clear intent of the IAIS since the issue was resolved two years ago. Whilst, for example, one IAIG may have a very different governance structure, ERM approach, or economic model, reflecting the nature of their own risks (ie, "risk-sensitive") all IAIGs should have high standards for these elements. Another example is M3E5-5-7 which is quite specific and there is no grounds that an IAIG would be sufficiently "straightforward, small and simple" in terms of nature scale and complexity to justify some figure other than "five"! We see no part of the parameters that call for or need proportionality at this point. Under "6 Preconditions" there are several references to	

Organisation	Jurisdiction	Comments	Resolution of comments
		"supervisors" that should be clarified as "involved supervisors" or "group-wide supervisors" as the authors intend. Currently the intention is not clear although it appears likely that the references to "supervisors" may mean "involved supervisors". The same can be said for "supervisory staff" where "involved supervisory staff" might be more relevantly emphasised for legal protection. The final reference under "appeals" is not clear whether or not the authors intend it to be an involved supervisor or a group-wide supervisor that would "take decisions on insurance entity issues in the context of the group".	
Financial Services Agency	Japan	Please see the Q1. (We believe the current draft should include the high level principles for supervision of IAIGs and achieve the effective group-wide supervision and would propose this issue at least be listed in the Introductory Remarks as a remaining issue that needs to be decided in the near future.)	
The General Insurance Association of Japan	Japan	- While in paragraph 3 "ComFrame Hierarchy" of Introductory Remarks of the draft, "Guidelines" are defined to "illustrate practical approaches to implementing the standards and parameters, provide more detail and show how the requirements might be met", the word "should" is still used occasionally in Guidelines of the current draft. We expect these parts to be appropriately amended for the purpose of "illustrations", in order to avoid any misunderstanding. - We support the notion in paragraph 5 "Cornerstones of ComFrame" that ComFrame does not favor any particular structure, centralized or decentralized.	
Komisja Nadzoru Finansowego - KNF (Polish Financial Supervisory Authority)	Poland	The introductory remarks should be revised each time ComFrame is subject to change.	
Monetary Authority of Singapore	Singapore	Adequate powers and responsibilities: We suggest deleting the term "and procedures" in the 3rd bullet point as this would include internal supervisory practices that should not be disclosed.	

Organisation	Jurisdiction	Comments	Resolution of comments
Dirección General de Seguros y Fondos de Pensiones	Spain	Please see EIOPA comments.	
test	test		
Lloyd's of London	UK	The Introductory Remarks include useful information about IAIS's objectives in its development of ComFrame. It is particularly helpful for ComFrame to refer to its Cornerstones: principles which "...are fundamental to ComFrame." We agree with the statement that ComFrame "...is not intended to be a highly prescriptive set of rules." It is important that the implications of this are fully recognised in the drafting of individual standards and parameters.	
Association of British Insurers (ABI)	United Kingdom	We agree that ComFrame should not constitute a highly prescriptive set of rules but, rather, be based on an outcomes-focused approach that allows for flexibility in the approach used to fulfil the Framework's objectives.	
International Underwriting Association of London	United Kingdom	We welcome the emphasis on proportionality and outcomes which will make the application of the guidelines in different jurisdictions easier and will be fairer for regulated entities. In addition, we are pleased to note that one of the objectives of the ComFrame is to reduce the amount of reporting that firms must do for different regulators. Much of the data that firms will be required to report will already be reported to supervisors. We suggest that the ComFrame should specifically indicate that supervisors should endeavour collectively not to require a group to provide information already being supplied by it (or a part of it) to a supervisor. Data flows should be collectively monitored and controlled to ensure optimum value is obtained from the collection and transmission of information by firms. We suggest that every effort should be made to ensure that the ComFrame reporting requirements do not extend the requirements already imposed by national supervisors which already generate most of the necessary data. In our view, when adequate information is being provided in different ways equivalence of	

Organisation	Jurisdiction	Comments	Resolution of comments
		outcome should be recognised. Moreover, we note that the new international capital standard is to be applied to internationally active insurance groups and we suggest that its implementation should take into account systems that are already providing a satisfactory degree of information, albeit in different modes.	
Prudential Regulatory Authority	United Kingdom	Including the ComFrame cornerstones helps set the tone of the framework.	
National Association of Mutual Insurance Companies	United States of America	None	
Property Casualty Insurers Association of America (PCI)	United States of America	We agree with the Cornerstones set forth on p. 4, and also with the confidentiality provision on p. 5. The Introductory Remarks should state more clearly that all provisions of ComFrame are to be read with the need to comply with the Cornerstones and confidentiality protection language in mind.	
ACE Group	USA	ACE continues to believe that the ICPs set the global standard for insurance supervision and agrees with the IAIS view that the ICPs must be structured in a way which allows a range of regulatory approaches and processes to suit different markets and jurisdictional priorities. We agree that IAIGs need more coordinated supervision across jurisdictions, which is the stated focus of ComFrame, but we do not agree that this means that IAIGs need more intense supervision or that ComFrame should impose additional requirements on IAIGs. We believe ComFrame should foster a greater understanding among supervisors of the different jurisdictional approaches to supervision but do not agree that comparability between IAIGs is an achievable or even desirable goal. ComFrame should not attempt to level playing fields by prescribing the activities of IAIGs so that all groups use identical approaches to managing their business but rather should provide supervisors with guidance to assess the different activities of IAIGs and the ability to better coordinate their supervisory activities to address group-wide risks. Throughout Module 2 it is important that the standards for IAIGs are not viewed as specific requirements that must be precisely adopted but rather are objectives which a supervisor should look for when assessing an IAIG. ComFrame should not impose specific requirements which become a	

Organisation	Jurisdiction	Comments	Resolution of comments
		substitute for the decision authority and discretion of management. ACE generally agrees with the stated 4 Cornerstones of ComFrame. We agree that proportionality is important when applying ComFrame but in addition to the nature, scale and complexity of the IAIG, proportionality also requires a balance of the burdens imposed on the IAIG with the benefits gained for the supervisory process. Additional burdens in reporting and even more so in capital requirements will add costs for IAIGs which will be passed onto consumers so careful cost benefit analysis must be a part of ComFrame. We fully agree that ComFrame should focus on the outcomes of supervision and should recognize effective group supervision can be achieved directly or indirectly. Similarly, ComFrame should not dictate whether an IAIG uses a centralized or decentralized approach to management but again should provide guidance for supervisors to assess the effectiveness of the IAIG approach on an outcomes basis. We agree that allocation of roles between the group supervisors and involved supervisors is critical to avoid confusion and duplication and think the current version of ComFrame has improved in this regard. We agree that group supervisors need to possess adequate power to undertake the role but caution that ComFrame needs to recognize the legal limitations all supervisors face regarding entities outside of their jurisdiction.	
Association of Financial Guaranty Insurers	USA	AFGI supports the development of ComFrame as a mechanism for encouraging greater cooperation, collaboration and convergence of practice among international insurance supervisors and appreciates the efforts of the International Association of Insurance Supervisors (IAIS) to refine previous drafts of ComFrame to reduce burden and prescriptiveness. However, there continues to be a need to define the "audience" for ComFrame. In our view, the proper audience generally is the supervisory community, as opposed to internationally active insurance groups (IAIGs). ComFrame should express agreed standards that would be reflected in national legislation and rulemaking and implemented by group supervisors through the supervisory college mechanism. That is, ComFrame should not supersede or conflict with national legislation or rulemaking, nor should it represent another layer of regulation for IAIGs. Moreover, standards that are duplicative or	

Organisation	Jurisdiction	Comments	Resolution of comments
		redundant should be avoided. This is particularly the case with respect to group supervision, where many authorities have detailed prudential standards, including group capital standards. The Association understands that the IAIS is undertaking the development of an insurance capital standard (ICS) by 2016 for adoption by national authorities by 2019. Similar to the process followed subsequent to the adoption by the Basel Committee on Banking Supervision of an international capital standard for the banking industry, the ICS will need to be reflected in national legislation or rulemaking. The ICS and other prudential standards contained in ComFrame should be directed to national supervisors who then are responsible for implementing regulations or working with national legislatures to translate those international standards into binding and enforceable requirements for insurers licensed in the jurisdiction. Through the peer review mechanism, IAIS members can review and determine whether and to what extent national authorities are meeting the internationally agreed standards, both in the letter of the legislation or rulemaking and in practice. This is fully consistent with ComFrame's stated outcomes-focused approach to group supervision. The ICS is intended to set a global minimum capital requirement for insurers. Companies' own assessments of their capital position, through the own risk and solvency assessment (ORSA) process or otherwise, should not be confused with or used to set regulatory capital requirements, as this may disincite companies from conducting a robust risk management and self-assessment process. The Association also encourages the IAIS to develop all of the elements of ComFrame before engaging in field testing. In particular, the development of the ICS is a key component of ComFrame that is interlinked closely with ComFrame's risk management and governance standards. Similarly, the standards underpinning group supervision are foundational to ComFrame. The group supervision standards are undergoing significant revision in connection with a review of ICP 23 in light of the Joint Forum principles for the supervision of financial conglomerates. ComFrame should not be tested until	

Organisation	Jurisdiction	Comments	Resolution of comments
Institute of International Finance - IIF	USA	The Institute of International Finance is pleased to provide comments on the IAIS document on the Common Framework for the Supervision of Internationally Active Insurance Groups of Oct 17, 2013. These have been produced under the guidance of the IIF's Insurance Regulatory Committee and its related Insurance Working Group. As stated in previous submissions on ComFrame to the IAIS, the IIF would like to underscore the importance of this initiative and express its support for the strategic direction of ComFrame, in particular its risk-based nature, providing a strong role for the group-wide supervisor as well as facilitating better coordination and cooperation in the supervision of groups. However, the prescriptiveness of module 2 remains a strong concern and in our view may be detrimental in achieving ComFrame's objectives. In general, we recognize that the current draft addresses many observer comments from previous iterations. We also welcome that a stronger link to the Insurance Core Principles (ICPs) is established. ComFrame should be based upon and complement the ICPs and provide full credit to jurisdictions which already fulfill the requirements.	
Liberty Mutual Group	USA	Subject to our concerns regarding the 2013 Draft ComFrame expressed generally and specifically throughout these comments we have no comments on the Introductory Remarks.	
Northwestern Mutual	USA	Northwestern Mutual supports the objective of providing supervisors of IAIGs with a framework for efficient and effective cooperation and coordination. As noted in our General Comments, however, we disagree that this objective requires, or will necessarily benefit from, an excessive focus on subjecting IAIGs to comparable regulatory or supervisory regimes. We likewise support the statements in the Introductory Remarks indicating that ComFrame is not intended to be highly prescriptive and is intended to be outcomes-focused. We appreciate that ComFrame has improved meaningfully in this regard from prior drafts. We highlight in subsequent comments some instances where work remains to be done to more fully achieve these intentions.	

Organisation	Jurisdiction	Comments	Resolution of comments
Northwestern Mutual	USA	Northwestern Mutual supports the objective of providing supervisors of IAIGs with a framework for efficient and effective cooperation and coordination. As noted in our General Comments, however, we disagree that this objective requires, or will necessarily benefit from, an excessive focus on subjecting IAIGs to comparable regulatory or supervisory regimes. We likewise support the statements in the Introductory Remarks indicating that ComFrame is not intended to be highly prescriptive and is intended to be outcomes-focused. We appreciate that ComFrame has improved meaningfully in this regard from prior drafts. We highlight in subsequent comments some instances where work remains to be done to more fully achieve these intentions.	
CRO Forum - CRO Council - CFO Forum	Worldwide	The CRO Forum, the CRO Council and the CFO Forum (hereafter: "The Forums") continue to support the IAIS efforts in developing an international framework to facilitate better coordination and cooperation in the supervision of groups and greater understanding of risks and benefits arising from group wide operations and processes. We recognize and appreciate the IAIS efforts in integrating many comments of The Forums and other Observers in the updated version of ComFrame. We highlight below our feedback on the revised version. In summary, we continue to re-iterate that ComFrame should be principles based in order to provide a common basis for convergence of best supervisory practices and facilitate the recognition of existing or future risk-based (including economic) supervisory regimes. We are concerned that ComFrame will introduce a new and conflicting layer of supervision in addition to existing and proposed approaches to local and group supervision, which would potentially add capital charges and/or non-productive reporting burdens over local existing regimes. The development of the ICS within ComFrame should be consistent and compatible with existing risk and economic-based regimes under which our companies operate. Our companies have spent substantial resources in recent years preparing for new regimes or complying with existing proven regimes. Such fundamental and time-consuming progress towards efficient risk and economic-based	

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		capital frameworks should not be undone. Furthermore, policyholder protection and competitiveness of the insurance sector which is increasingly vital in the current state of our economies need to be safeguarded, meaning that ComFrame should establish a proper level of policyholder protection that is the same for every insurer and does not make insurance products unduly expensive . Finally, we believe there is the risk of an un-level playing field, and hence market distortion between local and IAIG carriers if ComFrame is not fully adopted by local jurisdictions after its agreement at the IAIS global level.	
General Comments on Module 1 Scope of ComFrame			
Association of Bermuda Insurers and Reinsurers	Bermuda	Parameter M1E1-1-3 and related Guidelines The proposed selection criteria for an IAIG still have some limitations. For example, if an IAIG is operating in three EEA territories then it would be adequately addressed by the Solvency II regime. In this case it is not clear what benefit ComFrame would add. Further, ABIR does not support the concept of "multiple" group supervisors as this would only lead to duplicative requirements, confusion as to who is the lead and would be contrary to the effective use of supervisory colleges which should already include all of the relevant supervisors. In addition, ABIR believes that the criteria with respect to the assets and or premium tests should be indexed to reflect normal inflationary growth.	
Superintendencia de Valores y Seguros	Chile	In Module 1, Element 1 (ComFrame Standard M1E1-1), the ComFrame describes the criteria that a company has to meet in order to be considered as an IAIG. The "size criterion" involves that total assets have to be at least USD 50 billion or gross written premiums of at least USD 10 billion. Although it is positive to have an objective criterion to identify an IAIG, the size criterion might be too large for some companies that can be important regional players, with operations in several countries or jurisdictions, but that operate in regions or countries with lower GDP or insurance markets (for example in Latin America region). In that sense, the size criterion could be more flexible to take in account regionals IAIG.	

Organisation	Jurisdiction	Comments	Resolution of comments
Federation Francaise des Societes d'Assurance (FFSA)	France	Thresholds for qualifying a group as an Internationally Active Insurance Group (IAIG) should be based on a transparent and legal basis and explicitly specify the scope target of IAIGs. The current proposal may lead to qualify too many groups as IAIGs. Furthermore we are opposed to the FSB's view that Europe would be considered to be separate jurisdictions. To ensure a level playing field with other regions, Europe should be considered as one jurisdiction as it shares one prudential regime that already deals with group supervision. We should add that the discretion given to involved supervisors to qualify an IAIG that would not meet the criteria should stay limited. More generally speaking the scope of supervision of groups should be defined by law and let as little discretion as possible to supervisors. Furthermore, ComFrame is conceived as a governing regime for insurance activities and should not mix concepts by dealing with potentially systemically important activities in any ways as it is the case in some drafting texts.	
Allianz Group	Germany	ComFrame requirements need to get introduced in strict compliance with the rule of law.	
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	We are strongly concerned about the geographical interpretation of the international activity criterion, underlined by the removed reference to the IMF definition of a jurisdiction. Accordingly, as stated in the recent meeting of the Technical Committee, the IAIS would consider the US as one jurisdiction while the EU countries would be classified as separate jurisdictions for the purpose of ComFrame although there is much more heterogeneity in terms of group supervision in the US. This is not consistent with the underlying assumption of ComFrame that different approaches and understanding of risks due to the international activity of IAIGs require tailored and more coordinated supervision. In contrast, European supervisors are subject to the same supervisory framework. Therefore, regulatory gaps the lack of coordination which need to be addressed by ComFrame do not occur in the EU. As a consequence, 'jurisdiction' should not be considered from a national perspective, but should be aligned to the regulatory requirements in place for insurance groups. Insurance groups which are exclusively active in the European Economic Area (EEA) will be supervised consistently according to Solvency II and thus	

Organisation	Jurisdiction	Comments	Resolution of comments
		should be outside the scope of ComFrame group supervision.	
KPMG AG WPG	Germany	Please refer to our general comments	
University of applied sciences Coburg (Hochschule für angewandte Wissenschaften Coburg)	Germany	The discretion in applying the criteria to determine whether an insurance group qualifies as an IAIG (M1E1-1-3) produces uncertainty for market participants. The application of ComFrame should be predictable. Therefore, the discretion of involved supervisors should be limited to clear and transparent cases. Discrimination has to be avoided. Sufficient time in advance before first application of ComFrame has to be ensured. Some phasing-in measures for the start of ComFrame and after that for new entrants should be envisaged. Changing the structure of a group might result in not meeting the criteria for being a IAIG anymore. This should not result automatically in still being qualified as IAIG by discretion of supervisors (as indicated in M1E1-1-3-3).	
Global Federation of Insurance Associations	International	When supervisory discretion is applied, the criteria for making this determination who qualifies as an IAIG must be clearly stated (as indicated in our comments to M1E1) and fairly and uniformly applied, which means that ComFrame should apply to all insurers that qualify regardless of ownership.	
Insurance Europe	International	Insurance Europe has the following main comments on this module, which to avoid repetition are expanded on and explained in our comments under the relevant element: - More than one group supervisor being permitted - we believe ComFrame should only allow one. - Classification of EEA as multiple jurisdiction for IAIG identification purposes -we continue to believe that EEA should be defined as one jurisdiction rather than multiple In addition, we would like to see a definition of "involved" supervisor included in the ComFrame glossary. We continue to believe that the definition of involved supervisor should be limited to those supervisors responsible for supervising subsidiaries or material branches in order to ensure that supervisory process is efficient and effective. This would also be in line with application of the	

Organisation	Jurisdiction	Comments	Resolution of comments
		principle of proportionality	
Financial Services Agency	Japan	Please see the QI regarding the scope of groups. JFSA comment is as below: The Introductory Remarks in the current draft states that ComFrame is intended to be a framework for supervisors to efficiently and effectively cooperate and coordinate by providing a basis for comparability of IAIG regulation and supervisory processes. The draft, however, does not clearly define the scope of the group to which ComFrame applies. In the current draft, the scope will be solely determined in a subjective manner that is based on an agreement between group-wide supervisors and involved supervisors. We do not believe such subjective determination process achieves the purpose that ComFrame should provide as a basis for comparability of IAIG regulation and supervisory process. We propose that the scope of the group under the ComFrame would at least be listed in the Introductory Remarks as a remaining issue that needs to be decided in the near future. If not, ComFrame may not create the comparable framework even in the future.	
The Life Insurance Association of Japan	Japan	We observed that requirements in this ComFrame draft are clearer than those in the 2012 ComFrame, because it is clearly stated that the entities within the scope of ComFrame supervision are entities included in the consolidated accounts (M1E3-1-3-1). However, we would like to make some proposals as below, since we recognise there still remain unclear items.	
Komisja Nadzoru Finansowego - KNF (Polish Financial Supervisory Authority)	Poland	None.	
Dirección General de Seguros y Fondos de Pensiones	Spain	Please see EIOPA comments	
Lloyd's of London	UK	This module includes several references to "involved supervisors", a term which ComFrame does not define. If "involved supervisors" includes any supervisor in a jurisdiction from which an entity may	

Organisation	Jurisdiction	Comments	Resolution of comments
		obtain business and all these supervisors may join a College of Supervisors it is too broad. The frequent references to "involved supervisors" means that the term warrants a definition. In line with ComFrame Standard M3E1-1, supervision of an IAIG should be the responsibility of the group-wide supervisor, assisted by other members of the College of Supervisors. Membership of a College of Supervisors should encompass those supervisors who have significant interests in supervision of the groups concerned. Too broad a definition could make the concept unworkable, allowing large numbers of supervisors to claim to be "involved". We suggest that "involved supervisors" is defined by reference to thresholds, to ensure that decisions on the supervision of an IAIG and the application of ComFrame are taken by supervisors with knowledge and experience of important elements of that IAIG.	
Association of British Insurers (ABI)	United Kingdom	The proposals seem broadly sensible. However, we believe that there should be a process by which an insurance group is able to challenge its designation as an IAIG. This would aid the fostering of a more transparent approach to the IAIG-supervisor relationship.	
Prudential Regulatory Authority	United Kingdom	No specific comments.	
American Council of Life Insurers	United States		
American Insurance Association	United States of America	Applying the proportionality cornerstone to Module 1 is critically important, since this is where the nature, scale and complexity of insurers must be appropriately considered in order to determine whether they qualify as IAIGs. The criteria for making this determination must be clearly stated (as indicated in our comments to M1E1) and fairly and uniformly applied, which means that ComFrame should apply to state owned and state affiliated insurers that would otherwise meet the IAIG criteria. Furthermore, ComFrame should only apply to non-consolidated entities to the extent they are subject to the control of the group.	
National Association of Mutual Insurance Companies	United States of America	NAMIC does not support unfettered regulatory discretion to designate companies as IAIGs that do not otherwise meet the criteria. IAIG designation will result in significant consequences for insurers. There should be limited circumstances when such	

Organisation	Jurisdiction	Comments	Resolution of comments
		exceptions to the ComFrame IAIG criteria are made and should be appropriate due process for the companies considered for this exceptional treatment. M1E1-1-3-2 provides that an involved supervisor can request consideration of an insurance group as an IAIG if its business activities in the host jurisdiction are "material," but there are no criteria or further definition provided around what level of activities would be considered "material" and no information about the standards the group-wide supervisor should apply in making the decision to include additional companies as IAIGs. NAMIC urges further limitation on the use of such discretion, additional criteria identifying "material" activities and appropriate due process for companies designated that do not otherwise meet the criteria.	
Institute of International Finance - IIF	USA	The IIF sees the Field Testing phase as a critical opportunity to carefully evaluate whether the current scope is appropriate in light of both resources and the objectives stated in the ComFrame draft of serving as a framework for supervisors to efficiently and effectively cooperate and coordinate by providing a basis for comparability. The ComFrame draft allows supervisors to exercise discretion in designating IAIGs that do not meet the ComFrame criteria. More work must be done to ensure that the ComFrame draft establishes objective and transparent processes, and adds clarity on the exercise of discretion. In any case, supervisory discretion in designating IAIGs must be limited and duly substantiated with clear and transparent arguments. The current draft acknowledges in its section on ComFrame Preconditions (page 5) that "IAIGs and their insurance entities have access to appeals processes in their relevant jurisdictions." Further clarity should be added with regard to the right to appeal decisions made by supervisors regarding IAIG designation under ComFrame in order to: - Make it more likely that the basis for supervisory decisions will be clearly stated and - Ensure that such decisions are supported by substantial factual evidence.	

Organisation	Jurisdiction	Comments	Resolution of comments
		Further transparency should be added regarding which parts of the G-SII policy framework are also relevant for IAIGs (e.g. recovery and resolution plans). Policy measures designed for G-SIIs should not automatically be applied to IAIGs without due considerations of the specificities of IAIGs. The IIF strongly believes that ComFrame should endorse the concept of a single group-wide supervisor to maximize efficient communications between supervisors and the IAIG. It should be clearly stated that ComFrame only applies at the group (consolidated) level of a firm - and not at sub-group level. All communications, requests for documentation and other review and reporting requirements pertaining to group supervision of the IAIG should be coordinated with and through the group-wide supervisor, eliminating multiple same or similar requests from supervisors to the IAIG. In addition, the IAIS should add further clarity on what is meant by the 'involved' and 'relevant' supervisor. It needs to be stated more clearly that ComFrame should only apply at the group level of a firm. ComFrame should not only foster an open and transparent dialogue between the supervisor and the IAIG but also include a general commitment to cooperation, coordination and interaction among supervisors themselves which should lead to collective understanding and agreements. A key feature facilitating such dialogue, are colleges which need to be coordinated and led by a single group-wide supervisor.	
Liberty Mutual Group	USA	As noted in our general comments on the 2013 Draft ComFrame, we support improved supervision of complex insurance groups and acknowledge the procedural and logistical challenges presented by an insurer with operations spread all over the world. As discussed in more detail in our comments to Module 3, Liberty Mutual fully supports enhanced communication among supervisors and between supervisors and groups. Effective supervisory measures should apply to all insurers. ComFrame's standards, to the extent that they become legal requirements, must apply equally to all large insurers, regardless of whether they do business internationally.	

Organisation	Jurisdiction	Comments	Resolution of comments
		The fact that an insurance group does business globally is not a material distinction that justifies the application of more complicated and costly substantive supervisory requirements than those for other large insurance organizations, which may be equally complex, but for the fact that they do business in only one or two jurisdictions. The creation of a subset of all companies in this fashion may well result in unfair competition between large insurers that are not IAIGs and those that are.	
NAIC	USA	The criteria used to identify IAIGs should be clear and focused on identifying those entities which have a large presence internationally. The criteria should be simple and allow the involved supervisors to adjust using their discretion if circumstances necessitate a different answer. We understand that the criterion has been developed with a great deal of input and consideration and it has the effect of identifying those insurance groups that are internationally significant and/or those entities where there is a need for a greater amount of coordination and communication. We have a similar criterion that we use in the United States. However, such criterion is used to gather supervisors around such entities, not necessarily to establish unique requirements on insurers. The identification of IAIGs for the purposes of ComFrame should take the same approach - identify IAIGs in order to improve the coordination and communication to facilitate effective supervision and to bring supervisors together to discuss and understand the major risks of the IAIG.	
Northwestern Mutual	USA	We believe that both regulators and companies will benefit if ComFrame provides maximum transparency and predictability with respect to companies' potential entry into and exit from ComFrame. As Field Testing progresses, we suggest that the IAIS emphasize clear boundaries (minimizing supervisory discretion) for IAIG identification and provide for appropriate transition periods.	
Northwestern Mutual	USA	We believe that both regulators and companies will benefit if ComFrame provides maximum transparency and predictability with respect to companies' potential entry into and exit from ComFrame. As Field Testing progresses, we suggest that the IAIS emphasize	

Organisation	Jurisdiction	Comments	Resolution of comments
		clear boundaries (minimizing supervisory discretion) for IAIG identification and provide for appropriate transition periods.	
CRO Forum - CRO Council - CFO Forum	Worldwide	The Forums agree on the critical role of the group supervisor in interacting with the IAIGs and supervisors of solo entities within the group in order to improve cooperation/coordination and avoid duplication of requirements. ComFrame should provide the basis for collective understanding and agreements between supervisors, particularly in the context of the College, under the lead of a single group supervisor. There should not be more than one group supervisor. Sub-group supervision should not be considered nor introduced as ComFrame should address and resolve the need for such supervision. The discretion of supervisors to identify an IAIG should be limited. Furthermore, we believe that a parameter should be added that allows for an independent challenge process. Also, even when no discretion has been used, the decision should be documented and substantiated.	
Comments on Module 1 Element 1 Identification of internationally active insurance groups			
European Commission	Belgium	We welcome the opportunity to comment on the 2013 Draft ComFrame. We also draw your attention to the comments that EIOPA will submit about the proposals set out in ComFrame Draft. We fully support EIOPA's comments. The purpose of our submission is to raise a supplementary concern we have identified in relation to Module 1 Element 1 of ComFrame, which relates to the identification of Internationally Active Insurance Groups (IAIGs). Under Parameter M1E1-1-1, an insurance group qualifies as an IAIG if it meets both the international activity criterion and the size criterion. The international activity criterion means that premiums are written in three or more jurisdictions, and the percentage of gross premiums written outside the home jurisdiction is at least 10% of the group's total gross written premium. We consider that a geographic area where a single set of legal requirements for the supervision of insurance groups apply, constitutes one jurisdiction. Therefore, we believe that the European Economic Area should be treated as one jurisdiction for IAIGs identification purposes.	

Organisation	Jurisdiction	Comments	Resolution of comments
		In response to the FSB's requests, the IAIS has decided to complete ComFrame, including an international capital standard, by 2018. We welcome the IAIS's commitment and fully support this effort. We recall however that it should not result in unequal treatment of entities which are in similar regulatory situations.	
Association of Bermuda Insurers and Reinsurers	Bermuda	Parameter M1E1-1-3 and related Guidelines The discretion provided here for supervisors to expand or contract the IAIG selection criteria should be limited and the potential IAIG should be consulted. With respect to the discretionary authority to have a supervisor determine that a group be deemed an IAIG in the absence of meeting the agreed criteria, ABIR would respectfully request that ComFrame be transparent about both the process and determination to do so. There should also be a mechanism whereby the proposed group can have input into the discretionary process and have a right of appeal.	
Canadian Life & Health Insurance Association Inc.	Canada	- Parameter M1E1-1-1 and Guideline M1E1-1-1-1: For clarity, the ComFrame document should specify that the total assets measure should exclude segregated/separate funds. - Parameters M1E1-1-2 and M1E1-1-3 and corresponding Guidelines: We welcome the use of judgment and dialogue in the determination of IAIGs. This is especially important for groups that are otherwise borderline in qualifying.	
Superintendencia de Valores y Seguros	Chile	In Module 1, Element 1 (ComFrame Standard M1E1-1), the ComFrame describes the criteria that a company has to meet in order to be considered as an IAIG. The "size criterion" involves that total assets have to be at least USD 50 billion or gross written premiums of at least USD 10 billion. Although it is positive to have an objective criterion to identify an IAIG, the size criterion might be too large for some companies that can be important regional players, with operations in several countries or jurisdictions, but that operate in regions or countries	

Organisation	Jurisdiction	Comments	Resolution of comments
		with lower GDP or insurance markets (for example in Latin America region). In that sense, the size criterion could be more flexible to take in account regionals IAIG.	
China Insurance Regulatory Commission	China	At present, there are views that G-SII should automatically apply to regulatory requirements of ComFrame. We believe that G-SII mainly refers to the insurance institutions with systemic risk, and IAIG mainly refers to the internationally active insurance agencies; major risk characteristics and regulatory requirements of these two concepts are not entirely identical. Therefore, we propose to carry out the identification process of IAIG strictly in accordance with the identification criteria established by ComFrame, and not require G-SII to automatically apply to ComFrame.	
European Insurance and Occupational Pensions Authority (EIOPA)	EU	We believe the current flexibility incorporated in the process of identification of IAIGs (through the possibility to use Supervisory Discretion) is important, to avoid the automatic application of the criteria which could result in strange situations (e.g. in the case of large solo entities operating in a couple of countries through branches, the designation as an IAIG may not be appropriate). However, we believe further guidance should be provided on the actual application of such discretion, to ensure some degree of convergence in its application across jurisdictions (the current draft only provides examples of application).	
Federation Francaise des Societes d'Assurance (FFSA)	France	Thresholds As regards thresholds proposal, ComFrame should clearly define its objectives for the targeted scope of IAIGs. The same thresholds would apply both for life and non-life activities even though the structure and size of groups vary significantly depending on their activities. Thresholds of \$50 billion for balance sheet or \$10 billion for gross premiums are quite low for life insurance business. This would qualify around 10 groups which the head is located in France. Moreover these thresholds are not subject to any revision principle over time. In any case, it is necessary to rely on a legal basis for defining these criteria. A level playing field should also be provided as for the definition of a jurisdiction and Europe should be considered as only one jurisdiction. As proposed, groups only operating within the EU might be considered as IAIGs and would fall under ComFrame.	

Organisation	Jurisdiction	Comments	Resolution of comments
		The use of consolidated statements Criteria for group-wide valuation of the balance sheet size and scope assessment of entities within the group are based on consolidated financial statements when they exist. For some groups, supervisory statements will be used when for others it will refer to accounting local GAAPs. These methodological differences would lead to an unlevel playing field in the determination of the scope of international groups that the IAIS should keep in mind. Discretion criterion Supervisors may designate a group as IAIG even though it does not meet the criteria. The discretionary nature of the qualification must be regulated by law. A concrete proposal to limit the discretion could be that below 90% of the above criteria (M1E1-1-1) groups cannot be considered as IAIG no matter what. Discretion given to supervisors focuses on subjective criteria such as the materiality of business in a host market or predominance on a home market (which in itself has no direct link with an international activity and cooperation among supervisors). The FFSA wants to stress supervisors' decision should operate in a clear and transparent framework with a well established global governance system. Furthermore it should be clearly stated that ComFrame is a framework for insurance activities only. Guideline M1E1-3-2 introducing the following criterion: "there are additional entities to those in the consolidated financial statements which are relevant from the perspective of risk to the group" should be amended in accordance to the previous principle as it might introduce ambiguity with the current debate over potentially systemically important activities.	
Allianz Group	Germany	M1E1-1 The definition of "total assets" is vague: does "... includes group assets related to the insurance business..." (M1E1-1-1-2) imply that only such assets constitute the total assets or that such assets are only part of the total assets? We are sceptical in respect of the supervisors' discretion (M1E1-1-3). Since the aim of ComFrame is to achieve a level playing field,	

Organisation	Jurisdiction	Comments	Resolution of comments
		supervisory discretion must be clearly defined and limited. In particular, the current text allows the supervisory to not qualify an insurance group that does meet the criteria as an IAIG. The examples given are no sufficient guidance as they are not exclusive of further situations.	
BaFin	Germany	M1E1-1-1-1: According to the guideline, for the premium criterion are only those premiums relevant which are written by subsidiaries or branches. The restriction to premiums written by subsidiaries and branches does not consider that within the EU and EEA Member States the possibility exists to be active in a foreign country on a freedom of services basis. Premiums written on this basis should also be embraced under the premium criterion.	
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	M1E1-1-2-1: Please clarify what is meant by "consolidated general purpose financial statements". M1E1-1-3 and M1E3-1: We welcome that the group-wide supervisor is granted the leading role within the process of identifying the IAIG and setting the scope of ComFrame supervision. However, the supervisory discretion as regards the identification of IAIGs and the scope of ComFrame should be limited to avoid arbitrary or interest motivated decisions. In case a joint decision within the college is not possible on both issues, the group supervisor should take the final decision. In terms of transparency, it is very important that the reasons and motives are disclosed and IAIGs are given the opportunity to challenge the decision. Both sides would benefit from a clear and comprehensive decision process.	
KPMG AG WPG	Germany	Please refer to our general comments	
Global Federation of Insurance Associations	International	As indicated in our general comments on M1, we believe the Cornerstone principle of proportionality warrants clarification of the	

Organisation	Jurisdiction	Comments	Resolution of comments
		specific guidance for exercising supervisory discretion in identifying companies as IAIGs. Although the Consultation Draft provides some examples, the process remains uncertain. M1E1-1-3-2, for example, provides that an involved supervisor should request the group-wide supervisor to consider an insurance group as an IAIG if its business activities in the host jurisdiction are "material," but there is no explanation or transparency of the basis for making such a determination.	
Insurance Europe	International	M1E1-1-1 - We continue to believe the EEA should be treated as just one jurisdiction for IAIG identification purposes, and in this respect, we have a number of concerns with the recent technical committee decision that "the US would be considered to be one jurisdiction while the EU countries would be considered to be separate jurisdictions under further notice having regard to any future FSB decisions on this matter". The EEA has a common supervisory and regulatory framework with robust group supervision already in place which will be strengthened and further harmonised once Solvency II comes into force in 2016 (three years before ComFrame is due to be implemented). European groups are, therefore, already subject to a robust common supervisory framework. In addition, we question why the FSB are best placed to decide whether Europe should be treated as multiple or one jurisdiction for the purposes of ComFrame. The definition of jurisdiction has been removed from the draft. However, to provide clarity on IAIG identification we believe it is important that a definition be reinserted into the ComFrame glossary. We would propose the following definition is used: Jurisdiction: "country, legal jurisdiction or region subject to a common group supervisory and regulatory framework" M1E1-1-3-3 -If a group no longer meets the ComFrame criteria then it is important that supervisory discretion is exercised within reasonable bounds and in line with the principle of proportionality. In addition, it is a highly subjective decision for a supervisor to determine that a group has restructured just to avoid being an IAIG. It is also worth noting that supervisory discretion in the designation process is already covered in M1E1-1-3-2.	

Organisation	Jurisdiction	Comments	Resolution of comments
International Actuarial Association (IAA)	International	- M1E1-1-2; We are not sure how to address the decentralized cases such as the Berkshire Hathaway situation, and not sure this parameter gives sufficient guidance. Berkshire's report to shareholders says that their underwriting functions are totally decentralized, but their investment functions are totally centralized. In such a case, would this guidance require it to be one IAIG, or would the 4 underwriting units be evaluated separately (with some qualifying as IAIGs and some not qualifying)? All four are included in the Berkshire consolidated reports, but with a breakout into the four groups. Are these four groups (some of which may be an IAIG and some not IAIGs) with common outsourcing, or are they one group? We do not raise this as a single situation, but only to be illustrative. We are aware of other situations in which not all the insurance operations within a conglomerate were within the "insurance" division, hence Module 1 needs to address this issue. .	
World Bank (WB)	International	It is not clear why the example "a group's activities are predominately in its home market with minimal business activities in a number of jurisdictions" is a possible reason for exclusion in Guideline M1E1-1-3-2 when the IAIG involved would already have over 10 percent of premium outside the home market and write business in three or more jurisdictions. It is suggested that, as this is guidance, that this potential confusing option be deleted from the list. It only encourages the potential for legalistic applications for exemption.	
Financial Services Agency	Japan	M1E1-1-3-2 With regards to the involved supervisor's discretion in applying the criteria, there is a sentence that "a involved supervisor requests the group wide supervisor to consider an insurance group as an IAIG if its business activities in the host jurisdiction are material, even though the group does not meet some of the criteria." In this regard, however there is no clear standard for judging the "materiality" of activities in the host jurisdiction is shown in this case. To avoid the misuse of discretion of host jurisdiction's supervisor, it is advisable to indicate some kinds of quantitative and/or qualitative threshold to judge whether firm's activities are material or not.	

Organisation	Jurisdiction	Comments	Resolution of comments
The General Insurance Association of Japan	Japan	- We support the current text since we think characteristics of individual insurance groups should be taken into account when identifying IAIGs.	
The Life Insurance Association of Japan	Japan	M1E1-1-1: In the second bullet point of 'international activity criteria' in the criteria, it is stated that 'percentage of gross premiums written outside the home jurisdiction is at least 10 % of the group's total gross written premium'. However, it does not prescribe the basis period to determine 'at least 10%'. If only a single-year 'percentage' basis is to be applied as a criterion for identifying an IAIG, there may be a concern that such identification may be influenced by temporary volatility in written premiums and result in undermining of the stability of ComFrame. To ensure consistency with 'size criteria', the 'international activity criteria' should be amended to read; 'percentage of gross premiums written outside the home jurisdiction is at least 10% of the group's total gross written premium (based on a rolling three-year average).' M1E1-1-3-2: Although some examples illustrating how the supervisory discretion process may be applied are described in this ComFrame draft, we think the criteria for applying those processes remains uncertain. Specifically, it is stated that an involved supervisor requests the group-wide supervisor to consider an insurance group as an IAIG if its business activities in the host jurisdiction are material. Meanwhile, it is not stated what basis business activity materiality may be judged from. As a result, we have concerns about potential inappropriate use of those discretions. We believe that the specific guidance for exercising supervisory discretion should be explicitly set out to ensure transparency. As for an example 'a group's activities are predominately in its home market with minimal business activities in a number of jurisdictions,' it is unclear whether it is an example not to identify a group as an IAIG or to identify the group as an IAIG. Accordingly, for clarification, we would like to suggest that this example be deleted.	
Komisja Nadzoru Finansowego - KNF	Poland	No comments on this element.	

Organisation	Jurisdiction	Comments	Resolution of comments
(Polish Financial Supervisory Authority)			
Great Eastern Holdings Ltd	Singapore	Parameter M1E1-1-1 It is felt that to qualify as internationally active, the insurance group should span a wider range. It is therefore proposed that the number of jurisdictions be increased to five. To further ensure that operations are truly international, it is proposed to include footprint in two or more continents as a criteria as well. Correspondingly, the threshold on total assets and gross written premiums be raised to USD 100 billion and USD 15 billion respectively.	
Monetary Authority of Singapore	Singapore	Standard M1E1-1: Noted in Guideline M1E1-1-1-3 that the definition of "insurance group" would be extended to include a single legal entity with branch operations. We agree with this guideline but would like to highlight that there is a discrepancy with the ICP material and would suggest for the ICP material to be reviewed accordingly. To ensure clear accountability, we suggest including a new parameter here that is similar to Parameter M1-E2-1-2 where the group-wide supervisor is required to document the reasons for the identification of IAIGs, especially where discretion is applied as stated in Guideline M1-E2-1-2-1.	
Lloyd's of London	UK	Guideline M1E1-1-1-3 We suggest that this Guideline is removed as it requires the application of ComFrame to insurance undertakings that are not insurance groups. ComFrame has been framed to improve the supervision of "classic" international insurance groups, trading in different jurisdictions through subsidiary insurance companies, each of which is subject to local supervision. ComFrame will ensure a degree of harmonisation of this supervision, enabling supervisors to cooperate and coordinate their activities, thereby enhancing the overall supervision of the group.	

Organisation	Jurisdiction	Comments	Resolution of comments
		Insurance entities writing international business through other business models do not give rise to the same regulatory challenges. As ComFrame has been drafted with international insurance groups in mind, it is not easily applicable to other forms of insurance entity. It will not provide the same enhancements to supervision.	
RSA Group	UK	We do not agree with the proposal that the lead supervisor should have the ability to determine what constitutes an insurance group even where an insurer does not meet the criteria to do so. (For example where the group's activities are predominantly in its home market and there are minimal business activities in other jurisdictions). We believe the criteria in ComFrame for ascertaining the position for insurers at the boundary should be clearly defined and should not include discretion with the supervisor. We feel that decisions on which insurers will be IAIG's should not be based on supervisory judgment alone.	
Association of British Insurers (ABI)	United Kingdom	The discretion afforded to supervisors in their identification of an IAIG appear broadly sensible from the examples given, provided that the "cornerstone" principle of proportionality is respected and the discretion is carried out within reasonable bounds.	
American Council of Life Insurers	United States	Parameter M1E1-1-1: The ACLI believes the Field Testing phase is a critical opportunity to carefully evaluate whether the current scope is sufficiently narrow in light of both the stated ComFrame objectives as well as resource constraints. The stated objective of ComFrame is to serve as a framework for supervisors to "efficiently and effectively cooperate and coordinate by providing a basis for comparability." When considering the appropriate method to identify IAIGs, it is essential that the scope facilitate the underlying ComFrame objectives. An overly broad scope will not facilitate this objective as regards insurers that operate in only a handful of jurisdictions and runs the risk of overburdening the ComFrame process. Adequate supervisory resources are essential to successful implementation of ComFrame. According to the IAIS's Frequently Asked Questions for the ComFrame, the IAIS expects supervisors to identify 50 IAIGs, each of which will require supervision pursuant	

Organisation	Jurisdiction	Comments	Resolution of comments
		to the complex and extensive protocols set forth in Module 2 by a body of supervisors, which have had resources to regularly travel and attend the IAIS meetings all over the world. As recognized in the Introductory Remarks to the ComFrame document, "Supervisors need to have staff with the appropriate expertise and competence to be able to understand and assess the issues arising from the complexity of IAIGs... Supervisory staff will also need the qualities and skills to enable them to interact with other supervisors in a cross-border context so that they are well-equipped to either lead the group-wide supervisory process or otherwise actively contribute to the process." In this context, the proposed criteria risk generating an overly large class of IAIGs, creating even more serious resource constraints on supervisors, many of whom are already experiencing budget and other resource constraints. The IAIS Technical Committee (TC) decided at its October 2012 meeting that the resource impact on both IAIGs and supervisors will be determined in the ComFrame Field Testing, acknowledging that the "capacity of some involved supervisors could be an issue and implementation might take time in some jurisdictions." To help ensure that ComFrame serves its intended purposes and supervisors have adequate resources the ACLI suggests Parameter M1E1-1-1 be modified as follows: (International activity criterion) - premiums are written in seven or more jurisdictions, and - percentage total or gross premiums written outside the home jurisdiction is at least 20% of the group's total gross written premium. (Size criterion) - total assets of at least USD 100 billion or gross written premiums are at least USD 20 billion. ACLI also recommends further clarifying standards for the proposed supervisory discretion stipulated in Parameter M1E1-1-3 allowing involved supervisors to designate as an IAIG insurance groups that do not meet the proposed Criteria.	

Organisation	Jurisdiction	Comments	Resolution of comments
		In response to concerns among IAIS Members and industry Observers over discretion, the TC directed at its October 2012 meeting that the Insurance Groups and Cross-Sectoral Issues Subcommittee (IGSC) "consider further refinement to the concept of 'constrained supervisory discretion' in identifying IAIGs in the ComFrame to see if more objective and/or transparent processes can be introduced." More work, however, must be done to ensure that the ComFrame draft actually establishes such objective and transparent processes. To achieve the stated objectives of ComFrame—i.e., to serve as a framework for supervisors to "efficiently and effectively cooperate and coordinate by providing a basis for comparability"—it is essential that the ComFrame criteria provide meaningful boundaries to the scope of ComFrame and that any exercise of discretion be guided by clearly defined standards. Predictable, transparent, and reasonable standards are essential for the effective implementation of ComFrame. To that end, the use of discretion to designate an insurance group that does not meet the ComFrame Criteria as an IAIG must be fully explained and meet a high threshold. Therefore we propose the following amendment to Parameter M1E1-1-3: "Involved supervisors have limited discretion in applying the criteria to determine whether an insurance group qualifies as an IAIG. Such discretion shall be exercised only when the group-wide supervisor finds that - - The existing supervisory college established pursuant to IAIS ICP 25 can operate in a satisfactory manner only by application of the ComFrame Modules. - The nature, scale, risks (non-traditional insurance activities) and/or complexity of the group structure requires enhanced group-wide supervision that can occur only by application of the Parameters and Guidelines of ComFrame."	
American Insurance Association	United States of America	As indicated in our general comments on M1, we believe the proportionality cornerstone warrants clarification of the following items within M1E1, to ensure that the criteria for qualifying as an IAIG are clearly stated: With respect to the "international activity" criterion, Parameter	

Organisation	Jurisdiction	Comments	Resolution of comments
		M1E1-1-1 provides that "percentage of gross premiums written outside the home jurisdiction is at least 10% of the group's total gross written premium." However, it does not prescribe the basis period for calculating this amount. If only a single-year "percentage" basis is to be applied as a criterion for identifying an IAIG, such identification may be influenced by temporary volatility in written premiums and result in undermining the stability of ComFrame. To ensure consistency with "size criteria," the "international activity criterion" should be amended to read "percentage of gross premiums written outside the home jurisdiction is at least 10% of the group's total gross written premium based on a rolling three-year average over three calendar years." We believe that the specific guidance for exercising supervisory discretion in identifying companies as IAIGs should be explicitly included. Although the Consultation Draft provides examples, the process remains uncertain. Guideline M1E1-1-3-2 provides that an involved supervisor requests the group-wide supervisor to consider an insurance group as an IAIG if its business activities in the host jurisdiction are "material," but there is no explanation of the basis for making such a determination. Regarding M1E2: Where discretion has been applied to qualify a group as an IAIG, the group-wide supervisor not only needs to clearly document the considerations that have led to the decision to apply the discretion, but also needs to adequately explain those considerations to the IAIG. Therefore, we recommend adding the following sentence to Guideline M1E2-1-2-1: "The group-wide supervisor also fully explains the considerations that led to the decision to apply the supervisory discretion to the IAIG." Regarding M1E3: While Guideline M1E3-1-3-1 provides that non-consolidated entities could be included in the scope of group supervision from the perspective of risk, it should be noted that IAIGs are not in the position to control such entities in management or operation (something that can be confirmed during field testing). Therefore, we recommend adding the following sentence in the Guideline M1E3-1-3-1: "Where non-consolidated entities are included in the scope of the group, application of each requirement should be considered from the perspective of control."	

Organisation	Jurisdiction	Comments	Resolution of comments
Property Casualty Insurers Association of America (PCI)	United States of America	Parameter M1E1-1-3 and related Guidelines: The discretion provided here for supervisors to expand or contract the IAIG selection criteria should be limited. We suggest that this discretion should not apply in the case of groups with less than 80% of both the asset and premium components of the size criterion in Parameter M1E1-1. Smaller companies in particular may find it difficult to absorb the cost of the centralized governance/management structure prescribed by ComFrame. Insurance groups should know the rules and be able to set their strategy in confidence that they will not be discarded by supervisory discretion. If ComFrame results in higher capital requirements (and lower returns for IAIGs), non-IAIGs could have trouble attracting capital if investors fear the rules can be changed and thus the regulatory regime is arbitrary and unpredictable. An IAIG also should be free to change or arrange its activities (e.g., by reducing the size of its operations thorough sales of businesses or assets) in order not to be an IAIG if boards or management deem it preferable to be smaller, simpler, less international, etc.	
Association of Financial Guaranty Insurers	USA	The \$50 billion and \$10 billion thresholds for the identification of IAIGs should be inflation-indexed and reviewed from time to time to determine if increases in the threshold are warranted in light of the growth of the industry.	
Institute of International Finance - IIF	USA	The IIF sees the Field Testing phase as a critical opportunity to carefully evaluate whether the current scope is appropriate in light of both resources and the objectives stated in the ComFrame draft of serving as a framework for supervisors to efficiently and effectively cooperate and coordinate by providing a basis for comparability.	
Liberty Mutual Group	USA	As noted above, ComFrame uses arbitrary criteria to identify IAIGs. We are aware of no basis to support the conclusion that internationally active insurers should be subject to ComFrame's stricter supervisory standards, while other insurers, large and small, escape such stricter regulation and thus enjoy competitive advantages. To the contrary, the diversification provided by an IAIG's global operations can make it much less vulnerable to stress than a company of equal size and structure operating in a single country.	

Organisation	Jurisdiction	Comments	Resolution of comments
NAIC	USA	The criteria used to identify IAIGs should be clear and focused on identifying those entities which have a large presence internationally. The criteria should be simple and allow the involved supervisors to adjust using their discretion if circumstances necessitate a different answer. We understand that the criterion has been developed with a great deal of input and consideration and it has the effect of identifying those insurance groups that are internationally significant and/or those entities where there is a need for a greater amount of coordination and communication. We have a similar criterion that we use in the United States. However, such criterion is used to gather supervisors around such entities, not necessarily to establish unique requirements on insurers. The identification of IAIGs for the purposes of ComFrame should take the same approach - identify IAIGs in order to improve the coordination and communication to facilitate effective supervision and to bring supervisors together to discuss and understand the major risks of the IAIG.	
EY	Worldwide	Absolute threshold levels of premiums and assets are likely to result in 'bracket creep' over time, bringing more entities within scope. Provision could be considered for indexation of these thresholds. 'Jurisdiction' is potentially a difficult concept and needs to be defined. Each US State is a jurisdiction, for insurance supervision purposes. So, from a different angle, is the European Economic Area (EEA). It is stated at M1E1-1-1-1 that total assets 'include' group assets related to the insurance business of the group. This is ambiguous - is the intention to include only group assets related to the insurance business of the group? Particular difficulties are posed by some conglomerate structures without identified insurance sub-groups, for example where a banking group has multiple insurers owned separately by member banks. Additional guidance may be needed for such cases.	

Organisation	Jurisdiction	Comments	Resolution of comments
		ComFrame does not appear to address group supervision at the level of sub-groups of insurance. Whether this is necessary should be considered.	
Comments on Module 1 Element 2 Process of identifying internationally active insurance groups			
Association of Bermuda Insurers and Reinsurers	Bermuda	Parameter M1E2-1-1 and related Guidelines The Guidelines state that if a supervisory college exists then it should be leveraged, but do not appear to suggest the formation of a Supervisory College in cases where it does not yet exist. As such the mechanism for co-operation between Supervisors is not clear.	
Canadian Life & Health Insurance Association Inc.	Canada	- Parameter M1E2-1-3: There should be sufficient advance notice, preferably a year, for change of status especially from a non-IAIG to an IAIG status.	
Federation Francaise des Societes d'Assurance (FFSA)	France	The group supervisor shall document its decision to classify a group as an IAIG, especially if it makes use of its discretion power to do so. However, given the governance of global supervisory system as of today, we do not see to whom this documentation will be addressed to. How such a discretionary decision could be challenged by a group?	
KPMG AG WPG	Germany	Please refer to our general comments	
Insurance Europe	International	M1E2-1-2 - States that the group-wide supervisor should always document the reasons for the identification of a group as an IAIG. However, M1E2-1-2-1 clearly circumscribes that by requiring that documentation is only needed in the event that supervisory discretion is applied. We believe the reasons for identification of a group should be documented in all cases not just when supervisory discretion is applied. In addition, the draft is silent with respect to who the "document" should be shared, we believe it should be shared with not only other involved supervisors but also the IAIG in question. IAIG's should also be provided with an opportunity to challenge	

Organisation	Jurisdiction	Comments	Resolution of comments
		their designation as an IAIG. We would therefore like see a new parameter added to this module, as drafted below: "The reasons documented for identifying the IAIG are shared with the IAIG and the IAIG is provided with an opportunity to challenge its designation".	
International Actuarial Association (IAA)	International	- M1E2-1-2; We recommend also documenting the reasons for not identifying a group as an IAIG if it otherwise meets the criteria in M1E1-1-1.	
World Bank (WB)	International	In the guidance M1E2-1-1-2 there is a reference to "key involved supervisors". The word "key" does not appear in the parameter itself. If it is to be retained, the manner that the "key" group should be identified should be clarified. We prefer to delete "key" to make the text consistent with the parameter and more inclusive of "involved supervisors".	
Financial Services Agency	Japan	M1E2-1-1 Add the situation of less "prompt decision" in the second sentence as below since a long discussion would give rise to its delay of the identification and any other processes for IAIGs. A group-wide supervisor should have responsibility to identify an IAIG even in the case where prompt decision should be needed. "If a joint decision or prompt decision is not possible...". M1E2-1-2 Add clear objective for documenting the reasons for identification of the group as an IAIG; whether to disclose it to the IAIG and the public, or to submit it to IAIS etc.?	
The Life Insurance Association of Japan	Japan	M1E2-1-2-1: Where discretion has been applied to qualify the group as an IAIG, the group-wide supervisor not only needs to clearly document the considerations that have led to the decision to apply the discretion, but also needs to adequately explain those considerations to the IAIG. The explanation is critical so that the IAIG can understand such considerations to a reasonable extent to comply with each requirement of this ComFrame. Therefore, we would like the IAIS to consider adding the following sentence in the Guideline M1E2-1-2-1:	

Organisation	Jurisdiction	Comments	Resolution of comments
		'The group-wide supervisor also fully explains the considerations that led to the decision to apply the supervisory discretion to the IAIG.'	
Komisja Nadzoru Finansowego - KNF (Polish Financial Supervisory Authority)	Poland	The process should be supplemented by the factor of currency fluctuations (the group should not be identified as an IAIG only because the exchange rate has changed).	
Monetary Authority of Singapore	Singapore	Standard M1E2-1: We note the process on the appointment of the group wide supervisor described in Guidelines M1E2-1-1-2 and M1E2-1-1-3. We agree that this is a practical approach to the appointment of the group wide supervisor but this would not be in line with ICP 25.3 which states that all involved supervisors would have to agree on the appointment of the group-wide supervisor. Hence, we suggest amending ICP 25.3 to allow for the practicality that's described in the ComFrame.	
Lloyd's of London	UK	Standard M1E2-1 This Standard, on the process of identifying IAIGs, does not make any provision for involving the insurance entity under consideration in the process. Supervisors should be required to inform an insurance entity that it is under assessment and to notify it of the results of the assessment within a reasonable period of a decision. The entity should have the right to challenge the decision. We therefore suggest that a new Parameter is added to this module, to make this clear. Parameter M1E2-1-1 This Parameter would be more closely aligned with Guideline M1E12-1-1-2 if it referred to "Key involved supervisors" [see next point below]. Guideline M1E2-1-1-2 This spreads the power to request an analysis very widely - hence our suggestion for a definition of "involved supervisor" that focuses the concept on the supervisors most engaged in supervision of an	

Organisation	Jurisdiction	Comments	Resolution of comments
		IAIG's components. The Guideline goes on to say that the group-wide supervisor would invite "key involved supervisors" to participate in the process. We support the intention that the process should be the responsibility of "key" involved supervisors and suggest that this could be ensured by an appropriate definition of "involved supervisor". If the reference to "key" involved supervisors is retained, the same phrase should be used in Parameter M1E2-1-1.	
RSA Group	UK	M1E2-1-1-3 Where a group wide supervisor is not formally identified and agreed, the draft mentions that the supervisor demonstrating "the relevant characteristics" will assume the role of supervisor. We would like to see further clarity on this process, and what would be the scenario if there were two leading regulators with relevant characteristics. M1E2-1-3-1 ComFrame mentions that in a shock situation, a group may cease to meet some of the criteria to be an IAIG but if the supervisors expect it to resume meeting such criteria within a few years then they should continue to treat the group as an IAIG. We disagree with this proposal. Firstly if an insurer no longer meets the criteria to be an IAIG then it should cease to be one at that point and sufficient tolerances should exist to allow for temporary market movements. The continued treatment of an insurer as an IAIG should not be a matter of regulatory discretion. It should be noted that the costs incurred by an insurer to remain an IAIG may be significant and assumptions should not be made that these can continue beyond the point at which these are strictly necessary.	
Association of British Insurers (ABI)	United Kingdom	The guideline M1E2-1-1-3 appears vague; how are supervisors meant to agree on which one of them displays the characteristics of a group-wide supervisor if they have been unable to reach a decision in the first place? If, during the evolution of the supervisory college, a more appropriate group-wide supervisor is identified, what should be the	

Organisation	Jurisdiction	Comments	Resolution of comments
		process for the transition from one group-wide supervisor to another? What happens if supervisors cannot agree on a new group-wide supervisor or the incumbent refuses to acknowledge the new (and more appropriate) group-wide supervisor?	
American Council of Life Insurers	United States	ACLI commends ComFrame 2013 for acknowledging in the ComFrame Preconditions (page 5) that "IAIGs and their insurance entities have access to appeals processes in their relevant jurisdictions." Clarity regarding the prospect of review in accordance with the duly enacted laws of respective Member jurisdictions will 1) enhance the likelihood that the bases for supervisory decisions will be clearly stated; 2) ensure that such decisions are supported by substantial factual evidence of the record; and 3) substantially enhance the integrity of ComFrame implementation. This is especially important in cases where discretion has been applied to designate the group as an IAIG. Accordingly, Guideline M1E2-1-2-1 would be strengthened by the following amendment: Guideline M1E2-1-2-1: Where discretion has been applied to treat the group as an IAIG, the group-wide supervisor clearly documents the considerations that have led to the decision to apply the discretion. Where such discretion has been applied, nothing in this Common Framework shall derogate from the rights, if any, of interested parties to seek review of the supervisor's decision pursuant to the laws and according to the standards of review for administrative decisions in the supervisor's home jurisdiction, to the extent those laws provide for administrative and/or judicial review of insurance supervisory actions and decisions." Guideline M1E2-1-3-1 suggests that in some circumstances where an IAIG no longer meets the criteria supervisors should continue to treat the group as an IAIG if they expect it to resume meeting the criteria within a few years. If the drafters are concerned about promoting continuity in the application of ComFrame, then we suggest a parallel provision be added that a group meeting the IAIG criteria for the first time not be treated as an IAIG until it becomes clear that the group is expected to continue to meet the criteria for at least a few years.	

Organisation	Jurisdiction	Comments	Resolution of comments
Property Casualty Insurers Association of America (PCI)	United States of America	Standard M1E2-1: If a supervisory college proposes to exercise the discretion provided in this parameter, notice to the potential IAIG should be required before the decision, and the group should have an opportunity to participate in the supervisory discussion. If the group disagrees with the decision, it should have an opportunity to appeal the decision before it is final.	
Association of Financial Guaranty Insurers	USA	The IAIS may wish to consider taking a role in the process of confirming the proper identification of an IAIG where the supervisors involved in the identification cannot agree whether an insurance group should be included as an IAIG. The involvement of the IAIS in such (likely rare) cases would promote consistency of practice across jurisdictions to identify IAIGs and level the playing field across insurance groups.	
Institute of International Finance - IIF	USA	The ComFrame draft allows supervisors to exercise discretion in designating IAIGs that do not meet the ComFrame criteria. More work must be done to ensure that the ComFrame draft establishes objective and transparent processes, and adds clarity on the exercise of discretion. In any case, supervisory discretion in designating IAIGs must be limited and duly substantiated with clear and transparent arguments. The current draft acknowledges in its section on ComFrame Preconditions (page 5) that "IAIGs and their insurance entities have access to appeals processes in their relevant jurisdictions." Further clarity should be added with regard to the right to appeal decisions made by supervisors regarding IAIG designation under ComFrame in order to: - Make it more likely that the basis for supervisory decisions will be clearly stated and - Ensure that such decisions are supported by substantial factual evidence.	
Liberty Mutual Group	USA	Subject to our broader concerns regarding the distinction between insurance groups based on where they do business, we have no comments concerning this Element.	
Northwestern Mutual	USA	We note that Guideline M1E2-1-3-1 suggests that in some circumstances where an IAIG no longer meets the criteria supervisors should continue to treat the group as an IAIG if they	

Organisation	Jurisdiction	Comments	Resolution of comments
		expect it to resume meeting the criteria within a few years. To promote smooth transitions, we suggest a parallel provision be added that a group meeting the IAIG criteria for the first time not be treated as an IAIG until it becomes clear that the group is expected to continue to meet the criteria for at least a few years.	
EY	Worldwide	The framework does not provide guidance where the supervisors do not achieve consensus. An IAIG could be left in limbo if the relevant supervisors cannot agree as to the exercise or otherwise of discretion, or (theoretically) one supervisor could insist on applying ComFrame even if all others consider that it is unnecessary.	
Comments on Module 1 Element 3 Scope of ComFrame supervision			
Association of Bermuda Insurers and Reinsurers	Bermuda	Standard M1E3-1 The IAIG should also be involved in determinations with regard to the scope of the group to be subject to group-wide supervision to ensure that the relevant supervisors are included.	
Office of the Superintendent of Financial Institutions	Canada	There is a lack of clarity surrounding what is meant by scope. For example, when considering all the risks to which the group/IAIG is subject, it is important to consider those risks that may result from a wider group within which the insurance group operates (perhaps a financial conglomerate). This distinction is not made clear in M1E3. We suggest that Parameter M1E3-1-3 be combined with Parameter M1E3-1-1 and that Guidelines M1E3-1-3-1 & 2 be maintained with the revised Parameter.	
China Insurance Regulatory Commission	China	ComFrame is established mainly referring to the regulatory requirements in developed countries and situations in line with international insurance groups, while China is an emerging market, and there is a certain gap of market maturity compared to the developed markets. Therefore, the requirements of ComFrame are not fully applicable to China. We suggest that taking ComFrame as the general principles to be followed by IAIG, and each country can develop their own implementation rules according to the basic principles of ComFrame.	

Organisation	Jurisdiction	Comments	Resolution of comments
European Insurance and Occupational Pensions Authority (EIOPA)	EU	In Guideline M1E3-1-3-1 the sentence "other entities may be included if they are relevant from the perspective of risk (non-consolidated entities also subject to supervision) and control" should be clarified to state that all the related entities and all the risks should be taken into account if needed to form a proper understanding of the group. Furthermore, the final sentence "The entities may either be incorporated or unincorporated." could raise questions on interpretation/application and should be clarified.	
Federation Francaise des Societes d'Assurance (FFSA)	France	The identification of entities within the group is based on consolidated financial statements where available. Given the discrepancies in consolidation methods (where they exist), level playing field is not provided. Again supervisors may decide unilaterally to extend the scope to entities that are not consolidated. We believe this will be a challenge for groups to change the perimeter of consolidation compared to current standards for the only purpose of ComFrame and we'd like this to be amended. In accordance with Module 3, it should be clarified that the group supervisor takes the final decision. Finally the proposal for the scope of the group should be made in close cooperation with the IAIG.	
BaFin	Germany	M1E3-1-2-1: There are no explicit rules on how to define the Head of the IAIG in cases of Art. 12 (1) of Directive 83/349/EEC where the administrative, management or supervisory bodies of an undertaking and of one or more other undertakings with which it is not connected consist for the major part of the same persons in office during the financial year. In such groups there is no legal entity that controls or exerts dominant influence over the other elements of the IAIG. M1E3-1-3-1: It is the question if this example is the only case where entities may be excluded from supervision. Generally cases where entities may be excluded should be defined properly at least in a basic way. Other cases for excluding an entity may be (and could be defined in ComFrame, too, like in Art. 214 (2) of the Solvency II Directive): - Entity is situated in a country where there are legal impediments to the transfer of the necessary information. - The inclusion of the undertaking would be inappropriate or	

Organisation	Jurisdiction	Comments	Resolution of comments
		misleading.	
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	M1E1-1-3-3: Exercising supervisory discretion if an IAIG changes or rearranges its business activities to avoid meeting the criteria is highly subjective and questionable. Firstly, it implies that reducing business capacities and corresponding risks is an illegitimate measure. Secondly, the discretion is linked to inner motives of the management which are hardly verifiable. M1E3-1: As a general rule, the group-wide supervisor should normally be the supervisor with the statutory responsibility to supervise the Head of the IAIG. We would propose to grant the group-wide supervisor the task to identify the Governing Body and the Senior Management of the Head of the IAIG. Within the process of identifying the Head of the IAIG, it should be borne in mind that this undertaking is capable to fulfill the regulatory requirements as set out in ComFrame. If there are impediments to the exercise of control over related undertakings, supervisors should be satisfied if the Head of the IAIG provides credible evidence that it can promote the implementation of a group wide framework in line with ComFrame-principles. M1E3-1-3: The proposal of the scope of the group should be made by the IAIG in close cooperation with the group-wide supervisor and the involved supervisors.	
KPMG AG WPG	Germany	Please refer to our general comments	
University of applied sciences Coburg (Hochschule für angewandte)	Germany	The group-wide supervisor and not all involved supervisors should determine the scope of group subject to ComFrame supervision because the group-wide supervisor will be responsible for the group-wide supervision.	

Organisation	Jurisdiction	Comments	Resolution of comments
Wissenschaften Coburg)			
Insurance Europe	International	M1E3-1-1-1: This guideline proposes that involved supervisors consult and agree on the scope of supervision. It should be clarified that the group-wide supervisor takes the final decision in case involved supervisors fail to get an agreement. Indeed this would be in-line with M3E2-1-5-1 in which "determination of the scope of IAIG supervision' is listed as a responsibility of the group wide supervisor. Therefore, the following could be added: "In the absence of an agreement, the group-wide supervisor shall decide on the scope of supervision of the IAIG." M1E3-1-3: The proposal for the scope of the group should be made in close cooperation with the IAIG. Currently the draft is silent on the involvement of the IAIG in helping to determine the scope. M1E3-1-3-1: makes reference to consolidated and non-consolidated entities. A definition of "non-consolidated' needs to be included in the ComFrame glossary. Currently it is unclear whether an entity consolidated under the equity method (i.e. participation on an associate 20%) would be classified as non-consolidated or consolidated. With respect to including non-consolidated entities in the scope of group supervision from the perspective of risk. It should also be noted that where an IAIG does not have control over a particular group entity then it will not be in a position to control such entities in management or operation.	
Financial Services Agency	Japan	See the answer Q1(1. Scope of the group). Other specific comments are as below. M1E3-1-2 Suggest revising the sentence as below: With regard to the condition of knowing an IAIG's governing structure itself, it is rather important for the supervisors to precisely understand how the group practically work and who or which body have big influence to make decisions in the group of an IAIG. We think it better to explain and strengthen this more clearly and	

Organisation	Jurisdiction	Comments	Resolution of comments
		precisely in this parameter. "Involved supervisors confirm the Governing Body and the Senior Management of the Head of the IAIG, which virtually work as it is and has influence in the group. "	
The Life Insurance Association of Japan	Japan	M1E3: It is important to take into account the nature, scale and complexity of the IAIG in applying ComFrame based on 'Proportionality' as stated in the Introductory Remarks. In particular, in order to ensure that each entity's commitment to the group-wide policy and framework, it should be noted that considerable negotiations or consultations will be needed depending on the extent of control by Head of the IAIG (e.g. ownership ratio) in addition to the need to take into account each jurisdiction's legislations, market environments, business models and the diversification of products. For this reason, materiality and effectiveness should be focused in applying ComFrame requirements, and those requirements should be achievable within reasonable costs and timeframe. To be specific, with regard to the entities that may have less influence over the IAIG, or the entities controlled by Head of the IAIG to lower extent, provided that each entity has its own policy and framework in place, we think it would be more feasible to allow Head of the IAIG to 'confirm' the situation of each entity, rather than applying the group-wide policy and framework to each. M1E3-1-3-1: In this Guideline, it is indicated that non-consolidated entities also could be included in the scope of group supervision from the perspective of risk. However, it should be noted that IAIGs are not in the position to control such non-consolidated entities in management or operation. Therefore, we would like the IAIS to consider adding the following sentence in the Guideline M1E3-1-3-1, and we believe that the actual situation of relationship between IAIGs and non-consolidated entities should be confirmed in the field testing : 'In case where non-consolidated entities are included in the scope of the group, application of each requirement should be considered from the perspective of control.'	

Organisation	Jurisdiction	Comments	Resolution of comments
Komisja Nadzoru Finansowego - KNF (Polish Financial Supervisory Authority)	Poland	Parameters are sufficient enough to provide adequate framework.	
Great Eastern Holdings Ltd	Singapore	Parameter M1E3-1-1 In order to better anticipate issues, the IAIG should be informed of the scope of agreed supervision, and be able to cascade necessary information on this to affected entities within the IAIG.	
Monetary Authority of Singapore	Singapore	Standard M1E3-1: We are of the view that there is a contradiction of Parameter M1E3-1-3 with Standard M1E3-1. The Parameter states that involved supervisors determines the scope of the group, while the Standard states that the supervisor (assuming the group wide supervisor) identifies the scope, in cooperation with other involved supervisors. We suggest amending the parameter such that it aligns with the Standard.	
RSA Group	UK	We believe more specific definitions are required on the remit and the powers of the group wide supervisor	
Property Casualty Insurers Association of America (PCI)	United States of America	Standard M1E3-1: The IAIG should also be involved (as above) in determinations with regard to the scope of the group to be subject to group-wide supervision.	
Association of Financial Guaranty Insurers	USA	Guideline M1E3-1-3-1 states that other entities may be included in the scope of the insurance group subject to supervision if they are relevant from the perspective of risk and control. ComFrame should recognize that some of these entities may already be subject to regulation or supervision by other authorities at the national or international level. ComFrame should also acknowledge the need to coordinate closely with these authorities in order to avoid conflicting or duplicative regulation or supervision.	
Institute of International Finance - IIF	USA	The IIF sees the Field Testing phase as a critical opportunity to carefully evaluate whether the current scope is appropriate in light of both resources and the objectives stated in the ComFrame draft of serving as a framework for supervisors to efficiently and effectively cooperate and coordinate by providing a basis for comparability.	

Organisation	Jurisdiction	Comments	Resolution of comments
		Further transparency should be added regarding which parts of the G-SII policy framework are also relevant for IAIGs (e.g. recovery and resolution plans). Policy measures designed for G-SIIs should not automatically be applied to IAIGs without due considerations of the specificities of IAIGs.	
Liberty Mutual Group	USA	Supervisors should solicit input from an IAIG's management in determining the "Head" of the IAIG, its "Governing Body," and the "scope of supervision" of the group.	
EY	Worldwide	Again, it is not clear what happens if the relevant supervisors disagree on the scope of the group supervision, and a process is needed to resolve this. We also suggest that where an IAIG is subject to existing group supervision, there should be a presumption that that ComFrame should only adopt a different scope under exceptional circumstances, in order to facilitate identification of existing group supervision structures as equivalent to ComFrame and so avoiding duplication (please see our general comments).	
Comments on Module 1 Element 4 Identification of group-wide supervisor			
Association of Bermuda Insurers and Reinsurers	Bermuda	Guideline M1E4-1-1-2 ABIR does not support the concept of 'multiple' group supervisors as this would only lead to duplicative requirements, confusion as to who is the 'lead' and would be contrary to the effective use of supervisory colleges which should include all of the relevant supervisors. It is not clear how the appointment of two group-supervisors would work and it is a further complication and regulatory burden for firms potentially operating under such an arrangement. The only path for determination of a duplicative group supervisor would be a finding of a lack of regulatory cooperation or lack of compliance with IAIS Standards and a deficiency finding under an IMF FSAP.	
Canadian Life & Health Insurance Association Inc.	Canada	- Guideline M1E4-1-1-2: There should be the reassurance that designating more than one group supervisor for an IAIG should be avoided as a principle.	

Organisation	Jurisdiction	Comments	Resolution of comments
European Insurance and Occupational Pensions Authority (EIOPA)	EU	M1E4-1-1: In the identification of group supervisor, greater emphasis should be placed on location of business activities and balance sheet, so that in cases where the group is not headed by an insurer or reinsurer, but by an insurance holding company, the group supervisor is chosen among the supervisors of the (re)insurer and cannot be the supervisor of the insurance holding company (which would not be supervised at individual level and may be located elsewhere without any connection to the actual business of the group). GL M1E4-1-1-2: For the benefit of clear designation and allocation of responsibilities, only one group supervisor should be identified and the guideline should be removed. We therefore do not support the possibility which is open to actually designate multiple group wide supervisors. Previous experiences with similar arrangements evidenced difficulties in achieving a successful practical implementation.	
Federation Francaise des Societes d'Assurance (FFSA)	France	If a group supervisor has already been identified in local supervisory regime, the same group supervisor should be designated under ComFrame. In some particular cases in which the identification of a group supervisor may be problematic, it may be useful that supervisors before making a decision, seek the opinion of the group as provided for instance in Article 247 of the Solvency 2 (2009/138/EC). Moreover we are strongly opposed to the proposal that several group supervisors can potentially be identified. There should be only one group supervisor whose role should be clearly defined (see Module 3).	
BaFin	Germany	M1-E4-1-1-2: It seems difficult to have clear roles between two or more group-wide supervisors. The objective should be to have only one group-wide supervisor.	
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	M1E4-1: In case a group supervisor has the statutory responsibility to supervise the Head of the IAIG according to national law, that supervisor should automatically be the group-wide supervisor for ComFrame group supervision.	

Organisation	Jurisdiction	Comments	Resolution of comments
		M1E4-1-1-2: We adamantly object that involved supervisors may identify two or more group-wide supervisors. This would inevitably undermine one important cornerstone of ComFrame, which is that group supervision relies on a clear allocation of roles and responsibilities. As a consequence, there should be only one group-wide supervisor responsible for the supervision of the IAIG as a whole, on a group-wide basis.	
KPMG AG WPG	Germany	Please refer to our general comments	
University of applied sciences Coburg (Hochschule für angewandte Wissenschaften Coburg)	Germany	It is unclear in which exceptional circumstances two or even more group-wide supervisors could be identified (M1E4-1-1-2). The role of a group-wide supervisor is unique per definition and by the tasks allocated to a group-wide supervisor resulting in its unshared responsibility for supervision at group level.	
Insurance Europe	International	M1E4-1 - Where the group supervisor has the statutory responsibility to supervise the Head of the IAIG according to national law, that supervisor should automatically be the group supervisor for the IAIG. M1E4-1-1-2 - Insurance Europe continues to strongly believe that only one group supervisor should be allowed. The guidance that supervisors should "work together seamlessly" and document the allocation of roles between them, we believe, is not enough to prevent the risk of inefficient or conflicting processes. Mediation between supervisors may be required in the course of college discussions; the non-binding environment makes this impractical in any case and the existence of two group-wide supervisors would only serve to complicate matters even further.	
Financial Services Agency	Japan	M1E4-1-1 There are, we think, some cases that supervisors should appoint co (two) or several group-wide supervisors to prudentially supervise their whole group activities. For example, if an IAIG earns their major profit or builds up its major market share in a	

Organisation	Jurisdiction	Comments	Resolution of comments
		country other than home country, appointing the co- group wide supervisors from these two countries would be efficient. Therefore, we propose to reconsider to include the perspective that promotes sound supervision and stability under the group supervisors greater than single one.	
Komisja Nadzoru Finansowego - KNF (Polish Financial Supervisory Authority)	Poland	Factors seems to be relevant to the identification.	
Lloyd's of London	UK	This Module, on the identification of a group-wide supervisor, is linked to Module 3, Element 2, which covers establishment of a supervisory college. We suggest that it is moved to the beginning of Module 3. Standard M1E4-1 Although ComFrame should be aligned with IAIS ICPs, in places it is confusing for ComFrame to quote the latter, as ICPs and ComFrame do not have precisely the same objectives. ComFrame Standard M1E4-1 should not be identical with Standard 25.3, as the latter says that involved supervisors "determine the need for a group-wide supervisor", which is not ComFrame's intention and reference to "a situation where a Supervisory college is established" is confusing, in view of ComFrame Standard M3E2-1. We suggest that this Standard is replaced by Parameter M1E4-1-1, i.e. "A group-wide supervisor is identified for each IAIG". For greater clarity, this could be re-worded as "Involved supervisors agree a group-wide supervisor for each IAIG". In turn, the Parameter should be replaced by the first sentence of Guideline M1E4-1-1-1: "The group-wide supervisor would normally be the supervisor with the statutory responsibility for supervising the Head of the IAIG". Guideline M1E4-1-1-1	

Organisation	Jurisdiction	Comments	Resolution of comments
		We agree that, other than in very unusual circumstances, the group-wide supervisor should be the supervisor with statutory responsibility to supervise the Head of the IAIG. Please see above suggestion, that the first sentence of this Guideline become a Parameter. Whether or not our suggestion is followed, the first and second paragraphs of this Guideline do not really fit together. If the first sentence identifies how a group-wide supervisor is normally identified, factors relevant to the identification of a group-wide supervisor are required only in abnormal circumstances. We suggest that the second paragraph commences "If it is not appropriate to follow the [Parameter], a decision on the identification of a group-wide supervisor should take account of the location where..."	
RSA Group	UK	M1E4-1-1-2 The text mentions that in exceptional circumstances, supervisors may identify two or more group wide supervisors. We feel that it would not be appropriate for there to be more than one lead supervisor as we do not believe this is workable. We believe the text should therefore consider what mechanisms will come into play to determine the supervisor when there is disagreement or it is not possible to make a clear cut decision.	
Association of British Insurers (ABI)	United Kingdom	The possibility of two group-wide supervisors being appointed in the supervisory college of an IAIG is unworkable. Mediation between supervisors may be required in the course of college discussions; the non-binding environment makes this impractical in any case and the existence of two group-wide supervisors would only serve to complicate matters even further.	
International Underwriting Association of London	United Kingdom	In M1E4-1-1-2, it is indicated that more than one group supervisor may be allowed, provided that they work together seamlessly and that there is a clear, documented allocation of roles between them. We strongly agree that normally, there should be only one group supervisor. However, we note that it can be practical and economic for the group and the regulators to have regional group supervisors and colleges (for example, for Europe or for the Americas), as that means that meetings can be arranged on a continental basis. We agree that it is essential, however, that the group supervisors work	

Organisation	Jurisdiction	Comments	Resolution of comments
		together seamlessly.	
American Council of Life Insurers	United States	The single group-wide supervisor assumes the obligations of understanding the group; explaining the group's structure, corporate strategy, financial position, risks, and risk management to other involved supervisors; and striving for efficiency and consistency in risk-based supervisory treatment of groups. Guideline M1E4-1-1-2: We suggest inserting here this language from the Introductory Remarks to the ComFrame draft: "IAIGs and their insurance entities [should] have access to appeal processes in their relevant jurisdictions. The appeals process should take into consideration the fact that a supervisor may take decisions on insurance entity issues in the context of the group.	
Property Casualty Insurers Association of America (PCI)	United States of America	Guideline M1E4-1-1-2: Although we agree that all of the important supervisors of an IAIG should be included in coordinated group-wide supervisory activities, an IAIG should have only one group-wide supervisor. The allocation of roles and "seamlessness" between two or more group-wide supervisors seems only aspirational - the reality is likely to be multiple, overlapping supervisors at the group level.	
Association of Financial Guaranty Insurers	USA	The IAIS may wish to consider reviewing any situation in which more than one group supervisor has been identified in order to ensure that this occurs only in exceptional circumstances that clearly warrant such treatment. AFGI is concerned that allowing more than one group supervisor for a particular IAIG may open the door to unnecessarily burdensome and duplicative supervision.	
Institute of International Finance - IIF	USA	The IIF strongly believes that ComFrame should endorse the concept of a single group-wide supervisor to maximize efficient communications between supervisors and the IAIG. It should be clearly stated that ComFrame only applies at the group (consolidated) level of a firm - and not at sub-group level. All communications, requests for documentation and other review and reporting requirements pertaining to group supervision of the IAIG should be coordinated with and through the group-wide supervisor, eliminating multiple same or similar requests from supervisors to the IAIG. In addition, the IAIS should add further clarity on what is	

Organisation	Jurisdiction	Comments	Resolution of comments
		meant by the 'involved' and 'relevant' supervisor. It needs to be stated more clearly that ComFrame should only apply at the group level of a firm. ComFrame should not only foster an open and transparent dialogue between the supervisor and the IAIG but also include a general commitment to cooperation, coordination and interaction among supervisors themselves which should lead to collective understanding and agreements. A key feature facilitating such dialogue, are colleges which need to be coordinated and led by a single group-wide supervisor.	
Liberty Mutual Group	USA	Subject to our broader concerns regarding the distinction between insurance groups based on where they do business, we have no comments concerning this Element.	
EY	Worldwide	Again, it is not clear what happens if the relevant supervisors are unable to agree on the identification of a group-wide supervisor. We also suggest that the opinion of the IAIG itself on the identification of a group-wide supervisor may be sought, as its perspective may be informative from a practical perspective. Again also, we suggest that where an IAIG is subject to existing group supervision, there should be a presumption against the adoption of a different group supervisor for ComFrame purposes, in order to facilitate reliance on existing group supervisory structures and avoid duplication (please see our general comments).	
General Comments on Module 2 The IAIG			
Association of Bermuda Insurers and Reinsurers	Bermuda	The appropriate governance and robust risk management framework are strongly supported. However, there are many ways by which these goals may be attained and overly prescriptive regulation may actually create risk by foreclosing additional management structures and options to reduce risk. The proposals do not adequately take into account the fact that different regimes (and legal / reporting jurisdictions) already have rules in place around many of these dimensions and therefore it is important to avoid being overly prescriptive in the guidance.	

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Federation Francaise des Societes d'Assurance (FFSA)	France	Governance and ORSA Although we recognize efforts have been made to introduce a more principle-based framework, standards and guidelines for governance and ERM are still overly prescriptive. Convergence should be sought by developing risk's culture within the group. ComFrame should provide for sufficient flexibility in terms of governance and ERM to allow companies to decide how they intend to structure their activities according to high level principles. In that matter ComFrame proposals are far too detailed regarding the architecture of the implementation of policies and procedures and the distribution of roles. We believe ComFrame should not introduce a mandatory development of an own group economic capital model where regulatory regime is adapted to the risk profile of the group. As mentioned in the cornerstones of ComFrame, proportionality is a key element of the framework and qualitative approaches may also be relevant for certain types of risks as reputational risk, strategic risk or capital fungibility. The group actuarial function as defined would have to give an opinion on a broad scope of subjects that may fall under other effective senior managers or key functions area of expertise. ComFrame guidelines should avoid overlapping between risk management and actuarial function roles that might conflict with enforced group regimes as long as requirements are globally met. Finally regarding the establishment of a group-wide claims management and outsourcing policies, requirements may conflict local requirements. Standards should be sufficiently high level in order to avoid such inconsistencies. Capital requirements We agree that an economic and risk-based total balance sheet approach should be used under ComFrame. However, as said earlier, we understand capital adequacy requirements will be reviewed with the development of the Insurance Capital Requirement (ICS). Still we believe it is important to share views on the current draft. In addition, as we understand that the IAIS is intended to develop the ICS on the basis of the current reflection on the BCR/HLA relating to GSII, the following comments should also apply to the BCR/HLA and, while the FFSA is supportive of the initiatives aiming at reinforcing financial stability, the IAIS should be	

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		wary of (i) consistency between these various capital requirements and potential unintended effects on the financial system and/or the financing of the economy and (ii) conflicting rules with existing regimes which would be un-manageable from a risk management, financial, solvency perspective for IAIGs and/or GSIs. Definition of qualifying capital is too strict (especially for core capital) and extremely detailed in the consultation. Such a level of details is inappropriate as large pieces of the supervisory regime are not defined at the moment. Generally speaking, unlike banks, insurers cannot be forced into an accelerated liquidation of their balance sheet. Insurance liabilities are long term, and are matched with assets of similar duration to the extent feasible. As a result, "going concern" and "liquidation" scenarios evolve differently than for banks, with the latter taking place over many years. In any case, transitional provisions should be considered in order for groups to prepare if new quantitative requirements were to be introduced. Hybrid instruments and subordinated liabilities may represent an important part of available capital for certain regions (up to 30% for certain French entities). Therefore issuances made prior to the introduction of new rules should be carefully considered so that there will be no cliff-edge effect or prudential gaps. In addition, requiring 50% of the capital benchmark as core capital is inconsistent as no definition is given neither for valuation purposes nor for capital requirements. We understand the quantitative requirements section will be reviewed in the context of developing an ICS. It is therefore difficult to comment in particular on the quantitative requirements to the extent that we do not know if IAIS's looking for a standardized approach and/or an entity specific approach. Quantitative measures developed in ComFrame impose neither a measure of risk, nor a horizon nor a quantile but specify a list of risks to be considered and how groups should stress market conditions (instantaneous shocks). It should be clarified that internal models are allowed under ComFrame. As ComFrame is economic based, allowance for risk mitigating and risk transfer techniques should be taken into account for solvency purposes. Long term activities should be properly considered in the framework, and ComFrame should not hamper insurers financing the economy on the long run. Therefore the current framework	

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		misses important pieces. Diversification effect at group level and loss-absorbing capacity of technical provisions/deferred taxes are not tackled in the consultation. Similarly, the problems of the quantitative treatment of sovereign debt, strategic participations, the fungibility / transferability of capital resources, the recognition of deferred tax assets, the inclusion of new business and future profits... and any exemption / transitional regimes provided under in-force legally binding regimes should be appropriately dealt with. In addition, due care should be given to pro-cyclicality issues and ways to take into account counter-cyclical mechanisms at various levels (charge on assets to compensate partially charge on liabilities, discounting for calculation of technical provisions, etc.) in light of the recent financial crisis experience. At the end of the process and after consideration of the final architecture of ComFrame transitional provisions should be considered to ensure compatibility and consistency of the new quantitative requirements to be introduced with existing regimes. Reporting Duplicative reporting requirements should be avoided if local regimes provide for information matching ComFrame expectations. Sufficiently long reporting periods should be proposed and ComFrame should not set a time limit whereas no specific formats/contents are defined. An alignment with local requirements seems more appropriate.	
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	In order to avoid onerous additional reporting, the IAIG should be allowed to use information compiled for other regulatory purposes. References to existing documents should be possible. ComFrame often requires for a group wide responsibility or obligation for implementing group-wide any requirements, e.g. frameworks or steering processes. But often the IAIG Governing body has not the necessary power by national company law to do so. Often the governing Body at entity level is completely independent and not obliged to implement group requirements. Supervisors need to take due account of such situations by focusing on whether the Head is able to promote policies which meet the ComFrame requirements.	

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		Terms and definitions should be used consistently (e.g. Risk Management Function vs. Enterprise Risk Management Function, Risk Management Policy vs. Enterprise Risk Management Policy, Board vs. Governing Body). For the purpose of the capital adequacy assessment it has to be ensured that the requirements are aligned with local requirements in that sense that no additional calculation efforts as well as regulatory requirements arise if local requirements are deemed to be equivalent to ComFrame requirements (which ought to be the case for Solvency II). This consideration has to be in mind for any further developments and concretion of the module. This holds for instance for the classification of qualifying capital resources as core and additional capital or the limitation of capital items. It also holds for the calculation methods of the capital benchmark where the requirements have to allow for using existing calculations in respect to the stress scenarios as well as to the consolidation or aggregation methodology.	
KPMG AG WPG	Germany	Please refer to our general comments	
Global Federation of Insurance Associations	International	Overall, although much of ComFrame has been improved and has become more principles-based, as we note in our comments under the various elements below, more work still needs to be done to ensure ComFrame meets its objective of "not being rules based" and allows for different operating structures. One of the areas where this is most apparent is with respect to capital resources. Currently, developments on capital resources should not be too detailed and too prescriptive since agreement has not been reached on the valuation element of ComFrame (it is to be tested during the field testing in 2014) and ComFrame itself states (M2E5-3-1-1) "capital resources should be assessed based on the valuation methodology used". In addition, it is important that consideration be given to the relationship between entities; thus, subordination to the parent's policies and strategies is only possible to enforce where the parent undertaking has control over the related undertaking. Where the	

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		parent undertaking does not have control over a related undertaking, it should be acceptable for a firm to demonstrate that it can use its influence to put in place an effective system of governance. Furthermore, Module 2 proposes a number of duplicative, reporting requirements. IAIGs should be allowed to make reference to existing reports compiled or disclosures made for regulatory purposes.	
Insurance Europe	International	Overall although we recognise the text is more principles based than previous drafts, when looking at the detail there remain a number of areas which are too prescriptive. Requirements which might make sense at legal entity level are not necessarily appropriate and may need to be changed when required at group level. This is particularly the case for the ERM policies which contain a detailed list of exactly what each policy should include. As currently drafted the text will limit the ability of undertakings to adapt in line with emerging best risk management practices as well as the flexibility for individual undertakings to tailor them to their operations. In a number of places the text requires the group to consistently enforce group-wide policies. The group can set standards at the group level and monitor compliance with them however they cannot always legally enforce them locally where they do not have control over group entities. So the wording in a number of areas of the ComFrame text needs to be amended to reflect this. The reclassification of the guidelines from binding to illustrative has helped to remove some of the prescription from this section; however, through only one way of meeting a parameter being detailed or the word "should", "shall", "must" or such like used when describing it the guidance frequently reads more like a prescriptive requirement. We, therefore, believe the language in the guidance should be carefully reviewed to allow for alternative ways of meeting a standard or parameter to be included where appropriate. In addition, the word "any" appears too frequently in the text e.g. ensure any risk is xxxx. In line with the proper application of the	

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		principle of proportionality we believe that the text should refer to any "significant' xxxx risk instead. In order to avoid duplicative burdensome reporting requirements, where supervisors have already been provided with the information requested, there should not be a requirement to repackage/resubmit this for the purposes of meeting the ComFrame requirements. We understand that our comments on capital adequacy assessment are to be made in the context of the future development of a global quantitative capital standard; in this respect we would not want any aspect of Module 2 Element 5 to prejudge the outcome of the valuation bases to be field tested. Without clarity on the valuation basis for ComFrame the detailed development of the section on capital resources is premature. As ComFrame itself states (M2E5-3-1-1) "capital resources should be assessed based on the valuation methodology used'. Our comments, therefore, should be viewed in the context of the upcoming field test. With respect to the capital element in the current ComFrame draft, and as expanded on in our detailed comments: - We welcome the flexible approach allowed with respect to method used for capital adequacy assessment - We believe the current definition of core and additional capital are far too strict and in line with comments above we believe it pre-emptive to decide on without a clear valuation basis - Draft requires an inappropriate quantification of risks that should instead be considered qualitatively as part of an IAIG's ORSA e.g. reputational risk, capital fungibility etc. - The loss absorbing capacity of technical provisions (e.g. profit sharing reserves) and the impact of deferred taxes can have material impact and should be addressed - Limited recognition of benefits of group structure such as diversification and ability for capital to be made available through intra-group transactions. This is reinforced through the creation of a new risk category in ComFrame "group risk' which will likely cancel the benefits of group diversification, through being additional and	

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		double counting risks which have already been considered in other risk categories. - Certain risks are double counted - where consequences of a scenario have to be assessed in addition to separately being named as a risk category. - Internal models should be allowed to be used for calculating target criteria - the draft is currently silent on the use of internal models. With respect to future work to develop an ICS we believe the following considerations should be central to its design. - An economic and risk based total balance sheet approach should be used - Assets and liabilities should be recognised on an economic basis; whereby economic is defined as a realistic approach which recognises the long-term nature of some insurance business and therefore that insurers are not exposed to material risk of being forced to sell assets at a loss. - Insurance groups should be considered as a single economic entity with shared risks and capital resources. Capital resources and required capital should reflect the degree to which this risk is mitigated. Failure to do this would introduce pro-cyclicality. This should include: - o Recognition of diversification benefits of group structure - in particular by recognising diversification which is at the core of insurance business: diversification between subsidiaries, across risks, in underwriting and investing, across geographies (particularly relevant for groups), and across time as well as among insurance and non-insurance risks. - o Recognition and incentivising of risk mitigation techniques - It is important insurers are encouraged to diversify their risks and mitigate their exposures. If no distinction is made between a company who has covered risks (e.g. with re-insurance or hedges) and one that hasn't, it can lead to perverse results and is very likely to conflict with SII measures which recognise risk mitigation. - Transitional measures should be considered if new quantitative requirements are to be introduced -The development of the capital component of the ICS within ComFrame should include provisions for the grandfathering of existing capital instruments.	
The General Insurance	Japan	- Although the number of over-prescriptive articles is decreased	

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Association of Japan		overall, we think some of the items in Guidelines for qualitative requirements are still too prescriptive. Please refer to individual comments for more details.	
Dirección General de Seguros y Fondos de Pensiones	Spain	Please see EIOPA comments	
Lloyd's of London	UK	As our comments on Guideline M1E1-1-1-3 note, ComFrame may be applied to insurance undertakings that do not take the form of insurance groups. Module 2 has been drafted with international insurance groups in mind and many of its provisions cannot be applied to solo insurance undertakings. If Guideline M1E2-1-1-1-3 is retained and supervisors therefore seek to apply ComFrame to solo undertakings, they will need to adjust or not to apply some of its provisions.	
RSA Group	UK	Module 2 is the largest area for concern. ComFrame looks to determine if any difference between the legal entity and corporate management structures of an IAIG gives rise to specific risks, and will give the lead supervisor the power to require changes in the corporate structure or increased capital to be held in order to mitigate those risks. We disagree with any proposal, specific or implied that can result in the lead regulator enforcing change to the legal/management structure of the group based on its perception of risk. We believe it is for the IAIG to determine the legal and management structure and the means to manage and mitigate the risk arising from this and not the supervisor directly or otherwise. We note that contingency plans and procedures are proposed containing information on how an IAIG will restructure or reposition the business should a stressed scenario arise. Such a plan will include the IAIG specifying which businesses would be discontinued or restructured to alleviate the stressed position. We believe it is important that such plans should be high level and pragmatic to reflect the fact that in a real stress situation there would be a need to rework them based on the actual group and market position at that time. In addition, contingency plans developed under ComFrame should be consistent with other recovery and resolution plan initiatives under consideration elsewhere. Proportionality is key to these requirements.	

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		Whilst many of the standards proposed in this module are already in existence, in processes or contained in developing regulations (eg Solvency II), we are concerned that the proposals could result in some duplication of activities. It is proposed to include within ComFrame the requirement to comply with a new International Capital Standard (ICS). We do not believe ComFrame should set a new global standard as significant work on capital requirements is underway in many territories (e.g. Solvency II). These capital requirements should be acceptable under ComFrame. Capital focus may be better aimed at a calibration mechanism that could act as a means of adjusting Worldwide capital standards into a common framework. It should be noted that a new capital requirement applying to IAIG's could put them at a disadvantage compared to insurance firms or groups that are not defined as an IAIG.	
Association of British Insurers (ABI)	United Kingdom	We consider that Module 2 is improved from previous drafts. However, we have some significant concerns (especially in relation to M2E5) and we feel that there are still improvements that could be made in places where the draft remains too prescriptive. We highlight our view in more detail (stating examples where necessary) in the following sections.	
International Underwriting Association of London	United Kingdom	Much emphasis in Module 2 is placed on the clarity and effectiveness of the IAIG management and structure. We suggest that it will be necessary to bear in mind that the parent company may have only limited control over some of the undertakings in the group.	
Prudential Regulatory Authority	United Kingdom	Although very aware that the ICS will supersede a lot of what is contained in M2E5, we have made a few comments which might be useful for the review process and/or the FTTF.	
American Insurance Association	United States of America	THE OBJECTIVE OF COMFRAME IS NOT CONSISTENT WITH PRESCRIPTIVE NEW LAYERS OF SUPERVISION FOR IAIGS. AIA has consistently underscored the need for ComFrame to avoid new regulatory layers and instead serve as a vehicle for supervisors to coordinate IAIG oversight while minimizing any	

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		potential negative impact that might result from applying different jurisdictional standards. For supervisors, a detailed and specific ComFrame may also lead to confusion, particularly over the scope of another supervisor's authority or the potentially conflicting application of ComFrame standards as part of a national/regional/sub-national regulatory framework. Such an outcome could possibly generate regulatory conflict instead of cooperation and coordination, thereby undermining the very purpose of ComFrame. The ComFrame Draft is an improvement over the last consultation draft, both in terms of length and substance. However, as set forth below, there are still areas of Module 2 that may be inconsistent with current jurisdictional standards or the way that insurance groups manage and conduct business, potentially resulting in conflicting new regulatory layers for IAIGs. As an initial matter, AIA notes that Module 2 establishes a number of burdensome reporting requirements. To limit the burdens in an effective way, IAIGs should be allowed to make reference to existing reports compiled for regulatory purposes which already contain the required information.	
National Association of Mutual Insurance Companies	United States of America	Modules 1 and 3 were part of the original vision of ComFrame. An essential part of an improved system is the effective and consistent use of supervisory colleges to enhance meaningful engagement between supervisors and management and to promote a better understanding of an IAIG's business. Modules 1 and 3 support this effort. Better use of the supervisory colleges including communication, accountability and engagement around a common language will take this to the next level. The standardized supervisory rules proposed in Module 2 will not facilitate this harmonization of international insurance supervision. Module 2 includes features that are particularly concerning for mutual insurance companies in the United States. It imposes prescriptive requirements for insurers unrealistically intended to apply globally to all IAIGs. In addition to the concerns expressed by the NAIC, GFIA and our member companies in their comment letters, we have several specific concerns for consideration.	

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		There are issues related to asset-liability matching, actuarial opinions covering non-insurance affiliate activities, use of local accounting standards, and concerns with prescriptive nature of the definition of core capital. NAMIC concerns are included under the specific Module 2 Element segments below.	
Property Casualty Insurers Association of America (PCI)	United States of America	We have urged repeatedly that Module 2 should not impose a new layer of supervisory requirements on IAIGs, but provide the supervisory college with a list of outcomes that it seeks from the IAIG with respect to governance, enterprise risk management and group capital without prescribing how the IAIG produces these outcomes. The IAIS has unfortunately rejected this approach, and while the level of prescriptiveness contained in previous iterations of ComFrame has decreased, we believe a number of provisions in Module 2 remain too prescriptive. ComFrame should allow supervisors to understand the relevant risks posed by the IAIG's operations and form an opinion as to whether the IAIG is appropriately managing those risks, but should not dictate to the IAIG the manner in which it does so. Unfortunately, some parts of Module 2 appear to prescribe a top-down organizational approach which is not appropriate for many groups. PCI strongly supports appropriate governance and strong risk management. There are many ways by which these goals may be attained, however, and overly prescriptive regulation may actually create risk by foreclosing additional management structures and options to reduce risk.	
ACE Group	USA	ACE supports a framework of robust governance and strong risk management. While Module 2 has improved from prior versions of ComFrame, it is still too prescriptive in places and fails to recognize that both IAIGs and supervisors can approach governance and other functions in different ways, all of which may be effective. ComFrame should focus on an assessment of whether an IAIG has appropriate functions and processes in place for governance, compliance, internal audit, actuarial and risk management. The IAIG should be able to demonstrate its competence in these areas by adherence to its own internal guidelines or external requirements which may be set by authorities other than insurance supervisors and should be able to implement these guidelines at the group or legal entity depending on how it manages its business.	

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		ComFrame should not dictate how these functions are structured or operate but rather should provide guidance for supervisors to assess the IAIGs competence in these functions.	
Association of Financial Guaranty Insurers	USA	As noted in our introductory comments, Module 2 should focus exclusively on the standards that apply to insurance supervisors and should not reflect an effort to impose standards directly on IAIGs. The authority for the regulation and supervision of IAIGs rests with the national authorities and should be implemented exclusively through national legislation and regulation. As drafted, Module 2 alternates between standards imposed on supervisors and those that appear to be imposed directly on groups. For example, Parameter M2E1-1-1 states that the IAIG Profile provides sufficient information to enable the IAIG to determine whether its legal and management structures give rise to any specific risks. The IAIG Profile should be a tool for supervisors to ensure that they have considered the material risks of the IAIG.	
CNA	USA	Our two most significant concerns regarding Module 2 are the inclusion of a group actuarial opinion and the inconsistent reference to the scope of the Group's ERM policy. A group actuarial opinion seems redundant and unnecessary in light of the jurisdictional legal entity actuarial requirements currently in place. Additionally, in many jurisdictions requiring a non-life actuary to opine on such matters as forward looking assessments, appropriateness of investment policies and reasonableness of non-insurance operations is beyond current practitioner expertise and standards. Upon taking a fresh look at Module 2 requirements for the group ERM policy we noted significant reference to legal entity activities even though ComFrame is intended to be a group level regulatory framework. To alleviate any concerns that ComFrame is encroaching into jurisdictional legal entity insurance regulation, we suggest reference to legal entities be removed from Module 2, Element 4. Regarding valuation, CNA suggests that the IAIS limit the number of valuation approaches currently being considered in the first round of field testing and start with the valuation basis for technical	

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		provisions currently used in most groups' consolidated general purpose financial statements, which is management's best estimate, excluding any prudential margin. A discount rate should be determined by the group based on the nature and duration of the liabilities and applied to the technical provisions. In addition to this information, the group should also provide a detailed description of the valuation basis used and an explanation as to how the values were derived. This would allow the IAIS to determine if comparability could be achieved under existing regimes without requiring groups to prepare financial information on a basis of accounting which is vague and unfamiliar to potential IAIG's. While CNA continues to support a group capital assessment over a more rigid capital requirement, we do understand the pressure the IAIS is receiving to develop a Group International Capital Standard (ICS). Therefore, CNA recommends that the ICS be developed as a factor based approach derived from publicly available information. The factors should be calibrated with public data from the entire potential IAIG population, not just volunteers, to ensure an accurate representation of the entire population. This would allow for simplified verification by the group supervisor while making it efficient for groups to implement and monitor going forward. This approach would also ensure consistency in measures across IAIGs, improving comparability across IAIGs and allow regulators to stress factors consistently across the industry should they so desire	
Institute of International Finance - IIF	USA	Module 2, Element 1 and 2 The IIF considers the IAIS efforts to touch upon the IAIG's legal and management structures as well as group governance framework in M2E1 and M2E2 as relevant. However, the very detailed language used is concerning. As an example, the prescriptive way used to describe the functional organization of an IAIG and specific responsibilities of each of these functions including board responsibilities are far too detailed. References to the IAIG Profile in M2E1 should be changed so that it is clear that:	

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		- Where supervisors already have the information there should be no requirement to resubmit this for the purpose of meeting the requirements of M2E1-1-1; and - Materiality should be applied to keep processes efficient. M2E1 currently includes requirements for contingency planning which may be similar to recovery planning requirements for G-SIIs. Given that some insurers are designated G-SIIs, it would be helpful if the glossary could include a definition of contingency planning to make it clear where this meets the requirements of recovery planning for G-SIIs. M3E3 should take the contingency planning requirements in M2E1 into account and not introduce duplicative requirements. In M2E2-14, the reconciliation between reporting for capital adequacy and public financial statements would add little value and could create confusion. The Institute recommends therefore that such reconciliation does not become a requirement under ComFrame. Module 2, Element 3 and 4 IIF members acknowledge the recognition of Enterprise Risk Management (ERM) as a key element in ComFrame. The ERM related elements M2E3 and M2E4 in ComFrame must, however, remain principles based and should not be prescriptive. The current ComFrame draft is still too prescriptive. This could also impede the ability to take future sound ERM practices into considerations. As an example, the current ComFrame draft provides many details on the potential structure, operating objectives and policies (e.g. underwriting, claims and investment policies) of an IAIG and its risk-related functions (e.g. risk management, actuarial, internal audit and compliance) and other key business functions. These functions need to be sufficiently flexible to recognize different operating models in the re-/insurance business. ComFrame introduces in M2E3 'group risk' as a distinct risk category that should be measured and included within the own risk and solvency assessment (ORSA). IIF members share the view that group factors can influence other key risks and that they	

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		should be assessed accordingly. The influence of such factors on established risk categories will be assessed as part of ERM. Therefore, the Institute would recommend the removal of 'group risk' as a separate risk type. Module 2, Element 5 M2E5 should be principles-based. It should allow flexibility in how the standards are met and not be too prescriptive to prevent conflict with, and unnecessary changes to, current and developing frameworks that meet the principles. ComFrame should also encourage companies to draw from their internal valuation and capital models. The basis for the valuation of assets and liabilities is missing. It would be premature to conclude on any of the aspects covered in this section without any indication as to the basis on which assets and liabilities will be valued under ComFrame. This is because the balance sheet constitutes the basis on which both qualifying and benchmark capital are calculated. IIF members' views in this section should therefore be considered as work in progress. The long-term nature of insurance should be reflected. It is vital that the long-term nature of insurance business is appropriately recognized both on the balance sheet and in how the capital benchmark is calculated. Because of the nature of insurance products insurers' exposure to short term market volatility is reduced. Typically insurers can hold assets over longer periods of time without running a material risk of being forced to sell them at a loss. Both capital resources and capital benchmark should reflect the degree to which insurers are protected from the risk of losses on forced sales: - With regards to qualifying (available) capital, it is vital that ComFrame includes mechanisms to prevent changes in the value of assets (unrealized losses or gains) from fully flowing through to companies' balance sheets (and as such qualifying resources) for portfolios where companies have fully or partially the flexibility to decide whether or not and when to crystalize these unrealized losses or gains given the long-term nature of their business or where market risks have been fully or partially transferred to	

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		policyholders. - With regards to (required) capital benchmark, it is vital that ComFrame requires companies to hold capital for market risk only if there is also a risk that the company should realize assets losses to make payments that may fall due at the same time. For example, the risk of a drop in the market value of an asset should only result in a capital charge if there is also a risk that at the same time the company may be forced to liquidate the assets under stress to pay policyholders or other creditors. Insurers are not exposed to the risk of losses from forced sales either because of the illiquid nature of insurers' liabilities or where part or all of the exposure to market volatility has been transferred to policyholders through market value adjustment mechanisms or, for example, in the case of unit-linked type products. Failing to appropriately recognize the long-term nature of insurance risks would drive insurers out of their long-term products and corresponding investments, and would introduce pro-cyclicality. Typically insurers are only exposed to default risk rather than to entire spreads' volatility on bonds they can hold to maturity. Increases in spreads in stress conditions are often driven by increased illiquidity, rather than default, expectations. This should be reflected in both qualifying and benchmark capital under ComFrame. Qualifying (available) financial resources are unduly restricted. The text in M2E5 related to how the ComFrame capital benchmark is to be calculated is in general in line with IIF's members' expectations. However, the parts of M2E5 that relate to how much capital can be considered as qualifying capital remain a very strong concern. If the currently proposed capital criteria and deductions remain unchanged, a significant number of capital resources would not be considered as qualifying for ComFrame's capital benchmark. Deductions from capital are not needed. A priori deductions should not be prescribed by ComFrame. Elements of capital such as those known as retained earnings or reconciliation reserves, prudential margins, the value in force, goodwill, intangible assets and deferred taxes and others should not be a priori subject to tiering or	

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		deducted from qualifying capital resources when the risk that they may not be fully available in times of stress or during winding-up is already captured through the capital benchmark. The appropriateness of tiering for insurers needs to be re-considered. It is a concept that is inspired from banking regulation and it may therefore not be appropriate for insurers given the distinct features of their business model. Unlike banks, insurers cannot be forced into an accelerated liquidation of their balance sheet. Insurance liabilities are long-term, and are matched with assets of similar duration to the extent feasible. As such, the distinction between the "core capital" and "additional capital" is redundant for insurers as for insurers "going concern" and "liquidation" scenarios evolve differently than for banks, with the latter taking place over many years. The criteria for qualifying capital are far too restrictive. In particular, the requirements proposed for core capital would mean that investors in hybrid debt will have to take the full downside-risk as equity holders but without the chance of upside-benefits. Such instruments are not marketable. A number of criteria are likely to lead to many currently eligible instruments not qualifying as capital under ComFrame In addition, while developing the global insurance capital standard (ICS) as part of ComFrame, appropriate provisions for grandfathering of existing capital instruments should be made to avoid any unintended market distortions. Risk mitigation techniques should be recognized appropriately. - Diversification, be it geographical or between risk types , sits at the core of insurers' business model and as such needs to be fully reflected thus providing the right risk management incentives to firms. - A group should be viewed as single economic entity within which risks and capital resources can be shared. In practice, this is done through internal risk transfer arrangements. As such it would be inappropriate to a priori assume that some of the capital elements may not be considered as fungible or transferable or that some of the risks are not diversifiable within the group. - Reinsurance and other risk mitigation mechanisms should be taken into account according to the extent to which they mitigate	

Organisation	Jurisdiction	Comments	Resolution of comments
		risks. Excluding the value of secured assets in excess of the value of the relevant liabilities is unduly conservative and penalizing.	
Liberty Mutual Group	USA	Liberty Mutual's fundamental concern about the 2013 Draft ComFrame is that despite its title it is not a "framework." ComFrame still prescribes substantive supervisory standards and requirements with which all global insurers must comply. We cite numerous examples of this prescriptive approach in our comments that follow concerning the Elements of Module 2. This prescriptive approach fails to appreciate the existence of reasonable differences in regulatory regimes and philosophies that achieve similarly effective outcomes and which are adapted to local needs and requirements. Supervisors and large insurers can work together to structure a consistent overall approach to supervision in the face of such differences that will allow for comparable supervisory outcomes among groups. Liberty Mutual would have less cause for concern if Module 2 focused on supervisory objectives and outcomes and allowed management the flexibility to decide how best to achieve those objectives in light of the unique circumstances that apply to each and every complex business organization. An improved Module 2 would focus on informing IAIGs about supervisors' expectations, but not impose specific requirements on the choices by the management of IAIGs, or their supervisors, as to how to meet those expectations. Insurers doing business in multiple jurisdictions should be encouraged to develop flexible business solutions tailored to the particular characteristics of each jurisdiction. The requirements in Module 2 that IAIGs must have various "global policies" will frustrate effective decentralized management that encourages and promotes innovation in local consumer service and product design and will replace it with a "check-the-box" orientation for management based more on satisfying supervisory requirements than market-based needs and realities. Furthermore, one of the four cornerstones of ComFrame explicitly states a decentralized structure is allowable under ComFrame.	

Organisation	Jurisdiction	Comments	Resolution of comments
		We continue to be concerned that even if a prescriptive approach were to make sense theoretically, it is not workable from a practical point of view. The assumption by the IAIS that political leaders and legislative bodies around the world will accept the imposition of standards determined by an international insurance organization is unrealistic.	
Northwestern Mutual	USA	We continue to believe that ComFrame's focus on establishing globally comparable standards applicable to IAIGs misses the target of closing regulatory and supervisory gaps, and we maintain serious concerns that the effort will increase costs, inefficiencies and homogenization of available insurance products. We also recognize that the IAIS has committed to develop an international global capital standard for internationally active insurers, in response to the Financial Stability Board's direction to develop a plan for a comprehensive, group-wide supervisory and regulatory framework for internationally active insurers. And so, while we continue to hold the concerns expressed in the preceding paragraph, we focus our comments today on the following targeted concerns: - The need for ComFrame to hold to a principles-based approach, rather than imposing prescriptive standards on insurance groups; - Areas of blurring between supervisory and management responsibilities; - Confusion between concepts of systemic importance and concepts more directly relevant to supervision of internationally active insurers which have not been designated as systemically important; - Importance of respecting the statutory responsibilities of regulators of the legal entity, and of recognizing the benefits of the entity-focused approach - and the hazards of ignoring it; and - Threats presented by inadequate protection of the confidentiality of sensitive, proprietary company information.	

Organisation	Jurisdiction	Comments	Resolution of comments
		In addition, given the IAIS's direction on developing a global insurance capital standard, we offer suggestions under M2E5 below for elements that should be considered in an assessment of group capital adequacy. We do appreciate the significant improvements that have been made from prior drafts of ComFrame. In particular, the degree of prescriptiveness and instances of redundancy have been meaningfully reduced.	
Prudential Financial, Inc.	USA	Prudential is pleased with the significant progress IAIS has made in further developing and refining Module 2, especially in its broader focus on ERM and other qualitative aspects of insurance group management/governance (Module 2 Elements 1-4). However, some of the specific expectations set forth in Module 2 remain overly prescriptive and detailed in their approach. For example: - A seeming expectation that an IAIG's governing body will be responsible for a group-wide communication strategy. - Elements 3 and 4 provide very specific examples (or expectations) in regards to an IAIG's structure operating principles and policies (ERM, underwriting, actuarial, etc.). Such specificity appears to favor a single preferred supervisory approach through which firms should manage diverse businesses. ComFrame must remain based in principles not in specificities and offer enough flexibility to allow for varying business models, approaches to risk management, and operating goals.	
CRO Forum - CRO Council - CFO Forum	Worldwide	The Forums welcome the IAIS efforts to recognize ERM as a key element in ComFrame. Elements of ComFrame related to ERM (M2E3 and E4) must remain principles based (and not prescriptive) and address the Group level (and not legal entities). The current ComFrame draft still goes too far in prescribing elements which will undermine the flexibility to accommodate new best practices that will evolve in ERM. For example, ComFrame provides considerable details as to how IAIGs might structure and set operating objectives and policies for their various risk-related functions (e.g. actuarial, internal audit, compliance and risk management) and other key business functions. These functions need to be sufficiently flexible to recognize the effectiveness of different operating models. There	

Organisation	Jurisdiction	Comments	Resolution of comments
		also exists overlap between the functions and potentially with the various lines of defence. Therefore, the guideline M2E2-8-2-1 that prevents the combining of control key will create substantial issues in practice and therefore this guideline should be removed or amended. Finally, M2E3-1 references the need to provide reports on ERM Framework at both solo entity and group level. We believe this is inconsistent with other processes (e.g. investments, reinsurance) referenced by ComFrame which should be reported at the Group level and avoid duplicative reporting requirements. We propose that the language on ERM reporting refer solely to Group requirement. As currently drafted the framework introduces "group risk" as a key risk category that should be measured and included within the ORSA. Whilst we agree that factors considered as group risks can influence other key risk categories and that this influence should be understood and assessed. The effects of such factors will be captured through ERM in the measurement of the established key risk categories, and therefore it is misleading to refer to group risk as a risk category in its own right. In addition some of the factors noted as key group risks will also be relevant for solo entities, and are not specific to groups. Any consideration of a framework for measurement of balance sheet valuation and solvency capital requirements needs to recognize the long-term nature of insurance business. Care needs to be taken to assess the degree of short term volatility that might be introduced by different approaches. The current wording on M2E5 reflects the risk management tools and regulatory frameworks many companies have to comply with today or will need to comply with in the future. ComFrame should provide a standard that is sufficiently flexible to accommodate existing and future group regimes that follow similar economic and risk-based principles. ComFrame should provide for the flexibility for groups to use an internal model and / or define the quality of capital resources, in accordance with existing and future local regulation where it is aligned with ComFrame principles. The reference on reinsurance assets (M2E5-7) is overly prescriptive in light of risk-based regulatory developments in many jurisdictions to adequately assess reinsurance counter party credit risks. The solvency calculation for the group as a whole should treat the	

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		group as one economic unit recognizing diversification and allowing the use of excess capital of solo entities to meet the group-wide solvency calculation. However aggregated approach should be considered for non-insurance activities and in case local regimes do not adopt ComFrame standards and parameters. ComFrame should set valuation principles rather than detailed requirements allowing existing regimes that meet the principles to be used without amendment. This approach would minimize disruption whilst ensuring local level playing fields are not distorted, so that policyholders get the same level of protection throughout a specific jurisdiction. Some references are not sufficiently principles-based, for example prescribing approaches that do not reflect existing local approaches (e.g. reinsurance asset risk, M2E5-7). The requirements in ComFrame relating to capital resources need to be framed in the context of the valuation basis adopted. As the valuation basis has yet to be determined it would be premature to conclude any aspects of capital resources at this time (e.g. deferred tax asset, M2E5-7-3).	
EY	Worldwide	We believe that ComFrame should encompass assessing existing frameworks for group supervision as substantially equivalent to ComFrame, in order to avoid duplication.	
Comments on Module 2 Element 1 IAIG's legal and management structures			
Association of Bermuda Insurers and Reinsurers	Bermuda	M2E1-2-1 The requirement that an IAIG draw up contingency plans that describe how the IAIG would restructure to achieve an "acceptable financial condition" for the "protection of all policyholders, wherever domiciled" presents an obvious "by what standard do we judge "acceptable"?" Furthermore, it is not clear under what circumstances the contingency plans and procedures described are required. Are these intended to address adverse scenarios and if so the scenarios and choice of level of response should be left at the discretion of the IAIG. M2E1-2-3 "The IAIG reports all material intra-group transactions and	

Organisation	Jurisdiction	Comments	Resolution of comments
		exposures to the group-wide supervisor" - The level of "materiality" is a major issue here. The matter of affiliate transaction reporting and regulation is already taken up by the law of the group member's domicile, and there is no need for another layer of redundant and possibly conflicting regulation of such transactions.	
Canadian Life & Health Insurance Association Inc.	Canada	- Guideline M2E1-1-1-1: Related to our comment immediately above, particularly in relation to the consideration of sub-profiles, there should not be the inference of a necessity for more than one group-wide supervisor for an IAIG. - Guideline M2E1-1-1-5: This is unnecessarily prescriptive, especially from the perspective of the existence of the other Guidelines associated with this Element and therefore this Guideline should be deleted. - Guideline M2E1-2-1-1: This Guideline is too prescriptive. Companies should develop realistic and appropriate institution specific contingency plans which may or may not include the continuance of some or all lines of business.	
European Insurance and Occupational Pensions Authority (EIOPA)	EU	The contingency plans mentioned in all M2E1-2 seem to have a lot of commonalities with the recovery plan which will be embedded in M3E3 following the finalisation of the KA on effective resolution Regime by the FSB. There is the need of ensuring internal consistency within ComFrame on this issue. Furthermore, similar expressions ("contingency plans"; "financial contingency plans"; "Business continuity plans") are used in multiple Standards/Parameters (M2E1-2; M2E1-2-1; M2E1-2-4), without being clear if they are referring to exactly the same issue or not. This should be clarified, also taking into account the potential overlaps between the different concepts.	
Federation Francaise des Societes d'Assurance (FFSA)	France	Generally speaking, guidelines on the identification of the group structure are way too detailed. As it may be misleading, the FFSA considers drafting texts with 'IAIG may' or 'It may be useful' should be avoided. Contingency plans On contingency plans, the level of detail of the guidelines is too	

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		granular. We do not understand the introduction of two distinct words "contingency plans" and "business continuity plans" that should cover the same thing. Moreover the focus on taking into account the effects of stress situations on intra-groups transactions in contingency plans is not necessary since it mixes different concepts between the business continuity plan and risk management risk through stress tests. A specific requirement already deals with intra-group transactions reporting to supervisors.	
Allianz Group	Germany	M2E1-1 The IAIG Profile contains too detailed information, which does not appear essential to assess the IAIG's risks. We see limited value for risk management in providing information about management structure, governance structure, names of directors for each legal entity and branches. Therefore we suggest deleting this. M2E1-2 Contingency planning should be limited to an abstract description of measures to address potential crisis scenarios in a form that is not legally binding. IAIG must preserve flexibility to react in concrete crisis situations appropriately. M2E1-2-1 It is suggested to amend the second bullet point by adding "...no matter where they are domiciled according to local policyholder protection regulations as applicable". M2E1-3 We welcome the fact that ComFrame does not intend to set any international standard in respect to policyholder protection schemes, yet we do not see the purpose of M2E1-3 as this is a national topic, which insurers are aware of. We suggest that ComFrame does not touch this purely national topic and M2E1-3 is deleted. M2E1-3-1-1 If M2E1-3 is not deleted then it should be made clear that no quantitative modelling of impacts from PPH schemes is required here.	

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BaFin	Germany	M2E1-2: The wording "acceptable financial condition" sounds a bit weak even in cases of restructuring. It should be highlighted that this goal is a fundamental task to achieve, for example at least "sufficient solvency and financial condition". M2E1-2-3: There is no deadline mentioned to report material intra-group transactions (as soon as practicable?). M2E1-3: The term of expression "policyholder protection scheme" (PPS) should be defined or should be explained by an example to clarify what kind of PPS are intentioned.	
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	M2E1-1-1: In order to avoid onerous additional reporting, the IAIG should be allowed to use information compiled or refer to documents prepared for other regulatory purposes. M2E1-2: We agree that the IAIG should maintain contingency plans/ business continuity plans to quickly restore it business procedures after unforeseen interruptions. But restructuring or running-offs are strategic decisions that need individual solutions. That type of crisis has nothing to do with emergencies where a prepared plan is needed to reduce the interruption and prevent secondary damages. M2E1-3: Policyholder protection schemes (PPS) should not be accounted mandatory as protection schemes are additional institutions that are only triggered if business planning and risk management of the insurer fail.	
KPMG AG WPG	Germany	Please refer to our general comments	

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University of applied sciences Coburg (Hochschule für angewandte Wissenschaften Coburg)	Germany	It is important to identify a single IAIG profile. The IAIG profile should not be separated in sub-profiles. This could result in a sub-group-wide supervision which is not desirable because it affects collaboration of involved supervisors. From an economic point of view the IAIG should be treated as a whole. Sub-dividing the group might risk to understand the interdependencies of risks.	
Global Federation of Insurance Associations	International	With respect to the extension of resolution/contingency plan measures to IAIGs, we urge IAIS to recognize the distinction between business continuity plans and so-called "living wills." The former is an appropriate subject for ComFrame; the latter is not. Generally, inclusion of a contingency plan standard in Module 2 raises a broader concern about the interaction between Modules 2 and 3. We believe that it is premature to include provisions relating to crisis management in Module 2 when the IAIS has yet to determine whether such provisions will be included in Module 3 and the FSB has not concluded its work on the application of the Key Attributes or on the related methodology.	
Insurance Europe	International	M2E1-2-3-1: We believe this guideline to be inconsistent with the ComFrame objective of streamlining supervision and avoiding double reporting. The IAIG should just be required to report once. Once information is received by an involved supervisor it should then be efficiently exchanged within the college of supervisors. M2E1-2: This element currently includes requirements for contingency planning. .It would be helpful if the glossary could include a definition of contingency planning. The development of Module 3 Element 3 should also take account of the contingency planning requirements in Module 2 and not introduce duplicative requirements. M2E1-2-4-1: In line with principle of proportionality (one of ComFrame's cornerstones) we believe an insurer's BCP should only be expected to cover material indirect market events. We would, therefore, like to see reference to "material" inserted in the text.	
International Actuarial Association (IAA)	International	- M2E1-1-1; The discussion of risks and how they are mitigated would be better placed in M2E3 (ERM).	

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		- M2E1-1-1-3 bullet point 4; We agree that this is a major item for evaluating an IAIG's structure. The more intertwined the affiliate relationships within an IAIG, the fewer the options and the more difficult the rehabilitation in the event of a crisis. - M2E1-1-1-4 second paragraph; This would be better placed in M2E3 (ERM). - M2E1-2-1; This requirement as worded could lead to action that detracts from the effective handling of problems if the plan is expected to be executed as originally drafted. The risk is that detailed plans drawn up may well be inoperative in times of crisis (due to implicit assumptions about conditions during crisis that may not exist during such times). In general, the more detailed such plans are, the less useful they are unless the assumptions behind them are clearly laid out and they clearly identify authority and responsibility, including backups, and identify a range or categories of options. - M2E1-2-2-1 first paragraph second sentence; Should change "would" to "could." A contingency plan should not overly restrict management's options nor commit them to a single course of action in a time of crisis, as every crisis is different. The value of a contingency plan is that the preparations done ahead of time will provide a better starting point for considering actual alternatives actions at a time of crisis. - M2E1-3; We are unsure why this is needed in ComFrame. It does not seem to be material enough to mention separately. It should be in an ICP. If it is material for an IAIG, then it would be applied in the IAIG's ERM (under Module 3).	
World Bank (WB)	International	The guidance M2E1-2-3-1 could be extended with the words "unless suitable arrangements can be put in place through the supervisory college" for example so as to hold out the possibility that an IAIG could work with the involved supervisors to make their reporting more effective and efficient rather than simply duplicative.	

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Financial Services Agency	Japan	See the answer Q1(2. Group supervision). Other specific comments are as below. M2E1-1 Suggest reconsideration or revision concerning IAIG Profile for the following reasons. Although there are many descriptions to define items and manner of IAIG Profile, these are too general and not enough to improve these groups' management. We expect that IAIG profile should include IAIG specific viewpoints, especially on their international activities and complexity of their group structure. Additionally, it is more helpful to add more practical procedure and clear objective of Profile; documentation, reporting, and periodically review. M2E1-2-1-1 Add a few words in the first item as below. IAIGs should not decide their business continuity depending on their short-term profitability. They should consider business sustainability as well. "Contingency plans should describe how the IAIG would: - continue operating certain profitable lines of insurance business in sustainable fashion while restructuring or running off its discontinued business lines in an orderly fashion. M2E1-3-1-1 Suggest reconsideration or revision of this guideline for following reasons. The third item in M2E1-3-1-1 proposes "issues that may arise from the PPS being funded or unfunded." as factor analysed by IAIGs. Nevertheless, what IAIGs are truly required is to clearly understand PPS schemes in all countries where they work and prepare for the case in which they trigger to protect their policyholders. It is unnecessary to make IAIGs analyse PPS scheme itself. (Generally, a PPS scheme is planned or committed by supervisors.) We propose this section should make clear what objection this paragraph requires. Otherwise, it should be deleted.	
The General Insurance Association of Japan	Japan	(M2E1-2), (M2E1-2-1-1), (M2E1-2-2-1), (M2E1-3-1), (M2E1-3-1-1) - Both "contingency plans" and "plans in the event that any PPS is	

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		triggered" deal with pertinent issues related to recovery and resolution of insurers. Overlapping plans that are similar to RRP should not be required, in order to ensure the effectiveness of the plan, and these requirements should be aligned with those in M3E3. - Also, it should be permissible to establish such plans according to the size, complexity, etc. of the group, without standardizing the contents. - There are few cases where actual events fall in line with assumed scenarios, even when contingency plans have been prepared under such scenarios. While it would be useful to establish a general policy of the group as a whole in advance, we think it is not so necessary to have plans with concrete measures and processes. - While it is necessary to understand how policyholder protection schemes (PPS) would apply and what impact they may have, it is difficult to establish plans assessed as "appropriate" in advance by the insurer alone, because applying a PPS will involve consultation with the supervisor as well as political adjustment. Therefore, we suggest deleting "appropriate" in M2E1-3-1 or replacing the word with a more moderate one.	
The Life Insurance Association of Japan	Japan	M2E1-2: The contingency plans insurers have to develop are described in the ICPS. With regard to the items which are not described in ComFrame such as the frequency of developing the plan, we would like to confirm that insurers should refer to the ICPS. M2E1-3-1-1: It is stated that IAIG faces contingent liabilities in the situation where another insurer triggers a call on the PPS. We think it would happen in the case the PPS operates in ex-post funding arrangement. In order to clarify it, we believe that 'where the PPS operates in ex-post funding arrangement' should be inserted before 'The IAIG also analyses the contingent liabilities...'.	
Monetary Authority of Singapore	Singapore	Standard M2E1-1: Guideline M2E1-1-1-1 states that "Where the number of entities in an IAIG renders a single IAIG Profile unwieldy, the group-wide supervisor, in conjunction with the IAIG, should consider sub-profiles." Given that the onus has been placed on the IAIG to set	

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		out the IAIG Profile in the Standard, suggest to amending this point to "The IAIG, in consultation with the group-wide supervisor, should consider sub-profiles where the number of entities in an IAIG renders a single IAIG Profile unwieldy." Standard M2E1-2: We are of the view that Parameter M2E1-2-3 should be placed under Standard M2E1-1. This is because the requirement for the IAIG to report all material intra-group transactions and exposures to the group-wide supervisor should not only be during times of crisis. Standard M2E1-3: We are not aware of PPS that applies at the group level and as such, suggest to amend Parameter M2E1-3-1 to "The IAIG understands how PPS apply at the respective insurance entity level and has appropriate plans in place in the event that any PPS is triggered. "	
RSA Group	UK	It is important that information to the group supervisor to allow them to perform the proposed role under ComFrame does not result in the need to construct significant new reports and other requirements. Existing material produced at Group and sub-group level should be used where possible. As mentioned earlier required changes to the legal entity or corporate management structures could inhibit growth within the business. Additionally production of a contingency plan as to how the IAIG would restructure or reposition its business could prove to be complex as any proposed restructure would depend on the stressed scenario that crystallises and would cease to be relevant as circumstances change.	
Association of British Insurers (ABI)	United Kingdom	The group structure of an IAIG should not be subject to supervisory intervention and we assume that this is not the intention of the guidelines; however, it is not clear in some places (for example, M2E1-1-1-4). An IAIG should be afforded full flexibility to structure the group according to its business objectives. In the event that an existing structure has clearly caused a regulatory breach and	

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		structural change is the most effective remedy, then - and only upon the occurrence of this event - should supervisory intervention be permissible. There are also possible consequences to ERM policies that will need to be considered in this respect. Contingency plans will need to be aligned with recovery and resolution requirements. However, we do not consider that Module 2 is the place to address such issues. We await the separate IAIS consultation on this topic. We have included some high-level views on this topic in our response to M3E3, below. Where references are made to reported information (for example, the IAIG's profile in M2E1), the draft should clarify that: - where supervisors already have the relevant information available, there should not be a requirement on the IAIG to repackage/resubmit this for the purpose of meeting the requirements (for example, M2E1-1-1); and - the materiality principle should apply to ensure that data volumes are not excessively onerous for IAIGs and their supervisors.	
American Council of Life Insurers	United States	Standard M2E1-1: The single group-wide supervisor assumes the obligations of understanding the group; explaining the group's structure, corporate strategy, financial position, risks, and risk management to other involved supervisors; and striving for efficiency and consistency in risk-based supervisory treatment of groups. Parameter M2E1-2-1 should be discretionary, depending on an insurance group's complexity and scale. We are also concerned that this Parameter seems to assume that all large, internationally active insurance group are systemically important; we do not agree. Of course, regulators may do whatever planning they feel is appropriate, and we agree that it makes sense for regulators to understand the resolution mechanisms that operate in other jurisdictions. However, requiring companies that have not been found to have systemic importance to bear the costs and burdens associated with this type of contingency planning is not supported by U.S law or public policy. Further, any contingency planning should be protected as highly confidential, sensitive information.	

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		The first paragraph in Guideline M2E1-2-1-1 should be deleted as too prescriptive. Companies should develop realistic and appropriate institution specific contingency plans which may or may not include the continuance of some or all lines of business. Standard M2E1-3: We request clarification of both the Parameter and the Guideline. The language of the Guideline seems to suggest that the Parameter requires the IAIG to plan for the possibility that members of the group may trigger a PPS. We submit that the practice of insurers is, as it should be, to plan for their success, not for their failure. As stated above, we disagree with the implication that IAIGs should as a general matter be treated as having systemic importance.	
American Insurance Association	United States of America	According to the Summary of ComFrame in the Introductory Remarks, Module 2 contains the standards with which the supervisor will require an IAIG to comply. Generally, inclusion of a contingency plan standard in Module 2 raises a broader concern about the interaction between Modules 2 and 3, as it is premature to include provisions relating to crisis management in Module 2 when the IAIS has yet to determine whether such provisions will be included in Module 3, which, according to the Summary of ComFrame, "describes the processes whereby supervisors assess whether IAIGs meet the requirements in Module 2. More specifically, we object to the requirement in M2E1-2 that an IAIG develop and maintain contingency plans and procedures that enable it to deal with crisis situations. Doing so would (i) result in the imposition of an unwarranted prescriptive layer of regulation; (ii) blur the distinctions between IAIGs and G-SIIs and (iii) violate the proportionality cornerstone by not taking into account the "nature, scale and complexity of the IAIG...in applying ComFrame." These crisis management requirements should only be applicable to global systemically important entities, as the FSB's Key Attributes require G-SIIs to create Crisis Management Groups. As a result, applying them to IAIGs that are not G-SIIs would be unnecessarily prescriptive and disproportionate. Furthermore, the inclusion of M2E1-2 is premature, since elements of crisis management appear to be subsumed within the IAIS's ongoing consideration of the Key Attributes under M3E3.	

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		AIA would also recommend the deletion of Standard M2E1-3, as it is unclear whether this standard relates solely to legal entity contingent liabilities for guaranty fund assessments, or whether it also contemplates the impact of policyholder protection schemes when either an insurance affiliate or the group itself is in danger of default.	
Property Casualty Insurers Association of America (PCI)	United States of America	M2E1-2-1: The requirement that an IAIG draw up contingency plans that describe how the IAIG would restructure to achieve an "acceptable financial condition" for the "protection of all policyholders, wherever domiciled" presents an obvious "by whose standard do we judge 'acceptable?'" question, as well as the larger question as to whether the overall financial condition of an IAIG as a whole can or should be judged for purposes of triggering IAIG contingency plans. Individual members of an IAIG have their own balance sheets and legal/regulatory obligations that do not permit removing capital from one entity to shore up the group's finances or those of an ailing affiliate in the IAIG. We do not believe this requirement is appropriate for IAIGs in general, but only for those that are systemically important. M2E1-2-2-1: Same response as above regarding the Guideline comment that "the IAIG's contingency planning also considers the distribution of capital in the IAIG after stress and the possibility that subsidiaries within the IAIG may require recapitalization." That also violates corporate law as it suggests parent companies (shareholders) have an obligation to fund subsidiary companies. M2E1-2-3: "The IAIG reports all material intra-group transactions and exposures to the group-wide supervisor" - the level of "materiality" is a major issue here. The matter of affiliate transaction reporting and regulation is already taken up by the law of the group member's domicile, and there is no need for another layer of redundant and possibly conflicting regulation of such transactions. This would also require an inappropriate level of involvement of the group-wide supervisor in group management unless the materiality threshold is set at an appropriate level.	
ACE Group	USA	ACE agrees that all groups should have business continuity plans in place to deal with various scenarios however we do not think it is	

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		possible to have a contingency plan that specifically details how an IAIG would act in a given circumstance because the potential circumstances are virtually limitless. An insurance group cannot plan with specificity actions it will take in response to an unlimited set of facts which can lead to stress and any requirement to do will merely entail creation of an enormous amount of paper that will be futile in the real world. Contingency plans cannot reasonably contain possible restructuring because there is no way to plan for all the possible scenarios which will inform the appropriate response. Instead, we suggest that ComFrame provide guidance for supervisors to enable a review of a group to determine that the group has adequate processes and protocols, including escalation procedures, in place that it will undertake during times of stress. Further, the college process will provide the relevant supervisors with substantial information about the IAIG which will inform whether contingency plans are necessary and if so, whether they are well designed and adequate. The requirement to report all material intra-group transactions and exposures to the group supervisor is too broad without a definition of material and likely will conflict with regulations already in place. ComFrame should not add a layer of redundant and conflicting reporting.	
Association of Financial Guaranty Insurers	USA	In addition to AFGI's general comments with respect to Module 2, the Association notes that much of the information required in the IAIG Profile is contained in regulatory or public filings for many IAIGs. Thus, we believe it would inefficient to place the burden on the IAIG to replicate this information for the group supervisor. Guideline M2E1-1-1-2 provides that the IAIG Profile will assist in determining if the group structure and its inherent risks inhibit effective risk management and/or supervision of the IAIG. This suggests that supervisors would be able to compel a restructuring of the group. Of note, many supervisors do not have this power. Moreover, such power generally should not be exercised by supervisors absent extraordinary circumstances. This guideline should be redrafted to reflect the less prescriptive, outcomes-focused approach of ComFrame and to provide the flexibility to align management with the group legal structure, business	

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		competence centers, or centralized functions. Where supervisors have concerns with a particular group structure, their first recourse should be to request enhancements or revisions to group risk management to address those concerns. IAIGs should be expected to alter existing management structures only in extraordinary cases where risks to the prudent conduct of systemically significant activities exist.	
Institute of International Finance - IIF	USA	Module 2, Element 1 and 2 The IIF considers the IAIS efforts to touch upon the IAIG's legal and management structures as well as group governance framework in M2E1 and M2E2 as relevant. However, the very detailed language used is concerning. As an example, the prescriptive way used to describe the functional organization of an IAIG and specific responsibilities of each of these functions including board responsibilities are far too detailed. References to the IAIG Profile in M2E1 should be changed so that it is clear that: - Where supervisors already have the information there should be no requirement to resubmit this for the purpose of meeting the requirements of M2E1-1-1; and - Materiality should be applied to keep processes efficient. M2E1 currently includes requirements for contingency planning which may be similar to recovery planning requirements for G-SIIs. Given that some insurers are designated G-SIIs, it would be helpful if the glossary could include a definition of contingency planning to make it clear where this meets the requirements of recovery planning for G-SIIs. M3E3 should take the contingency planning requirements in M2E1 into account and not introduce duplicative requirements.	
Liberty Mutual Group	USA	This Element requires IAIGs to have plans to deal with "crisis situations." We can support this requirement, provided that the requirements are flexible and adaptable to each company. Effective use of supervisory colleges would reduce the potential complexity of such plans because supervisors would be working regularly with the IAIG in question to understand how it manages its risk.	

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		M2E1-2-2 should not suggest that parent companies have an obligation to fund troubled subsidiary companies in all circumstances. In many cases, a carefully managed exit from a business line or market is prudent, rather than re-capitalization of a poorly performing business. In addition, as a matter of corporate law in many jurisdictions supervisors may lack the authority to force shareholders to provide new capital to rescue a failing business. Frankly, the need for an IAIG to have a contingency plan is unclear. If a group capital assessment that includes stress scenarios is required, then the group would have already shown that it has adequate capital for crisis situations. Supervisors should also not equate these types of plans to the "resolution plan" that is required of G-SIIs. Such extraordinary interventions are called for only for a group that is engaged in systemically important activity.	
NAIC	USA	The group-wide supervisor must obtain a clear understanding of the IAIG's group-wide business activities and risks posed to the insurance group. The group-wide supervisor must obtain an understanding of the IAIG's strategies, which includes among other things, the business model, market share and geographic emphasis, capital allocation plan, and non-insurance business activities. We support the notion of M2E1-1 which suggests that the specific structure of the IAIG may create risks and believe that supervisors assess these types of risks on an exception basis when considering the supervisory plan regarding the IAIG. What is most important about IAIGs is that supervisors understand and agree upon the major risks faced by the IAIG and to know what the IAIG is doing to mitigate or address those risks. The IAIG will make decisions to construct the group in a way that it sees fit and to the extent that results in supervisors elevating the perceived risks of the group, that should be understood by the IAIG since they made decisions to construct themselves the way that they have. It is important that the material under M2E1 not be read as requiring specific legal and management since that would amount to stepping into the shoes of management, which we believe is not appropriate for a supervisor unless risks are deemed to be	

Organisation	Jurisdiction	Comments	Resolution of comments
		excessive and hazardous to the policyholders. With respect to M2E1-2, what is most important about IAIGs is that supervisors understand and agree upon the major risks faced by the IAIG and to know what the IAIG is doing to mitigate or address those risks. To the extent the supervisors agree that certain risks exist, they should make the IAIG aware of those items, and at that point it would be reasonable for the IAIG to develop plans for how it is going to address those risks. It is also reasonable that such plans may approximate a "contingency plan." However, requiring contingency plans which are likely to have no bearing on the supervisory plan of the IAIG or are outside of the context of follow up required by the IAIG as a result of the major risks faced by the IAIG as agreed upon by the supervisors would not be an appropriate use of IAIG resources or of the supervisors'. Supervisory colleges today already discuss the need for supervisors to be able to pro-active and how they would need to react if an event were to occur. However, it would be virtually impossible for an IAIG to develop a meaningful plan which could address every single potential crisis since every crisis will be unique and will involve macro issues, which are equally unpredictable. Thus being prepared to react and being proactive is important.	
Northwestern Mutual	USA	Parameter M2E1-2-1 and Guideline M2E1-2-1-1 require contingency planning that seems to anticipate the need for the IAIG to discontinue or restructure particular lines of business. While we agree that planning for plausible crisis scenarios is an appropriate part of insurer risk management practices, we are concerned that the ComFrame text suggests that IAIGs should be required to plan for their failure. Whatever the merits of such planning in the context of regulatory and supervisory regimes for systemically significant financial institutions, we caution against a blurring of the lines between such standards and those appropriate for IAIGs. Regulators may do whatever planning they feel is appropriate, and we agree that it makes sense for regulators to understand the resolution mechanisms that operate in other jurisdictions. However, requiring companies that have not been found to have systemic importance to bear the costs and burdens associated with this type of contingency planning is not supported by U.S. law or public	

Organisation	Jurisdiction	Comments	Resolution of comments
		policy, or the interests of insurance consumers.	
Prudential Financial, Inc.	USA	For stock insurance companies, the guidelines relating to Board governance should be tailored to allow the Board to both account for the protection of insurance policyholders and to discharge properly its fiduciary duties to shareholders. This consideration must be made throughout M2E1 & 2.	
EY	Worldwide	It is not clear whether the contingency plan referred to could also consist of contingency plans for individual business unit contingency plans, with their interconnectedness considered. A single group contingency plan could be monolithic and fail to respond to stresses that manifest themselves locally. Further clarification may be helpful in this area. The requirement to report material intragroup transactions to the group supervisor may be duplicative, where such transactions are already being made to entity supervisors.	
Comments on Module 2 Element 2 Governance			
Association of Bermuda Insurers and Reinsurers	Bermuda	M2E2-1 Group-wide governance framework issues - local and domestic requirements for governance need to be recognized and must be deferred to (and perhaps at best assimilated at the group-level) by locally regulated entities and not replaced with (or worse, added to) governance rules imposed by the group-wide supervisor. M2E2-3 Requiring the IAIG board to "provide adequate oversight of Senior Management" located throughout the IAIG (requiring the board of a parent company to supervise management of direct and indirect subsidiaries within the IAIG) is inconsistent with corporate law, ignores the autonomous and distinct legal nature of subsidiary entities, and, when taken together with the other M2E2 requirements, effectively requires IAIGs to substantially enhance and maintain a centralized group management function that they won't be able to fulfill.	

Organisation	Jurisdiction	Comments	Resolution of comments
		M2E2-4 and M2E2-5 Remuneration is and should remain subject to local benchmarks, customs and practices, subject to an overall group policy that discourages the taking of excessive risk. The requirements for annual functional plans are onerous and the focus should be on the function demonstrating that it is performing the right tasks. M2E2-13-1 Imposing group-wide outsourcing requirements may be completely at odds with the variety of requirements found at the local regulatory level, and we believe the matter of outsourcing may not be material to the coordinated supervision of IAIGs. M2E2-14-1: At a high level, the nature of the coordinated group-wide supervision to be accomplished by ComFrame drives the level of reporting by the IAIG to the group-wide supervisor. Imposing interim and annual reporting obligations on the IAIG is unnecessary. M2E2-14-3 It is inappropriate to require reconciliation between an IAIG's general purpose financial statements and its reporting for capital adequacy purposes. It is unclear what capital adequacy reporting will look like until M2E5's capital adequacy assessment and/or the ICS is decided upon. Until this occurs we do not know what supervisory benefit would be derived from such a requirement or what its costs would be. M2E2-14-6 The parameter that suggests there should be notification when risk tolerances (or indeed strategy or other items) are changed is too burdensome and may provide a business constraint. The focus should be on material changes to the business.	

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Canadian Life & Health Insurance Association Inc.	Canada	- Guideline M2E2-1-2-1: We are not sure how the conflict of interests within a group or between its entities should or can be addressed in the code of conduct. We suggest policies not be prescriptive in how conflicts are resolved even at the senior management/control function level. - Guideline M2E2-3-1-2: Management, as opposed to the IAIG's Governing Body (or Board), should ensure that there are no conflicts of interest between different roles performed by individuals. - Guideline M2E2-3-1-3: The sentence "Similar reporting lines should also be set up between and among the entities within the IAIG, as appropriate" should be deleted as it is unclear what is intended by these reporting lines. - Guideline M2E2-4-3-1: The phrase "both at the group wide and entity level" should be deleted. - Guideline M2E2-5-1-1: The phrase "include within its assessment any entity specific remuneration policy or practice" should be deleted as companies may have a global compensation policy. We propose to add instead: "establish overarching principles which are applicable to all officers and employees of the IAIG and its subsidiaries". Also, in the third bullet, the phrase "at the group wide or entity level" should be deleted. - Guideline M2E2-9-1-3: The phrase "and the steps being taken to address them" implies that all risk is adverse and that IAIGs should eliminate risk. We disagree as institutions must take risk but within planned parameters. We suggest that the wording rather be changed to "and the steps being taken to monitor and report them". - Guideline M2E2-10-1-2: Similar to the above, we suggest in the second bullet that group-wide compliance plans monitor and report risks as opposed to "address" risks. In the first bullet, providing assessments to the IAIG's Governing Body (or Board) on the material compliance risks at the key business/product level is too much detail for the Board to reasonably digest. We suggest to leave it at material risks affecting the group.	

Organisation	Jurisdiction	Comments	Resolution of comments
		- Guideline M2E2-11-1-2: The reference to "dividends" in the 5th bullet should state "policyholder dividends". - Parameter M2E2-14-4: We support the premise of this paragraph: share strategy only with the group-wide supervisor. - Parameter M2E2-14-6: The bullets should be removed as they are redundant to the overall statement and the wording as currently drafted suggests less than significant changes in risk tolerances being part of the notifications.	
Office of the Superintendent of Financial Institutions	Canada	M2E2-9-1 and M2E2-10-1: The compliance function's parameter includes a responsibility for corporate culture with respect to "compliance and integrity". The risk management function's parameters do not include a responsibility with respect to corporate "risk culture". The latter is relegated to a guideline. We view the corporate risk culture of an IAIG to be as important as the compliance culture and we suggest that both be in a parameter. M2E2-11-2: It is stated that the actuarial function "is not unduly influenced by other functions". None of the other control functions have the same requirement. We suggest that this be a requirement that is common to all of the IAIG's control functions. M2E2-13-1-1: One of the primary risks and challenges in financial institution insolvency during the crisis was not necessarily the breakdown of outsourcing arrangements but the right to access information being held out of jurisdiction. Therefore, we suggest that an additional bullet be added: "contain adequate terms and conditions such that when the IAIG outsources, or through intra-group transactions centralizes, any data or record keeping functions, the relevant legal entity is able to access policyholder and claims data". M2E2-14-3: We suggest that for consistency with other parameters in the element that the parameter be modified: "The IAIG provides the group-wide supervisor with a reconciliation of the material differences between its reporting for capital adequacy purposes and the reporting used in its public financial statements."	

Organisation	Jurisdiction	Comments	Resolution of comments
China Insurance Regulatory Commission	China	1. ComFrame clearly specifies the controlling function, risk management function, compliance function, actuarial function and internal audit function, etc. of insurance companies, but lacks requirements on information systems. As the group's internal information system plays a significant role in the realization of above functions and the analysis of qualitative and quantitative risks, it is recommended that contents related to information technology planning, construction of information system and information security management, etc. should be added. 2. It is recommended that following to be added to the actuarial function of IAIG "to develop or participate in the development of reinsurance, to audit or participate in the audit of reinsurance plans; to report significant potential risks to IAIG and regulatory authorities".	
European Insurance and Occupational Pensions Authority (EIOPA)	EU	This element includes several detailed references to general business practices. The level of detail should therefore be reduced to governance issues specific to insurance supervision. In Guideline M2E2-8-1-2 it would be more appropriate to link the combination of control functions to proportionality criteria than to refer to "exceptional circumstances". Standards M2E2-9, M2E2-10 and M2E2-12 make references to Group CRO, Group CCO and Group Internal Auditor as positions, and should be changed to refer to the functions. Parameter M2E2-9-1 grants to the risk management function the need to ensure that risk management and risk control activities are separated from risk taking activities. This task should be attributed, instead, to the responsibility of the IAIG itself (and not of a single function). Where Guideline M2E2-11-1-2 refers to actuarial opinion on the distribution of dividends and other benefits, it should be clarified that this applies to benefits and profit-sharing with regard to insurance contracts. Moreover, since the evaluation of investment policies do not pertain to ordinary competences of an actuarial function, the related reference (second bullet point of the same guideline) should be deleted.	

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		Guideline M2E2-12-2-1 refers to "compliance system" whereas "compliance function" would be a more correct reference. The reference to centralization in Guideline M2E2-13-1-1 ("Where a IAIG outsources ore centralizes.....") might be misleading in a context which pertain to oversight on outsourced activities and should be deleted. The reporting deadlines in Guideline M2E2-14-2-1 are in our experience unrealistically short, given the complexity potentially underlying group structures and consolidation exercises, and should be extended to at least 80 days for quarterly reporting and 150 days for year-end reporting.	
Federation Francaise des Societes d'Assurance (FFSA)	France	A proper system of governance is essential to enhance risk management and offer for a better protection of policyholders. We support the establishment of key functions (audit, compliance, risk management and internal control) both at the group-wide and entity level. Still, the governance requirements should take into account the nature, scale and complexity of insurer's business. As regards proportionality, systematic duplication of key functions at solo and group level should be avoided as long as proper measures on conflict of interests are taken by the group. In the same way, it should be made clear that the level of oversight is different at group-wide and entity level. Generally speaking more flexibility should be provided. For instance, the concept of day-to-day management developed in the ComFrame is not clear enough and it should not prevent for instance senior managers responsible for a geographical area to be also member of the governing body at the group level. Similarly the requirement for having a "sufficient number" of members of the Governing Body to be independent of entities within the group is excessive. We are supportive of diversity in profiles of the members of the Governing Body however the group should be free to designate its members even within the group provided potential conflicts of interest are appropriately dealt with. Communication with supervisors The reporting requirements to supervisors and public disclosures	

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		need to be better defined and should not lead to a double layer of information in addition to that already provided for regulation purposes at group level. Duplication of reporting would be costly and useless. Moreover the word "communication" seems unfounded; it would be more appropriate to use the wording "information to provide" to supervisors and stakeholders instead. Reporting timeframes are key elements in a supervisory regime. The IAIS is proposing a timeline of 90 days for annual information (60 days for interim) however we do not know what information will be asked for at this stage and under which format. The FFSA wants to stress that from experience it would take much longer to provide for reporting at group level. Use of information prepared for other regulatory purposes should be allowed in order to avoid onerous and duplicative reporting requirements. Accordingly, deadlines in ComFrame should not go under existing deadlines on similar reporting requirements at group level. Group actuarial function Guideline on the tasks of the actuarial function goes too far. The overall architecture and the split of roles between the various key functions should be flexible enough to allow for different business structures and organizations. There should be no overlapping between the roles of different functions especially between actuarial function and risk management function. Guidelines should not create ambiguity about the missions of the group actuarial function that should operate at corporate level and not at an operational level. By asking the group actuarial function to give an opinion on subjects such as on the one hand: investment policies, risk management policies, distribution of dividends ... and operational matters on the other hand (product designing ...), we believe requirements go too far and should be amended. Outsourcing The FFSA wants to restate here the objective of the outsourcing policy. Requirements should focus on sound governing rules for supervision purposes. They should not interfere with practical management decisions to outsource activities if taken according to a sound and proper risk management system as long as insurers retain overall responsibilities.	

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		Mandatory audit We understand from the proposals that a mandatory audit is required. We consider it to be excessive. It would raise significant costs to undertakings and policyholders with no evident added value. It would neither help convergence between supervisory approaches as the valuation basis for the Balance Sheet is not defined in ComFrame. Moreover asking for a reconciliation of differences between reporting for capital adequacy purposes and public financial statements may be overly complex, time consuming and costly. To reconcile various accounting/prudential frameworks would take years for groups to achieve properly and would imply heavy IT developments.	
Institut des Actuares	France	The Institut des actuares supports ComFrame Standard M2E2-9 dealing with the risk management function and ComFrame Standard M2E2-11 dealing with the actuarial function.	
Allianz Group	Germany	M2E2-1-1 The explicit mention of the policyholders' protection leaves the impression that specific measures are to be undertaken in this respect. While we agree that the policyholders' protection is the aim of insurers and insurance protection, we do not see it appropriate to mention it specifically in the context of the group-wide governance framework. It must not result in further formalities for the IAIGs. We suggest deleting the bullet point "promote the protection...". M2E2-2 It should be clarified that the responsibilities for setting and overseeing the implementation of the business objectives and strategies are defined along the respective applicable corporate law. In a two-tier-board system, the supervisory board oversees the performance of the management board and the implementation of the business objectives and strategies by the management board. We deem it misleading to mention specifically the policyholder protection, especially as the expression "fair treatment of policyholders" is vague (no definition of "fairness").	

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		M2E2-4 The independence of the boards' members is a subject of national corporate and labor law. The wording "the number of independent members on the Governing Body" is not adequate as, in a two-tier board, the independent members are those of the supervisory board (while in a in a one-tier board those are non-executive members). We do not consider it appropriate to regulate this any further and hence suggest deleting guideline M2E2-4-2-1. M2E2-6-1 While we agree that reporting to the supervisors and public disclosures are important topics, the requirement for a group-wide communication strategy seems to have a very broad scope. We deem it burdensome to establish such a strategy at group level, including the identification of all relevant shareholders at entities' level. We neither deem it necessary; a reporting policy should suffice. We suggest deleting M2E2-6-1. M2E2-6-3 Insurers should be permitted to make use of or refer to public disclosures made under other legal or regulatory requirements. M2E2-8 The audit function must always be independent M2E2-8-2-1 It is suggested to amend the wording to "...to carry out their respective group-wide or legal entity level duties. Control functions should be subject to periodic evaluations (by an external and/or independent evaluator where appropriate)...". The Group Audit function is periodically evaluating the other control functions. M2E2-10 The tasks listed in guideline M2E2-10-1-1 should not be described as specific tasks of the group CCO, but of the group compliance function as a whole. M2E2-12-1-3 It is suggested to amend the wording to "...coordinating	

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		collaborating with key functions in the coordination of related activities with external auditors of the entities within the IAIG." Typically group audit does not coordinate the local audits. M2E2-12-2 It is suggested to amend the wording to "The group-wide internal audit function is independent of the operational management of the IAIG...". Since typically group audit is within the responsibility of the IAIG's CEO.	
BaFin	Germany	M2E2-13-1: It should be clearly stated that in cases of outsourcing (please refer to Art. 38 of the Solvency II Directive): (a) the service provider cooperates with the supervisory authorities of the insurance and reinsurance undertaking in connection with the outsourced function or activity; (b) the insurance and reinsurance undertakings, their auditors and the supervisory authorities have effective access to data related to the outsourced functions or activities; (c) the supervisory authorities must have effective access to the business premises of the service provider and must be able to exercise those rights of access. M2E2-14-1 and M2E2-14-2-2: The timeline is stricter than the envisaged reporting deadlines under Solvency II. M2E2-14-2: It is not clear what interim reporting refers to, quarterly reporting, semi-annual reporting or anything else?	
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	M2E2-1: A group-wide governance framework should not be mandatory as group-wide implementation is not feasible as Governing Body at entity level is independent. Therefore the influence of the IAIG's Governing Body and Senior Management is often quite limited in regard to all group entities. Furthermore a group-wide code of conduct should not be mandatory as there are different regulations and expectations in each country regarding the content. It is essential that each group undertaking has a governance framework in place that meets ComFrame requirements.	

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		M2E2-1-1: In order to avoid onerous additional reporting, the IAIG should be allowed to use information compiled or refer to documents prepared for other regulatory purposes. M2E2-1-2: In order to avoid onerous additional reporting, the IAIG should be allowed to use information compiled or refer to documents prepared for other regulatory purposes. M2E2-3: We welcome that individuals could undertake similar functions for more than one entity within the IAIG. The separation should not be between oversight function and management responsibilities but between functional risk treatment and the risk control function. Persons, who are responsible for building up risk positions (risk treatment) may not at the same time, even indirectly, be simultaneously entrusted with their monitoring and control (risk control). It should be also permitted that members of the Governing Body could be Key Person in control function and that entities could outsource key functions to IAIG level and the group functions. M2E2-4: It is not clear why a sufficient number of the members of the IAIG Governing Body must be independent of the entities within the IAIG. In our view it is more important that decisions at group level take into account the consequences for entities and the whole group. It also remains unclear how it can be demonstrated that the number is sufficient. M2E2-4-2: It remains unclear how it can be demonstrated that the number is sufficient.	

Organisation	Jurisdiction	Comments	Resolution of comments
		M2E2-5: We understand that it is important to implement a remuneration policy which does not induce excessive or inappropriate risk taking. It should be ensured that other international requirements (FSB, AIFMD, constitutional provisions) can be met. Furthermore, the provisions need to consider reservations for national collective agreements concerning remuneration policies as constitutional law at national level guarantees the freedom of parties to a collective agreement. Moreover, a regular (and not annual) assessment of the remuneration policies at group and entity level should be sufficient. M2E2-6-3: In order to avoid onerous additional reporting, the IAIG should be allowed to use information compiled or refer to documents prepared for other regulatory purposes. M2E2-8: We welcome that it is possible to combine control functions. The combination should be always possible as long as conflicts of interests are prevented effectively by additional measures (and not only under exceptional circumstances). References to existing systems of governance should be possible and sufficient (for instance Solvency II). M2E2-9: Regarding the implementation of a group-wide ERM policy and framework see general comment. References to existing systems of governance should be possible and sufficient (for instance Solvency II). M2E2-10:	

Organisation	Jurisdiction	Comments	Resolution of comments
		Regarding the implementation of a group-wide compliance policy and framework see general comment. Furthermore, a group-wide code of conduct should not be mandatory as there are different regulations and expectations in each country regarding the content. References to existing systems of governance should be possible and sufficient (for instance Solvency II). M2E2-11: It should be sufficient if the actuarial function evaluates the compliance with the ComFrame standard. Related statutory and regulatory requirements should not be part of this. References to existing systems of governance should be possible and sufficient (for instance Solvency II). It should be sufficient if the actuarial function evaluates the compliance with the ComFrame standard. Related statutory and regulatory requirements should not be part of this. M2E2-12: References to existing systems of governance should be possible and sufficient (for instance Solvency II). M2E2-13: The outsourcing requirements should be consistently restricted to material (insurance-) activities or functions. Otherwise every outsourcing (like staff canteen catering) would be included. We welcome that the outsourcing policy should distinguish between external and intra-group outsourcing, however, practical consequences like granted facilities for intra-group outsourcing (esp. regarding the assessment of the service provider and the agreement) are still missing. In addition it is not possible to apply the same degree of oversight for an outsourced activity or function as applied to non-outsourced activities or functions. An adequate oversight should be sufficient. M2E2-14:	

Organisation	Jurisdiction	Comments	Resolution of comments
		The proposed reporting periods are very ambitious. Complex groups are not able to report within the proposed timeframes. We suggest aligning with other supervision regimes like Solvency II (28 weeks for annual/ 20 weeks for interim information). Reconciliation of financial statements and economic valuations typically do not provide insight, as financial statements are strictly rules-based. We are concerned that this could be a very onerous process with little benefit. M2E2-14-3: Reconciliation of financial statements and economic valuations typically do not provide insight, as financial statements are strictly rules-based. We are concerned that this could be a very onerous process with little benefit.	
KPMG AG WPG	Germany	Please refer to our general comments	
Global Federation of Insurance Associations	International	Module 2 Element 2 has generally become less prescriptive and respects the Cornerstones of proportionality and operational structures. Nevertheless, ComFrame still contains several examples of governance standards that run afoul of these Cornerstones, including the following: M2-E2-12: While GFIA acknowledges that most IAIGs will have a group internal audit function, both M2E2-12-1-3 and M2E2-12-2-1 contain very detailed requirements for an IAIG's internal audit function. We recommend including language that permits operational structure flexibility, depending on determinations made solely by the IAIG. M2-E2-13: We recommend that ComFrame not prescribe the required steps and reviews that must occur within the IAIG with regard to oversight of outsourced activities. Such requirements fail to satisfy the operational structures Cornerstone. Alternatively, GFIA recommends that Parameter M2E2-13-2 be revised as follows: "The IAIG's policy and processes are designed to ensure that outsourcing arrangements do not diminish the IAIG's or the individual insurance entities' ability to fulfill their respective legal	

Organisation	Jurisdiction	Comments	Resolution of comments
		and regulatory obligations." With respect to reporting and disclosure requirements, in order to limit overlapping and duplication on reporting for IAIGs,, IAIGs should be allowed to refer to existing reports compiled for regulatory purposes that contain the required information. In addition, insurers should be permitted to make use of or refer to public disclosures made under other legal or regulatory requirements.	
Insurance Europe	International	M2E2-1: We support the need for systems and procedures to be implemented in a consistent manner on a firm-wide or group wide basis. Indeed we believe having systems and procedures in place that ensure a common understanding of risk across the group and which support coherent functioning and reporting of risk management and internal controls are essential to allow proper control at group level. However, in meeting this objective, it is important that consideration is given to the relationship between the parent and other entities in the group. Where the parent undertaking does not have control over a related undertaking it should be acceptable for a firm to demonstrate that it can use its influence to put in place an effective system of governance consistent with ComFrame requirements. M2E2-1-1: In line with the proper application of the principle of proportionality it should be made clear that the group-wide governance framework should just cover material branches. We would therefore like to see the last sentence redrafted as follows "including any of their material branches". M2E2-3: We welcome that individuals could undertake similar functions for more than one entity within the IAIG. The separation should not be drawn between oversight function and management responsibilities than but rather between functional risk treatment and the risk control function. Persons, who are responsible for building up risk positions (risk treatment) may not at the same time, even indirectly, be simultaneously entrusted with their monitoring and control (risk control). It should be also permitted that members of the Governing Body could be Key Person in Control function and that entities could outsource key functions to IAIG level and the	

Organisation	Jurisdiction	Comments	Resolution of comments
		Group functions M2E2-4-2: The rationale for requiring a "sufficient number" of members of the Governing Body to be independent of the individual entities is unclear considering the requirements already covers conflicts of interest. It is more important that decisions at group level take into account consequences for entities and the whole group. It is also unclear what the supervisor is expecting from the group to fulfill the requirement that the number is sufficient. M2E2-5: We understand that it is important to implement a remuneration policy which does not induce excessive or inappropriate risk taking. It should be ensured that other relevant international requirements (e.g. FSB, AIFMD, constitutional provisions) can be met. Furthermore, the provisions need to consider reservations for national collective agreements concerning remuneration policies as constitutional law at national level guarantees the freedom of parties to a collective agreement. Besides a regular (and not annual) assessment of the remuneration policies at group and entity level should be sufficient. M2E2-5-1-1, M2E2-7-1, M2E2-9-1, and M2E2-10-1: As mentioned above, any control on the implementation of group-wide policies/strategies is just possible to be enforced where the parent undertaking has control over the activities of individual entities. Therefore, the reference to the governing body ascertaining that the group-wide remuneration policy, risk management and internal control system, ERM framework and compliance function is implemented effectively should recognise that a groups' ability to enforce it is limited where it does not have control. We would therefore, suggest that in each of the parameters listed above the following text is added "where the head of the group does not have control over a related undertaking the head of the group can instead demonstrate that it can use its influence to put in place an effective group wide XXXX framework consistent with ComFrame requirements".	

Organisation	Jurisdiction	Comments	Resolution of comments
		M2E2-6-3: Insurers should be permitted to make use of or refer to public disclosures made under other legal or regulatory requirements. M2E2-8: We welcome that it is possible to combine control functions. The combination should always be possible as long as conflicts of interests are prevented effectively by additional measures (and not only under exceptional circumstances). M2E2-10-1: We believe this parameter is too restrictive and inconsistent with the proportionality principle. It is vital that risk management and internal control practices are applied consistently throughout the IAIG. In order to support this goal, consideration ought to be given to drawing up and implementing a code of conduct. However, in line with proper application of the proportionality principle it should not be established as a minimum requirement. M2E2-10-1-2: This guideline requires the IAIG's group wide compliance function to include in its reports an assessment of the material compliance risks of the IAIG, performed at the group level, entity level, and key business/unit/product level. We believe reference to product level should be deleted as it is overly burdensome and not even feasible. In any case a proper assessment at the key business/unit level will necessarily consider any material products' specific risks. M2E2-11: The actuarial function may have a role in looking at the statutory accounts; however, ComFrame should not impose that this function issues "an opinion" on the statutory accounts; considering that statutory accounts are in principle audited and that audited firms should have actuarial expertise to audit insurance undertakings, the undertaking may just be satisfied with the audit's opinion. Undertakings should be left with appropriate flexibility. Therefore reference to statutory requirements in standard 8.5 should be deleted. M2E2-12-1-3 and M2E2-12-2-1: These guidelines specifying what a groups internal audit function should cover are overly	

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		prescriptive. We believe they should be redrafted as illustrative of one way an IAIG could go about fulfilling this ComFrame requirement. In this respect, at the very least the word 'should' in the first sentence in each of the guidelines should be replaced by 'may'. M2E2-13: In line with application of the proportionality principle we believe the outsourcing arrangements referred to here should be limited to insurance and reinsurance activities rather than all outsourcing' arrangements as currently referred to in the draft. We therefore propose the following drafting amendment: The IAIG has a consistent group-wide policy for the outsourcing of its insurance and reinsurance activities or functions, and retains appropriate documentation for all such outsourcing. Furthermore, we believe that it is not possible to apply the same degree of oversight as applied to non-outsourced activities as required in Standard 8.7. Thus the standard should just focus on accountability and thus require that the insurer retains overall responsibility for the outsourced functions and activities. M2E2-14: Insurers should be permitted to make use of or refer to public disclosures made under other legal or regulatory requirements. The reporting deadlines stated here cannot be less than the local regulatory deadlines at group level in order to assure consistency of reporting and not be unduly burdensome. On this note the reporting deadlines included in Guideline M2E2-14-2-1 are far too short. We believe a more appropriate timeframe would be 28 weeks for annual reporting and 20 weeks for interim information. M2E2-14-3: The IAIG is required to provide a reconciliation of the material difference between its reporting for capital adequacy purposes and the reporting used in its public statements. We have concerns with the reference to 'reconciliation' and that it being perceived as requirement to map all balance sheet items regardless of the materiality of the difference. Thus we believe 'reconciliation' should be replaced by 'explanation of major	

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		differences in the bases and methods'. Furthermore, it should be clarified that the requirement relates to differences of the bases and methods used for the valuation of assets, technical provisions, and other liabilities (and not for example profit and loss data). M2E2-14-4: It should be clarified that insurers should not be required to disclose information where by disclosing it the competitors of the undertaking would gain significant undue advantage or there are obligations to policyholders or other counterparty relationships binding an undertaking to secrecy or confidentiality. In addition, insurers should be permitted to make use of or refer to public disclosures made under other legal or regulatory requirements.	
International Actuarial Association (IAA)	International	- M2E2-1-1 first paragraph first bullet point; This would be better placed in the Element 3 (ERM) rather than Element 2 (Governance). - M2E2-2-3-1; The only thing that seems to be different here from the ICPs is the requirement for an annual review. According to the hierarchy in the Introductory Remarks, such a requirement should be in the parameter and not in a guideline. - M2E2-4; The parameters and guidelines that accompany this standard seem to be rather general and not unique to IAIGs. Therefore, we do not see the need for this section in ComFrame. - M2E2-5-1-1; There is no mention in this guideline about conflicts between group-wide versus individual entity incentives, but suggest there probably should be. - M2E2-11; What is effective and what is the consequence if it is deemed not effective? This could be linked to E4-8. - M2E2-11-1-2 first sentence; It is clear that these are examples, but it would be better if	

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		"providing advice and opinion" were replaced by "advising on, opining on, reporting on, or reviewing." - M2E2-13-1 first sentence; The scope of this parameter is expansive. As worded, it would include outsourcing of the employee cafeteria, grounds maintenance, and other administrative areas with low risk. We recommend that it be reworded to require such controls for areas with a potentially material impact on solvency and viability risks. Note: Accompanying guideline also says to "provide for group-wide monitoring and oversight of the outsourced (intra-group or external) activities." This is burdensome for some administrative functions.	
World Bank (WB)	International	Parameter M2E2-5-1 has the word "insurance" mistyped in the last bullet point.	
Financial Services Agency	Japan	M2E2-2 As we are concerned that Standard 7.1 doesn't clearly state Board's responsibility of implementing the business plan they approved, this element should clearly state Board's responsibility for implementing their business plans and strategies, as well as that of approval, oversight and review. M2E2-2-2-1 Add the words in the second paragraph as below. For the reason of this correction, see the comment M2E2-2-2. "The Governing Body should undertake, ..., in which the IAIG's businesses operate, and revise them if necessary." M2E2-3 Modify the word "management" to "operation" as below to clarify the meaning of this standard. The word "management" is confusing and may be interpreted understanding to top-down administration by some executives, including the Boards, as compared with business operation. If you say management in this standard, this sentence indicates that Governing Body itself also cannot perform oversight. We understand this standard requires IAIGs to conduct an independent oversight which is independent from their business units and these workers, which is under the oversight. To make clear and precise, "operation" is better.	

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		"The IAIG's Governing Body has a well-defined group-wide governance structure which provides for the oversight function of the IAIG to be appropriately separated from the day-to-day management of the IAIG and entities within the IAIG and which includes clear reporting lines." M2E2-3-1-1 See the comment M2E2-3 above. "The Governing Body should not allocate any group-wide oversight responsibilities to those individuals involved in the day-to-day operation of entities within the IAIG. " M2E2-4-1-1 We recommend these items in this guideline be reviewed and reconstructed again. Most of these items are too basic, and no members of a Board of IAIGs fail to understand them. Supervisors expect IAIG's board members to have broad knowledge and good perspective to control and prepare for the potential risks of their business in the group level. This guideline should require the board members to understand more indispensable for sound management of their business anticipated with international business. In addition, regarding last paragraph, we believe that it is not appropriate to set a standard for a board member that requires certain experience in specific area. This may prevent IAIGs from employing various skilled experts for their governing board. "Such knowledge, skills and expertise should include an understanding of: - the governance and corporate structure of the IAIG - the objective and business strategy of the IAIG - the business of the entities within the IAIG including associated risks - business environment and perspective of the IAIG - the relevant laws and regulations of the business of IAIG - the issues that the IAIG holds and will hold, including ones arising from any cross-border business and international transactions. " They should also have enough experience to allow them to provide oversight in these areas and of the Control Functions."	

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		M2E2-4-2 We suggest this section be added more explanation to clarify the word "entities" not to lead any confusion. The phrase, "the members of Governing Body are independent of entities within the IAIG" is a little indefinite. This is because the word "entities" doesn't mention any range of "the entities", and leads irrelevant misinterpretation that IAIS requires IAIGs to allocate sufficient persons who are outside from IAIGs, not worker of the IAIGs, to their governing body. By adding more information, this section's requirement should be clearer. "A sufficient number of the members of the Governing Body are independent of the entities of the IAIG, which are governed by the Governing Body." M2E2-9-1-2 Add two items (underlined> as below. A CRO or risk management function have clear responsibility to implement risk management and monitor risks the IAIGs holds in the framework and strategy approved by the Board. We are afraid this guideline could not cover main CRO's functions and responsibility and suggest to add the items as below. "The risk management function of the IAIG is generally led by a senior-level Group Chief Risk Officer (Group CRO) (or a similar designation),..... The Group CRO or similar: - implement risk management in the risk management framework and risk strategy approved by the Governing Board - monitor and report the current risk the IAID holds to the Governing Board and related committees, periodically and as necessary, and take appropriate action for these risks " M2E2-9-1-3 The word "or" in this guideline allows IAIGs not to report information about risk management to Governing Body and other relevant committees. We believe this sentence needs to modify "in" to "and" and to revise few words as below, to make IAIGs establish comprehensive sound reporting system. "The IAIG's group-wide risk management function should provide to the Governing Body and relevant committees information, which... "	

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		M2E2-10-1-1 The phrase "as required by the Governing Body" in this guideline gives IAIGs Governing Bodies room not to take any actions required in light of risk management. We believe this sentence needs to modify this phrase to "as necessary". Revised the few words as below: "The group compliance function of an IAIG is The Group COO or similar: - conducts an assessment of the key compliance risks at least annually and as necessary. - establishes an annual group-wide compliance plan and mechanism for approval by the Governing Body - reports to and provides updates to the Governing Body or and the relevant committee of it periodically and as necessary. " M2E2-10-1-2 See our comment on M2E2-9-1-3. "The IAIG's group-wide compliance function should provide to the Governing Body and relevant committees reports covering matters such as: " M2E2-11-2-1: This guideline says group-wide actuarial function should focus on group wide disclosure. However disclosure is usually within the function of accounting or investor relations. What does this element mean? Group-wide actuarial function should involve disclosure more or should have the responsibility? We suggest to elaborate it. M2E2-12 Add these words (underlined) in Standard 8.6 in order to ensure self-control function of IAIGs. To ensure the IAIGs' sound governance, we would like to strengthen the importance of audit to its governance body itself, such as its effectiveness, fairness and soundness. This guideline should clearly require IAIGs to audit their Body fairly and strictly. "The supervisor requires the insurer to have an effective internal audit function capable of providing the Board with independent assurance in respect of the insurer's governance, including its risk management, internal controls and effectiveness of the Board's function itself."	

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		M2E2-12-1-3 We wonder why the element2 doesn't mention external audit without this guideline. External audit is one of effective tools to ensure sound cooperate governance and risk management as well as, in some cases better than, internal audit. Especially, IAIGs has often wide complex group structures and some of them might not have enough resource and independence to make internal audit. One of parameters in this element should mention utilization of external audit in IAIG group level for their governance. M2E2-14-2-1: This guideline states timeframe for the submission of reporting information whereas it does not define its contents. Given the timeframe depends on the contents of reporting we suggest to delete this timeframe. M2E2-14-6: This parameter includes "risk tolerance" as one of notification items. Given "risk tolerance" and "risk appetite" are like two side of the same coin, the description of one side seems to be insufficient. We suggest to add risk appetite or to use ERM framework.	
The General Insurance Association of Japan	Japan	(M2E2-4-1-1) - As for the relevant knowledge, skill and expertise that members of an IAIG's Governing Body are expected to have collectively, flexibility should be allowed depending on the importance in the context of the IAIG's business. Therefore, the items listed in the Guideline should strictly be clarified as an illustration. (M2E2-4-3-1) - There are various kinds of governance structures in place in respective jurisdictions, and as such, they should be accepted. We request the IAIS to make it clear that the Guideline is not meant to put any restrictions in this regard. (M2E2-5-1) - If establishment of the group-wide remuneration policy is required,	

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		the requirement should only be high level without detailed prescriptive provisions. (M2E2-6-1) - While the Parameter says "The IAIG's group-wide communication strategy provides adequate information to the group-wide supervisor and other involved supervisors relating to the group governance of the IAIG as a whole", it will be more realistic and effective for the IAIG to communicate with the group-wide supervisor (GWS) and for the GWS to collaborate with other involved supervisors. (M2E2-8-1), (M2E2-11-1) - The scope and level of actuarial activities vary depending on individual jurisdictions' financial reporting standards, supervision and regulations. From the perspective of effectiveness, it would be more meaningful for the IAIG to be allowed to establish a structure where its individual group entities are equipped with control functions, rather than to establish group-wide control systems. (M2E2-11-1-1) - Although this Guideline says "The IAIG's group-wide actuarial function should aggregate and review actuarial information at the group level", the sentence should be amended to read "The IAIG's group-wide actuarial function collects and reviews actuarial information at the group level", because actuarial items are not unified but vary according to each jurisdiction's supervision and regulations. (M2E2-11-1-2) - There is overlapping between the activities of the IAIG's actuarial function described in the Guideline and those of the risk management function. The examples of activities in the Guideline should be limited to those related to the actuarial function only. Concretely, it may be possible to amend the descriptions to conform to the contents of ICP 8.5.5. (M2E2-12-2) - Although internal audit departments are organizations within companies that are supposed to have direct and unrestricted	

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		access to boards of directors for reporting, it should be made clear that such internal audit departments will not be regarded, because of these features, as non-"independent of the management". (M2E2-13-1-1) - Over-prescriptive requirements regarding outsourcing would create excessive burdens on business entities and make group management inefficient. Hence, flexibility should be allowed depending on the importance of activities to be outsourced. The phrase "These policies and procedures should..." should be amended to read "These policies and procedures may...". (M2E2-14-1) - Since the scope of companies to be included within "group-wide reporting" is too extensive, it should be limited to "consolidated group(s) conforming to local accounting standards". Also, it is unclear that for whom the group-wide reporting structure "provides unrestricted access and adequate flow of information". We suppose it is for the Head of the IAIG, but it should be clarified. (M2E2-14-1-1) - Since it takes excessive work to both identify all the jurisdictional differences in financial reporting requirements applicable to entities within the scope of "group-wide reporting" and to make intra-group eliminations and adjustments of the differences, the principle of proportionality should apply. (M2E2-14-2-1) - Concrete numbers of days/timeframes for report submissions should not be indicated without clarifying the required contents. In addition, depending on the detailedness, it may be difficult to submit interim reports within 60 days of the end of the reporting period. The description of the concrete number of days should be eliminated and room for flexible reporting according to each jurisdiction's circumstances should be maintained. Even when a concrete figure remains to be indicated, it should be the same as the number for annual reporting (90 days). (M2E2-14-4-1) - Since the method of explaining a group's strategy should be	

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		appropriately determined by each individual group, the word "includes" should be changed to "may include", so that it is made clear that the items in the Guideline are an illustration of matters that may be explained. Although "non-insurance business the IAIG is likely to pursue" is included as an item in the IAIG's strategy explanation, we request the relationship between the IAIG's strategy explanation and the supervisory approval process be sorted out, because we suppose that non-insurance business is subject to supervisory approval in some jurisdictions. (M2E2-14-4-2) - Since the method of explaining a group's strategy should be appropriately determined by each individual group, the word "should include" should be changed to "may include", so that it is made clear that the items in the Guideline are an illustration of matters that may be explained. (M2E2-14-5) - Since it is inefficient to require IAIGs to inform the GWS of even small changes, "changes" that need to be informed to the GWS should be limited to "significant changes". (M2E2-14-5-1) - Since the method of explaining a group's strategy should be appropriately determined by each individual group, the phrase "The IAIG should provide" should be changed to "The explanation that the IAIG provides may include", so that it is made clear that the items in the Guideline are an illustration of matters that may be explained.	
The Life Insurance Association of Japan	Japan	M2E2-4-1-1: With regard to the description that Members of an IAIG's Governing Body 'should also have experience in the governance, risk, compliance, auditing, and related areas...', we believe that 'collectively' should be inserted in order to clarify the meaning of the sentence, as is the case with the description in Parameter M2E2-4-1. M2E2-4-2: As for governance models, each entity has established an effective	

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		model in accordance with the approved structure within each jurisdiction (e.g. one-tier or two-tier model), the diversification in governance models should not be rejected. (We are of the view that the concept of Guideline M2E2-4-3-1 is to accept such diversifications of governance models.) In light of such diversifications, we believe that Parameter M2E2-4-2 should clarify 'A sufficient number of the members of the IAIG's Governing Body are independent of the entities within the IAIG (e.g. non-executive directors or members of the supervisory board).'as is the case with Parameter M2E1-4-1 of the 2012 ComFrame. M2E2-9-1-2: We think that 'the risk strategy' in this Guideline fundamentally means a business strategy or management strategy and the role of assessing the risk strategy would be led by CEO, not by CRO. Therefore, we believe that 'the risk strategy' in this Guideline should be replaced by 'the risk management'. M2E2-11-1-1: Given that specifications of actuarial information may vary by jurisdiction, we would like to confirm that we are not required to aggregate such information necessarily with the totally unified method on group-wide basis. M2E2-14-2-1: A reasonable timeframe to submit the required information would vary by the complexity of such information. Therefore, an appropriate timeframe should be set after considering the extra workload that each insurer will have to bear besides the reporting required by local prudential regulations.	
Komisja Nadzoru Finansowego - KNF (Polish Financial Supervisory Authority)	Poland	Actuarial opinion in Guideline M2E2-11-1-2 refers currently to the distribution of dividends and other benefits. In our view it should be clarified that this applies to benefits and profit-sharing with regard to insurance contracts. The requirement in Guideline M2E2-14-2-1 regarding reporting deadlines will be difficult to comply with. To prepare the annual/quarterly report the group needs to collect and consolidate	

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		data from all entities. This process needs to take time in order to prepare adequate reporting data. The reporting deadlines should be therefore extended to at least 11 weeks for quarterly reporting and 20 weeks for annual reporting.	
Monetary Authority of Singapore	Singapore	Standard M2E2-1: Parameter M2E2-1-1 requires the IAIG's group-wide governance framework to contain adequate measures to "promote the protection of the interests and fair treatment of policyholders of insurance entities within the IAIG". We propose amending this to: "protect the interests and promote fair treatment of policyholders of insurance entities within the IAIG", to be aligned with ICP 7. Standard M2E2-2: We would like to suggest to amend Guideline M2E2-2-3-1 such that "The Governing Body should undertake, at suitable intervals, an assessment of how the IAIG, the Governing Body and the Senior Management meet the performance goals and measures adopted. Supervisors should be allowed to adopt the principle of proportionality in such cases and this would be consistent with the wordings in ICP 7.1.4. Standard M2E2-3: The Board is responsible for the oversight of the IAIG, as such, to clearly articulate that responsibility, we would like to suggest to amend Parameter M2E2-3-2 to "The Governing Body should establish processes for identifying and addressing any risks to the proper implementation of the IAIG's objectives and strategies, including any emerging risks." Standard M2E2-4: The 3rd bullet point under this Standard requires the Governing Body to have "adequate powers and resources to be able to discharge its duties fully and effectively". We propose to consider adopting ICP 7.3.9 and ICP 7.3.10 on Board Power and Access to Resources as additional Parameters under this Standard. . Standard M2E2-7: We suggest to consider including "risk tolerance" in the third bullet point of Parameter M2E2-7-2 by redrafting the bullet point as:	

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		"takes into account the IAIG's overall business strategy, including risk tolerance, relevant objectives". This is in view that the risk tolerance is a relevant aspect to consider with regard to the development of the risk management system. Standard M2E2-10: Under Guideline M2E2-10-1-1, we propose to mention the need for the Group CCO to ensure that proper compliance mechanisms and activities are implemented at the entity level according to the group-wide compliance plan. This is to provide a link with the 2nd bullet point under Parameter M2E2-10-1. Standard M2E2-12: Under Guideline M2E2-12-1-3, we propose to include the authority to require an appropriate management response to the internal audit report, including the development of a suitable remediation plan, as part of the activities of the IAIG's internal audit function. This will help to strengthen the independence of the internal audit function. We also propose to combine Guidelines M2E2-12-1-3 and M2E2-12-2-1 as both of these guidelines describe the scope of the audit that should be carried out by the internal audit team. Also, Guideline M2E2-12-2-1 as currently drafted, does not elaborate on the point on the internal audit having sufficient authority which we have viewed as the key point in M2E2-12-2. Standard M2E2-14: In relation to Parameter M2E2-14-2, we propose that a specific deadline for the submission of reporting information should not be prescribed, as this should be left to the discretion of the involved supervisors.	
Lloyd's of London	UK	Guideline M2E2-10-1-1 In stating that "the group compliance function of an IAIG is normally led by a Group Chief Compliance Officer (Group CCO)" and setting out the main functions of the Group CCO, ComFrame is being over-prescriptive. There should be some latitude for supervisors to allow an IAIG to organise its compliance function in the manner	

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		that best suits its particular structure and organisation. Guideline M2E2-14-2-1 ComFrame should not impose timeframes for the submission of reporting information. The timeframes mentioned - 90 days for annual information, 60 days for interim information are described as "appropriate", but no justification is provided for why these particular periods are preferable to any other. The reports to which they must be applied vary in their size and scope and national and regional reporting timeframes also vary. It is unlikely that a jurisdiction could apply one set of reporting deadlines for insurance entities in IAIGs and another set for all other insurance entities, so this is, in effect, a call for the standardisation of timeframes for all insurance reporting. We suggest that this Guideline is removed. Parameter M2E2-14-4 This requirement, for an IAIG to provide a clear explanation of its strategy and governance structure, overlaps with Parameter M2E1-1-1, which requires the IAIG to prepare an IAIG Profile, including information about governance structure.	
RSA Group	UK	M2E2-4-1-1 In relation to the text detailing that the Governing Body should have experience in governance, risk, compliance and audit and related areas, we believe there should be a clear definition of what is regarded as 'experience' in this context. Clearly members of the Governing Body may not have had direct involvement in a risk or compliance role but will nevertheless may experience via other forums. M2E2-8-1-2 ComFrame mentions that the IAIG should not combine control functions except in exceptional circumstances. Whilst we support the principle, we believe the text should allow for situations in smaller entities in a group where for practical reasons this may not be viable or possible. Clearly start up businesses frequently concern combined function holders for a period of time.	

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Association of British Insurers (ABI)	United Kingdom	ComFrame group-wide control function requirements (for example, in relation to actuarial, audit, compliance and risk functions) are broadly in line with standards being developed elsewhere (for example, Solvency II) and consistency in this regard is welcomed. We have noted some language inconsistencies where the text refers to an insurer's 'Board' and 'Governing Body' (for example, M2E2-2 and M2E2-2-1). Consistent terminology should be used in order to avoid confusion. Guideline M2E2-8-1-2, which states control functions should not be combined except under 'exceptional circumstances', is overly-prescriptive and inappropriate. For instance, it is not uncommon for risk and compliance functions to be combined or to overlap. It should be clarified in M2E2-11-2-1 that this guideline is not intended to mandate that group-wide reporting and disclosure responsibility must sit within the actuarial function. Some IAIGs may want this responsibility to sit within, for example, their group finance function. As previously stated, an IAIG should be free to structure its group according to its business objectives. In relation to reporting and disclosure (for example, M2E2-14), duplication should be kept to an absolute minimum and, as previously stated, IAIGs should be able to use existing reports to satisfy information requests from supervisors. A deadline of 90 days after the end of the reference period for annual reporting appears quite onerous; we suggest an extension to 16 weeks after the end of the reference period would be more appropriate. The proposals in relation to qualitative reporting seem broadly sensible.	
International Underwriting Association of London	United Kingdom	M2 E2-14-2-1 indicates that appropriate timeframes for the submission of reporting information would be 90 days for annual information and 60 days after the end of the reporting period for interim information. In our view, significantly longer periods will be required for groups to gather, collate, prepare and submit the relevant data and narrative.	

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		M2 E2-14-3 would require the IAIG to provide a reconciliation of the material differences between its reporting for capital adequacy purposes and the reporting used in its public financial statements. That appears to us to be a large requirement that should not be imposed under ComFrame. We understand that individual jurisdictions may require such reconciliation in some circumstances, but we believe that it should not be a universal obligation in addition to the already extensive reporting expected for capital adequacy and public financial statements.	
Prudential Regulatory Authority	United Kingdom	M2E2-8-1-2 It may be useful to insert "group-wide' before "control functions' in the first sentence for clarity.	
American Council of Life Insurers	United States	We recommend adding to Parameter M2E2-1-1 this sentence: "This standard is not meant to supersede the duty that a board of directors has to its company and shareholders (policyholders in the case of a mutual)". We recommend adding to Parameter M2E2-2-1 this sentence: "This standard is not meant to supersede the duty that a board of directors has to its company and shareholders (policyholders in the case of a mutual)". We request clarification of Guideline M2E2-3-1-1. Would CEOs and senior management be prohibited from performing group-wide oversight? If so, it would not fit within well-established U.S. governance practices and would make it unlikely or difficult for governance decisions to be properly aligned with the objectives of U.S. companies. Guideline M2E2-3-1-2 We believe that it is the role of senior management to ensure that there is no conflict of interest between different roles performed by individuals. In Guideline M2E2-3-1-3 we would recommend deleting the last sentence—"Similar reporting lines should also be set up between and among the entities within the IAIG, as appropriate"—since it is unclear. We note that companies would have to balance the expertise requirement of Parameter M2E2-4-1 with the independence	

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		requirement of Parameter M2E2-4-2. In Guideline M2E2-4-3-1 we recommend striking the phrase "both at the group wide and entity level" in order to allow the IAIG appropriate flexibility in structuring its operations. In Guideline M2E2-5-1-1, we recommend revising the second bullet to read: "include within its assessment any entity specific or any group-wide remuneration policy or practice" as companies may have a global compensation policy. In the same Guideline, we recommend deleting in the last bullet the phrase "at the group wide and entity level" as not then needed. We suggest that Guideline M2E2-8-1-2 be clarified. We believe that it means that the substantive categories of functions (e.g., risk management, compliance) should generally not be combined rather than that a separate set of control functions is needed for the group and each entity. In Guideline M2E2-9-1-3 the phrase "and the steps being taken to address them" implies that all risk is adverse and that IAIGs should eliminate risk. We disagree - insurers must take risk but within planned parameters. Perhaps the word "mitigate" might replace the word "address." We believe that the current second paragraph in Guideline M2E2-9-1-3 is too prescriptive. We recommend that it be revised to read: "This assessment should be performed at the group level, entity level and/or key business/unit/ product level, as appropriate". In Guideline M2E2-11-1-2, the reference to "dividends" in the 5th bullet should state "policyholder dividends". We respectfully request clarification of Guideline M2E2-12-1-3 and Parameter M2E2-12-2. We would object to any interpretation that the internal audit functions of individual entities prior to insurance group's designation as an IAIG would need to be dissolved in order for there be a single internal audit function throughout the entirety of the IAIG. Also, if the corporate governance requirements of an individual jurisdiction require that an entity have its own internal	

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		audit function, does this mean, for these individual entity auditors, that reporting relationships must be changed so that the individual entity auditors report to the IAIG internal auditors, who in turn report to the IAIG Governing Body? (It would seem that an individual entity internal auditor who, while retaining that role is additionally chosen to be an IAIG auditor, would have conflict of interest issues.) Since a board of directors does not "ensure" outcomes, we should suggest that Parameter M2E2-13-2 be revised to read: "The IAIG's outsourcing policies and processes are designed to ensure that outsourcing arrangements do not diminish the IAIG's or the individual insurers' ability to fulfil their respective legal and regulatory obligations." Consistent with our comment on Guideline M2E3-2-2-1, ComFrame should allow flexibility in the choice of group-level reporting methods, whether based on consolidation or another aggregation method. We believe ComFrame Standard M2E2 - 14 currently provides this latitude and we continue to encourage the IAIS to retain this flexibility. Creating a US GAAP or IFRS balance sheet for an entity within an IAIG which does not have one, but is well capitalized and financially strong based on reliable solvency metrics is costly, unnecessary and unsupported by U.S. law or public policy. ComFrame should allow an aggregation of local regulatory valuation and solvency requirements to be used at the group level.	
American Insurance Association	United States of America	Module 2 Element 2 has generally become less prescriptive and respects the proportionality and operational structures cornerstones. Regardless, ComFrame still contains several examples of governance standards that run afoul of these cornerstones. ComFrame Standard M2E2-4: With regard to the description in Guideline M2E2-4-1-1 that Members of an IAIG's Governing Body 'should also have experience in the governance, risk, compliance, auditing, and related areas...', AIA believes that 'collectively' should be inserted	

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		in order to clarify the meaning of the sentence, and to align it with the description in Parameter M2E2-4-1. ComFrame Standard M2E2-9: Guideline M2E2-9-1-2 indicates that the Group Chief Risk Officer assesses 'the risk strategy' and ensures its implementation of that strategy and policy. If the term "strategy" is a reference to a business strategy or management strategy, the role of assessing the risk strategy would be led by the CEO, not by the CRO. In any event, in keeping with the operational structures cornerstone, the guideline should provide the IAIG flexibility with respect to the Group CRO's functions. One way to clarify this guideline would be to replace the term "strategy" with "management." ComFrame Standard M2E2-11: AIA supports inclusion of the description of the IAIG's group-wide actuarial function as described here and urges ComFrame to remove the references to the group-wide actuarial policy in Standard M2E4-8 (see specific comments with respect to that Standard). The former satisfies the proportionality and operational structures cornerstones, while the latter merely contains rigid elements that require an IAIG to maintain a particular set of group-wide actuarial policies. ComFrame Standard M2-E2-12: AIA acknowledges that virtually all IAIGs will have a group internal audit function; however, the Guidelines M2E2-12-1-3 and M2E2-12-2-1 both contain very detailed requirements for an IAIG's internal audit function. ComFrame should include language in both these Guidelines that permits operational structure flexibility depending on determinations made solely by the IAIG, consistent with the overarching cornerstone. ComFrame Standard M2-E2-13: AIA supports an IAIG's ability to outsource specific activities, but the purpose of such outsourcing is often to reduce the level of	

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		involvement by the IAIG in such activities. ComFrame should not prescribe detailed steps and reviews the IAIG must perform with regard to oversight of these outsourced activities. Such requirements fail to satisfy the operational structures cornerstone. Rather, appropriate oversight procedures should be left to the discretion of IAIGs to develop and implement. ComFrame Standard M2E2-14: Guideline M2E2-14-2-1 sets forth "appropriate" reporting submission timeframes of either 90 days following the end of the fiscal year or 60 days following a reporting period. A reasonable timeframe to submit the required information would vary by the complexity of such information and could be different for each IAIG. Therefore, an appropriate timeframe should be established after considering the extra workload that each reporting entity within an IAIG will incur in addition to the reporting required by local prudential regulations.	
Property Casualty Insurers Association of America (PCI)	United States of America	M2E2-1: Group-wide governance framework issues - individual group member domiciliary requirements for governance must be recognized and deferred to (and perhaps at best assimilated at the group-level) but not replaced with governance rules imposed by the group-wide supervisor. For one thing, the governance requirements faced by individual group members in their respective domiciles cannot be replaced, and they will only be interfered with by an attempt to impose top-down governance requirements. What's an IAIG to do when faced with redundant and quite likely conflicting rules? If the intention is to have all jurisdictions adopt elements of ComFrame into their local law, doing so will be impossible in this regard. M2E2-2-1: Some IAIGs with a decentralized approach to management of the business groups they own do not set particular business objectives at the group level, and should not be required to do so by ComFrame. Individual business groups within an IAIG should be allowed to manage their businesses without undue interference from their owner, if the owner chooses to rely on their skill and expertise and if their risks are effectively managed. In many cases individual units that are closest to their businesses can	

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		react more quickly to changing conditions than can decision-makers at a parental level several layers removed. ComFrame risks institutionalizing bureaucratic, slow decision-making that weakens, rather than strengthens, IAIG governance and risk management. M2E2-3: Requiring the IAIG board to "provide adequate oversight of Senior Management" located throughout the IAIG (requiring the board of a parent company to supervise management of direct and indirect subsidiaries within the IAIG) is inconsistent with current corporate law, ignores the autonomous nature of subsidiary entities, and when taken together with the other M2E2 requirements effectively requires IAIGs to substantially enhance and maintain a centralized group management function that they won't be able to fulfill. For instance, in Guideline M2E2-3-1-1, what if the greatest expertise for a risk (e.g., hurricane or earthquake risk) resides in the operational unit that writes such business? Within appropriate limits, such employees could have both a group and operational role. The standard should be rewritten to focus supervisors on ascertaining whether the IAIG as a whole is operating appropriately M2E2-4 and M2E2-5: Our comments regarding M2E2-3 also apply here. Remuneration is and should remain subject to local benchmarks, customs and practices (not to mention local cost of living issues). The word "inappropriate" in the phrase "excessive or inappropriate risk taking" in Standard M2E2-5 should be deleted. If risk taking is not excessive supervisors should not be judging whether it is inappropriate. M2E2-7 and M2E2-8: Same comments as above. Requiring IAIGs to have a Governing Body with responsibility (group-wide) for risk management and internal controls is contrary to corporate law, possibly inconsistent with what the IAIG members are obligated to do locally, and requires IAIGs to run themselves with a robust and centralized group management function rather than acknowledging that other group structures are also appropriate. Standards M2E2-9 through 14 - These implement a centralized, hierarchical structure by creating the following "group-wide"	

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		functions - risk management, compliance, actuarial, internal audit, and outsourcing. Requiring these to be exercised at the group level precludes other effective group organizational models that appropriately manage group risks. M2E2-9-1-2: This guideline should be revised to recognize that the group chief risk officer (CRO) function does not have to be carried out by a single person, as long as the function is appropriately performed. Some groups use a risk committee in this role. M2E2-10-1-1: This guideline should be revised to recognize that the group compliance officer function does not have to be carried out by a single person, as long as the function is appropriately performed. M2E2-11: We question the need for a group-wide actuarial function. For one thing, actuarial matters are heavily dependent on local expertise and rules and local financial reporting systems. Assimilating the actuarial information from group members is a data-compiling exercise, not an actuarial exercise. M2E2-13-1: Imposing group-wide outsourcing requirements is completely at odds with the variety of requirements that apply to IAIG members at the local regulatory level. M2E2-14-1: At a high level, the nature of the coordinated group-wide supervision to be accomplished by ComFrame drives the level of reporting by the IAIG to the group-wide supervisor. Imposing interim and annual reporting obligations on the IAIG (in a form suitable to the GWS) can be innocuous, or it can be an incredibly burdensome exercise, depending on what the GWS requires. M2E2-14-3: It is inappropriate to require a reconciliation between an IAIG's general purpose financial statements and its reporting for capital adequacy purposes. It is unclear what capital adequacy reporting will look like until M2E5's capital adequacy assessment (and potentially the ICS) is decided upon. Until this occurs we do not know what supervisory benefit would be derived from such a requirement or what its costs would be.	

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ACE Group	USA	The discussion of actuarial, risk, compliance and audit is still too detailed and prescriptive and contains a list of items and specific activities which must be undertaken. Similarly, there are detailed requirements for virtually all aspects of managing an IAIG including, investment strategy, claims, reinsurance, actuarial and underwriting. As set forth above, ComFrame should not require that these functions be managed in precisely the same way but rather should provide guidance for supervisors to assess the overall competency of the IAIG in managing its business. The practical reality is that some overlap may exist between some of an IAIG's control functions. As such, the IAIG should be permitted to show an effective outcome where roles and tasks of control functions are combined or overlap rather than have this practice described as "exception" based. ComFrame should not have so much prescriptive detail that it effectively is a substitute for the purview of management. Finally, ComFrame needs to recognize that many of the governance issues it addresses are regulated by others with more specific authority over these areas. For instance, in the U.S. the SEC regulates governance for publicly traded companies and is in the process of drafting rules to implement remuneration policy set forth in the Dodd Frank legislation. Insurance supervisors should not attempt to impose additional or conflicting rules around remuneration. Similarly provisions dictating specific requirements for the IAIG Board need to reflect and defer to existing corporate law.	
Association of Financial Guaranty Insurers	USA	ComFrame Standard M2E1-2 references IAIG contingency plans designed to enable the group to deal with crisis situations and possibly restructure its operations. While the Association fully supports the need for contingency planning by IAIGs, the IAIS should consider how this standard interacts with the requirement that certain IAIGs establish recovery and resolution plans or systemic risk management plans. A useful distinction can be drawn between contingency plans that address operational risks or idiosyncratic risks such as ratings downgrades (which are important risk management tools for insurers of all sizes) and plans that seek to minimize the impact on the financial markets or economy of the distress or failure of a major market player (which apply only to a small subset of the insurance industry). ComFrame should address contingency plans that address operational or	

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		idiosyncratic risks; the G-SII measures documents are appropriate vehicles to address systemic risk contingency plans. Guideline M2E2-8-2-1 states that an IAIG should not combine control functions except under exceptional circumstances. This guideline may be interpreted or implemented in a manner that unduly restricts the ability of an IAIG to continue to utilize an effective management structure. The guideline could be rewritten to focus on the outcome that is intended - i.e. the ability of the control function to discharge effectively its group responsibilities. ComFrame should charge the supervisor with ensuring that this can be accomplished without insisting on a complete separation of individual functions. Another alternative would be to require the absolute separation of the internal audit function and allow more flexibility in the conduct of other functions - this would permit, for example, some combination of risk management and actuarial or compliance functions. ComFrame Standard M2E2-14, which refers both to reporting and public disclosure, should focus solely on regulatory reporting, as public disclosure generally is governed by securities laws. However, ComFrame should note that the information provided by an IAIG in its public disclosure is an important source of information for supervisors and supervisors should make all reasonable efforts not to require the duplication of publicly available information in regulatory reports. The inclusion of specific timeframes in Guideline M2E2-14-2-1 does not reflect jurisdictional differences for the timing of required reports and should be omitted.	
CNA	USA	CNA opposes IAIG's being required to prepare a group actuarial opinion which seems redundant and unnecessary in light of the jurisdictional legal entity actuarial requirements currently in place. Additionally, in many jurisdictions requiring a non-life actuary to opine on such matters as forward looking assessments, appropriateness of investment policies and reasonableness of non-insurance operations is beyond professional expertise and standards. While we believe that any sound risk management program should take these items into consideration, we do not	

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		believe the group actuary is the appropriate individual to be reporting to the Board on such matters in all cases. In many instances, we would view that this would be the responsibility of the Chief Risk Officer. To clarify this distinction, we suggest that the group actuarial opinion be eliminated and replaced by guidelines that do not specify an individual responsible for such functions. Alternatively, the guidelines could note simply that the desired activities be performed by a qualified professional, without prescribing which control function is responsible for each activity.	
Institute of International Finance - IIF	USA	Module 2, Element 1 and 2 The IIF considers the IAIS efforts to touch upon the IAIG's legal and management structures as well as group governance framework in M2E1 and M2E2 as relevant. However, the very detailed language used is concerning. As an example, the prescriptive way used to describe the functional organization of an IAIG and specific responsibilities of each of these functions including board responsibilities are far too detailed. References to the IAIG Profile in M2E1 should be changed so that it is clear that: - Where supervisors already have the information there should be no requirement to resubmit this for the purpose of meeting the requirements of M2E1-1-1; and - Materiality should be applied to keep processes efficient. M2E1 currently includes requirements for contingency planning which may be similar to recovery planning requirements for G-SIIs. Given that some insurers are designated G-SIIs, it would be helpful if the glossary could include a definition of contingency planning to make it clear where this meets the requirements of recovery planning for G-SIIs. M3E3 should take the contingency planning requirements in M2E1 into account and not introduce duplicative requirements. In M2E2-14, the reconciliation between reporting for capital adequacy and public financial statements would add little value and could create confusion. The Institute recommends therefore that such reconciliation does not become a requirement under	

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		ComFrame.	
Liberty Mutual Group	USA	This Element is far too prescriptive. Its provisions are ill-suited to to groups whose operations are strategically decentralized in order to respond to local business and regulatory conditions in the jurisdictions in which they operate. Several examples of this flawed approach follow. This Element requires Boards of Directors to engage in activities that are outside the scope of the typical duties of directors of U.S. corporations, such as establishing "objective performance goals and measures" for management. Although an IAIG's Governing Body must be informed of the group's business objectives through regular and, when necessary, special board and committee meetings (as M2E2-2-2 indicates), the Governing Body should not be charged with setting group-wide business strategy and objectives (as M2E2-2-1 suggests). As noted above, we are concerned about the emphasis throughout the 2013 Draft ComFrame on "group-wide" functions. Although supervisors should rightly direct IAIGs to achieve certain objectives through their systems of governance, the express requirement that they do so by using "group-wide" methods is unnecessary. For example, this Element requires IAIG's board to establish a "group-wide remuneration policy." (M2E2-5). Any group-wide remuneration policy that does not take into account local pay practices and compensation schemes would of necessity be so generic as to have limited utility. It likely would be nothing more than a statement of remuneration principles. The same is true of "group-wide" implementation of risk management and internal control systems and the requirement that an IAIG's governing body must "oversee the effective group-wide implementation" of these systems (M2E2-7). Insurers must tailor these systems, by their very nature, to address the specific profile of individual undertakings. M2E2-8-1 requires "group-wide control functions" for risk	

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		management, compliance, actuarial, and internal audit. M2E2-11-1 expressly requires "an effective group-wide actuarial function. Similarly, M2E2-8-2 requires that "all control functions ... have unrestricted access to and periodically report to" an IAIG's board. Internal audit access to the board is appropriate, but not so for other control functions, such as actuarial and risk management. The mandate that an IAIG have a group chief risk officer and a group chief compliance officer is also overly prescriptive. As indicated above, it is appropriate for supervisors to require that large insurers maintain effective risk management and compliance functions within their organizations, but this can be achieved without the group having a single individual who is the "chief officer" responsible for that function. Liberty Mutual believes strongly that risk management is most effective when it remains the responsibility of senior business managers who retain the obligation to manage risk within their business units. Those managers and other senior corporate executives are then brought together to serve on an enterprise risk management committee. Finally, M2E2-13-1 requires a "group wide policy for outsourcing." Local business requirements dictate outsourcing. A group-wide policy is unnecessarily burdensome and frustrates local autonomy that may well benefit an insurer's operations. Additionally, a group wide policy may have unintended results. For instance, a group wide policy may fail to cover what is material for one member of the group and appropriately subject to a local outsourcing policy. A group-wide policy would likely have a different materiality threshold, thereby not subjecting such functions at a local level to review. By the same token, it would not aid effectiveness or efficiency of corporate governance to have a group-level review of outsourcing relationships of key or other functions that are not material to the group as a whole. In summary, ComFrame should allow an IAIG the flexibility to structure corporate governance functions and processes in a manner that best suits the specific needs of the IAIG.	
NAIC	USA	ComFrame should allow an IAIG the flexibility to structure corporate governance functions and processes in a manner that	

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		best suits the specific needs of the IAIG. The objectives of a group-wide corporate governance framework are to ensure that systems, policies and procedures are in place to effectively and efficiently provide for sound management and oversight of a group's business. An IAIG's corporate governance framework should take into account and manage specific and/or additional risks to which it may be exposed due to its international activities. In the U.S., basic governance duties and requirements are outlined in corporate law, but the insurance regulatory approach follows more of an exception-based model to review and understand the governance practices in place at insurers. If significant concerns are identified in this review, supervisors have the authority to take action and/or modify their ongoing supervision to address the issues. Because the U.S. framework encompasses conservatism in accounting, regulatory approval of significant transactions, restrictions on investments and extensive onsite and offsite monitoring of solvency indicators of concern, the need for prescriptive corporate governance requirements is limited. Therefore, the U.S. model focuses on establishing expected outcomes and monitors an insurer's performance in meeting those expectations. As such, we believe there are still some material under Module 2 Element 2 that should be revised to reduce prescriptive elements and to focus on outlining general expectations and best practices for large insurance groups in this area: - M2E2-4: This standard includes language compelling the supervisor to require an insurer's Board to have an appropriate mix of individuals to ensure that there is an overall adequate level of knowledge, skills and expertise in place. As it would not be possible to establish a list of requirements that could outline all of the skills and knowledge necessary to effectively govern all the different types of insurers, it is therefore important that supervisors focus their efforts on understanding, assessing and working with the Boards of individual insurance groups to help them meet best practices and expectations in this area. - M2E2-5: This standard includes language compelling the supervisor to require an insurer's Board to adopt an effective	

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		remuneration policy consisting of several specific elements and to ensure that it covers certain individuals. U.S. supervisors feel that it is not in the best interest of supervisors to develop specific policies for insurer's to follow in compensating their employees. Instead, we feel that public disclosure combined with supervisor review and assessment of remuneration policies can be more effective in preventing abuses in this area. Therefore, we do not support prescribing the adoption of specific policies in this area as an element of ComFrame. - M2E2-10: The standard compels the supervisor to require the insurer to have a compliance function in place to help it meet legal and regulatory obligations. The parameters and guidelines underlying this standard outlines specific steps for the function to utilize to help ensure that obligations are met. While U.S. Supervisors agree that insurers should comply with legal and regulatory obligations, such obligations should be set in law or regulation and violation of such should result in sanctions and penalties. Therefore, the focus of supervisors in this area should be to understand and assess how an insurer achieves compliance with its obligations and to identify areas of non-compliance that may impact an insurer's solvency standing. The focus of supervisors should not be on prescribing the means by which compliance must be achieved, but to encourage a process whereby insurers can assist supervisors in understanding, assessing and gathering evidence supporting their compliance with obligations. - M2E2-13: The standard in this area includes language compelling the supervisor to require the insurer to retain a high-level of oversight of any material activities or functions that are outsourced to affiliates or third-parties. The guidance underlying this standard obligates an insurer to adopt a group-wide policy for outsourcing activities and functions. While a group-wide policy may assist certain insurers in maintaining oversight in this area, policies are only effective if they are adequately implemented and enforced. Therefore, U.S. supervisors recommend removing this prescriptive requirement and instead replacing it with a list of best practices that may be more effective. The supervisors should then be encouraged to review an insurer's controls in this area and take	

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		action when their expectations regarding oversight are not being met.	
Northwestern Mutual	USA	ComFrame's governance expectations for IAIGs should respect the significant differences in approaches under the applicable local regimes, as governance requirements are fundamentally a creature of the local law of the applicable legal entity. That local law is itself a product of distinct cultural, constitutional and market differences and public expectations developed over many years, to a great extent outside the context of insurance regulation. ComFrame devotes many pages to addressing aspects of IAIG governance at the group, legal entity and business unit level. While we credit the effort to reduce the prescriptiveness of ComFrame, we remain concerned that the level of detail remaining within ComFrame will result in unnecessary conflicts with local jurisdictional law and practice. We favor a system that establishes clear, conservative regulatory measures of financial strength for the insurance legal entity, reserving to the company's board and management discretion under applicable corporate law. Regarding M2E2-14 (former M2E6), ComFrame should allow the group-wide supervisor and the college of supervisors to determine the appropriate reporting standards for the IAIG, for example, based on the financial reporting requirements of the Head of the IAIG or the domicile of the largest insurance entity within the group. We believe ComFrame Standard M2E2 - 14 currently provides this latitude and we continue to encourage the IAIS to retain this flexibility. Creating a US GAAP or IFRS balance sheet for an entity within an IAIG which does not have one, but is well capitalized and financially strong based on reliable solvency metrics is costly, unnecessary and unsupported by U.S. law or public policy. ComFrame should allow an aggregation of local regulatory valuation and solvency requirements to be used at the group level. This would require regulators to be fluent in the more commonly used valuation bases, capital frameworks and reporting requirements. However, it would avoid imposing a potentially significant burden on IAIGs with few benefits.	
Prudential Financial, Inc.	USA	M2E2-2-1: For stock insurance companies, the guidelines relating to Board governance should be tailored to allow the Board to both account for the protection of insurance policyholders and to	

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		discharge properly its fiduciary duties to shareholders. This consideration must be made throughout M2E1 & 2.	
CRO Forum - CRO Council - CFO Forum	Worldwide	The Forums welcome the IAIS efforts to recognize ERM as a key element in ComFrame. Elements of ComFrame related to ERM (M2E3 and E4) must remain principles based (and not prescriptive) and address the Group level (and not legal entities). The current ComFrame draft still goes too far in prescribing elements which will undermine the flexibility to accommodate new best practices that will evolve in ERM. For example, ComFrame provides considerable details as to how IAIGs might structure and set operating objectives and policies for their various risk-related functions (e.g. actuarial, internal audit, compliance and risk management) and other key business functions. These functions need to be sufficiently flexible to recognize the effectiveness of different operating models. There also exists overlap between the functions and potentially with the various lines of defence. Therefore, the guideline M2E2-8-2-1 that prevents the combining of control key will create substantial issues in practice and therefore this guideline should be removed or amended. Finally, M2E3-1 references the need to provide reports on ERM Framework at both solo entity and group level. We believe this is inconsistent with other processes (e.g. investments, reinsurance) referenced by ComFrame which should be reported at the Group level and avoid duplicative reporting requirements. We propose that the language on ERM reporting refer solely to Group requirement. As currently drafted the framework introduces "group risk" as a key risk category that should be measured and included within the ORSA. Whilst we agree that factors considered as group risks can influence other key risk categories and that this influence should be understood and assessed. The effects of such factors will be captured through ERM in the measurement of the established key risk categories, and therefore it is misleading to refer to group risk as a risk category in its own right. In addition some of the factors noted as key group risks will also be relevant for solo entities, and are not specific to groups. Any consideration of a framework for measurement of balance sheet valuation and solvency capital requirements needs to recognize the long-term nature of insurance business. Care needs to be taken to assess the degree of short term volatility that might	

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		be introduced by different approaches.	
EY	Worldwide	As we comment generally, care should be taken to avoid ComFrame becoming an additional layer of compliance for groups that are already subject to group supervision, and there should be provision for assessing existing regimes as substantially equivalent.	
Comments on Module 2 Element 3 Enterprise Risk Management (ERM)			
Association of Bermuda Insurers and Reinsurers	Bermuda	M2E3-1-4 The review of the risk management framework can be a considerable undertaking (depending on how it is defined). We agree that the ERM framework should be independently reviewed but a minimum time period of three years is overly prescriptive and should be amended to state as follows: ...on a regular basis as appropriate..." M2E3-4-1 through M2E3-4-6 These requirements relate to the conduct of an ORSA and the creation of an ORSA report is the focus. Many regulatory jurisdictions are coming on line with their ORSA requirements, and they each have requirements that differ to a lesser or greater degree, usually with some ability to leverage ORSA work done elsewhere in the group. There is no reason to recreate all of the particular ORSA requirements up at the GWS level with ComFrame, doing so is redundant and will lead to conflict between ComFrame and local ORSA requirements. M2E3-3-1 Listing out fraud risk, as against other operational risks, seems unnecessary. Furthermore the list of risks that the framework and the ORSA consider should be consistent. M2E3-3-3	

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		The parameter requiring firms to develop an economic model is onerous. Instead, it should be for firms to demonstrate that the methods they use to quantify capital are appropriate given that these could incorporate a range of regulatory, rating agency and other models.	
Canadian Life & Health Insurance Association Inc.	Canada	- Parameter M2E3-1-6, Guideline M2E3-1-6-1: While the application of certain aspects of ComFrame both on a "group" and "entity" basis is appropriate, in some cases it is not. For example, insurers manage risks holistically. It is therefore feasible that there might be a different mix of assets or liability risks in a particular entity relative to what would be considered optimal at a group-wide level. - Guideline M2E3-1-6-2: This Guideline should be removed as it comes across as an afterthought. - Guideline M2E3-2-2-1: This Guideline allows a consolidation or "another aggregation" method for a "group" assessment. In the interest of level playing fields, both methods should be available to be used by any IAIG. - Parameter M2E3-2-6 and Guideline M2E3-2-6-1: It is not necessary to have specific an ALM policy if the issues are covered elsewhere, for example in the Interest Rate Risk Policy or the Investment Policy. - Parameter M2E3-2-7: It is not always appropriate to have explicit risk management procedures and limits within the Investment Policy itself as it could make the Policy quickly outdated. - Parameter M2E3-2-8: Intragroup transactions do not necessarily belong to the ERM framework. - Guidelines M2E3-3-1-2 and M2E3-3-2-1 place odd emphasis on reinsurance within the context of complete risk profile of company. We suggest these Guidelines be deleted. - Parameter M2E3-4-1: The group-wide ORSA should also be able to consider diversification benefits along with risk aggregation	

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		benefits. We recognize it is contained in Guideline M2E3-4-1-2, but we feel it should be elevated to Parameter status.	
Office of the Superintendent of Financial Institutions	Canada	M2E3-1-2: We suggest that the parameter be modified: "The IAIG comprehensively documents its ERM Framework, emphasising any differences that may apply to different entities within the IAIG due to the nature, scale and complexity of the risk associated with business conducted locally." We also suggest that the list of risks covered by ERM and ORSA be aligned with the "key risks" included in Capital Adequacy Assessment Section (M2E5), where all of the risks are clearly defined. Any risks not covered in the Capital Adequacy Assessment could then be placed in a new guideline as important to consider. We suggest deleting some of the risks (fraud, concentration) as they are captured within the definitions in M2E5. The following changes are suggested: Parameter M2E3-3-1 The IAIG's ERM Framework covers at least the following risks and the management of these risks in a cross border context: Insurance Market risk Credit risk (i.e. default risk) Group risk Operational risk Guideline M2E3-3-1-1 Some other risks that are important to consider in the IAIG's ERM Framework are: Liquidity risk Strategic risk Reputational risk M2E3-3-2-1: We suggest that the parameter be modified: "The IAIG should have an established process for assessing the security of its (potential) reinsurance, credit and outsourcing arrangements, based on up-to-date, well-informed and comprehensive information."	

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		M2E3-3-6-2: This guideline should not limit the identification of stresses to only reinsurance or catastrophe markets. We suggest that it be modified: "The IAIG should also identify stresses in the reinsurance, catastrophe and other markets that could have an adverse effect on its business model." M2E3-4-1-2: This guideline gives the impression that the entire diversification benefit would be maintained in a stress situation. Suggest that it be modified: "...Moreover, the IAIG should be able to demonstrate how much of the diversification benefit would be maintained in a stress situation."	
China Insurance Regulatory Commission	China	It is recommended that the definition of enterprise risk management allow IAIG to regularly collect (e.g. annually or biennially) risk information of each business unit and carry out significance assessment test, and only apply the ComFrame requirements to the business units whose test results adversely affect IAIG materially, so that the efficiency of risk management can be improved and management costs can be reduced.	
Financial Supervisory Commission	Chinese Taipei	According to the ComFrame Standard M2E3-I-4, it reads that the ERM Framework is independently reviewed on a regular basis, at least once every three years. Due to the dramatic change of financial market, the insurers are forced to face stricter challenges. Therefore, we recommend to raise the frequency of reviewing the ERM Framework, such as once every year, to strengthen the risk management of insurers.	
European Insurance and Occupational Pensions Authority (EIOPA)	EU	ComFrame specifically addresses a wide list of risks, which may not be relevant in all cases for all IAIGs. It is important to keep in mind that Proportionality is one of the Cornerstones of ComFrame, and therefore our interpretation is that this principle needs to be considered throughout all the Standards and Parameters of ComFrame. We also believe Proportionality should be applied on the basis of the nature, scale and complexity of the risks of the IAIG, and not of the IAIG in itself (the simple size of the entity as a whole).	
Federation Francaise des Societes d'Assurance (FFSA)	France	A prescriptive level of details Requirements on ERM are too prescriptive as proposed by the IAIS. More flexibility should be granted for groups in identifying and	

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		analyzing a comprehensive view of material risks to which they're exposed. The framework gives an explicit list of risks that should be part of the ERM. Mapping of material risks is an exercise that IAIGs should do on their own without having a prescribed list of risks to consider. For instance, a group should be allowed to consider for a wider definition of operational risk that would encompass fraud risk ... In any case, it will be reviewed or approved by the group supervisor. It should be made clearer that the ERM does not make the development of an own economic capital model by the group mandatory. By making its own view on risks, the group should be allowed to base its own assessment on existing insurance regulation if it can demonstrate to supervisors that it fits its risk profile. Allowance of a qualitative assessment for certain types of risks such as reputational, strategic or capital fungibility risks should also be part of the framework under the proportionality principle. Finally, group risk lacks a definition and might not represent a risk in itself as insurance or market risks. Intra-group transactions fall under a specific requirement and group risk might be captured within other risks. ERM versus ORSA The introduction of an ORSA as part of the ERM makes it confusing. Here again, the IAIS' proposal presents a detailed list of risks to be considered (which do not perfectly match the one proposed for the ERM). It is coupled with guideline specifying even further what is expected into the detail. The FFSA would like ERM & ORSA put together in a consistent manner avoiding double requirements and offering for more flexibility. Requirements applied at group level By dealing with group requirements, the IAIS should consider that some requirements may not be easily extended to the whole group. The framework does not give a precise definition of control over an entity. It raises question regarding the treatment of joint ventures for instance. Where parent undertaking does not have control over a related entity, requirements should apply in a proportionate manner.	

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		Other concerns By giving too many details, some parameters/guidelines might create extra-requirements that are not clearly defined and opened to interpretation. For instance, we do not see the meaning of "open communication" as regards the treatment of emerging risks, or how to consider the requirement for an independent review of the ERM framework [Parameter M2E3-1-4], or the purpose of the guideline requiring IAIGs to make "particular note of any financial or other activity being undertaken by individual entities, that might change the risk profile of the group' going so much into the details [Guideline M2E3-2-8-4].	
Allianz Group	Germany	M2E3-2-1 The term "ERM policy" should be replaced by "ERM documentation" so that it becomes clear that not a single comprehensive document is required, rather the ERM policy can consist of a collection of separate policies forming the ERM policy is sufficient M2E3-2-2 It is suggested to amend the text as follows: "The IAIG implements it's group wide ERM policy system by establishing procedures...". This is to clarify that typically it is not the responsibility of a single department to implementing the ERM system but several departments have to contribute to the ERM system implementation. M2E3-4-1-1 "...When operating in a decentralised environment, the group-wide ORSA should take into account all its insurance entities that are required by local regulators to produce ORSAs entities' ORSAs in the group context." ComFrame has no legal authority to create the obligation for the production of ORSAs where a local regulator or the local regime does not foresee this obligation. M2E3-4-1-2 The text should be amended to clarify that where approved internal models are used the documentation of those models is sufficient evidence and adequate demonstration. "... should be able to demonstrate how the diversification benefit	

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		would be maintained in a stress situation where the methods for setting diversification levels are not already covered as part of the documentation of an internal model". M2E3-4-2-1 The text should be amended to take account of the fact that capital requirements are monitored in regular intervals due to the need of running calculation models for this purpose: "...that all capital related supervisory requirements (applicable to any material entity...are met on a continuous regular basis as required by local supervisor"	
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	M2E3-1: Regarding the implementation of a group-wide ERM policy and framework see general comment. It is not clear whether the ERM function is identical with the Risk Management function mentioned in M2E2-9. In our opinion an additional Enterprise Risk function is not necessary. Different approaches for the group and the insurance entity regarding granularity of risk tolerance limits should be possible. M2E3-1-5: Different approaches for the group and the insurance entity regarding granularity of risk tolerance limits should be possible. M2E3-2: It is not clear whether the Risk Management policy is identical to ERM policy. In our opinion an additional ERM policy is not necessary. The required Intra-Group Transaction (IGT)- policy should also be a part of the Risk Management policy and no separate document. M2E3-2-8: References to the information compiled for other regulatory purposes should be possible and sufficient.	

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		M2E3-3: Requirement of an economic capital model for the risk assessment is too extensive. Simple stress tests or other analyses should be possible. Assessment should not impose an internal model. Regarding the possibility to manage risk group-wide we refer to the general comments. M2E3-3-1: References to the information compiled for other regulatory purposes should be possible and sufficient. M2E3-3-6: In order to avoid additional calculations only scenarios as identified and used by the undertakings in their regular risk management process should be used. Additional stress tests (e.g. current EIOPA stress tests) should be avoided. M2E3-4: Requirement of an economic capital model for the risk assessment is too extensive. Simple stress tests or other analyses should be possible. Assessment should not impose an internal model.	
KPMG AG WPG	Germany	Please refer to our general comments	
Global Federation of Insurance Associations	International	Elements 3 and 4 of Module 2 outline an IAIG's critical enterprise risk management (ERM) functions and policies. GFIA believes that these provisions may be most essential to ComFrame, as they underscore an IAIG's ability to manage all relevant and material risks that impact the group and each legal entity within that group, as well as form the basis for the development and use of internal economic capital models. For supervisors, evaluating an IAIG's ERM structure constitutes a core qualitative assessment function of group-wide supervision. To the extent that these elements of the October 17 Draft have evolved to allow the IAIG flexibility to manage its risks, the Draft reflects an improvement over prior	

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		versions. However, there are a number of remaining concerns with the level of specific detail contained in some provisions of Elements 3 and 4(for example, the prescriptive requirement to have an independent review of the ERM process every three years even if the circumstances of the IAIG has not changed). On that count, more flexibility should be granted for groups in identifying and analyzing a comprehensive view of material risks to which they are exposed.	
Insurance Europe	International	M2E3-1: It is not clear whether the ERM function is identical to the risk management function mentioned in M2E2-9. We believe a separate additional ERM function is unnecessary, we therefore suggest M2E3-1 and M2E2-9 are merged. M2E3-1-2: The reference to "any" difference is unclear and inconsistent with the application of the materiality and proportionality principles. We urge the IAIS to adopt a principles-based approach and focus on the need for the IAIG to properly demonstrate that it has in place an effective ERM that allows it to identify measure, monitor, manage and report the risks to which the IAIG is or can be exposed. M2E3-1-5: In line with the application of principle of proportionality different approaches for groups and insurance legal entities regarding granularity of risk tolerance limits should be possible. M2E3-1-6-1: Should be clarified that any requirement put on individual insurance can only be enforced if referring to entities over which the head of the group has control. Furthermore, explanations should only be required, in line with the proper application of the proportionality principle, where there are significant deviations from the approved risk appetite statement. M2E3-2: It is not clear whether the risk management policy is identical to the ERM policy. We believe an additional ERM policy is unnecessary. The Intra-Group Transaction (IGT) policy should also be part of the Risk Management policy and no separate document. We therefore suggest M2E-3-2 and M2E2-9 are merged. M2E3-2-1-2: ComFrame cannot put requirements on accounting	

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		frameworks; thus reference to 'financial statements' in the guidance should be deleted. M2E3-2-8: Insurers should be permitted to make use of or refer to manuals or documents made under other legal or regulatory requirements. Furthermore as previously noted an IAIG's intra-group transactions policy should be part of the Risk Management Policy and not a separate document; the group internal control mechanisms should include sound reporting procedures to monitor and manage the intra-group transactions. M2E3-3: The requirement for an economic capital model for the risk assessment is too specific and prescriptive. Simple stress tests or other analyses should be possible. Assessment should not stipulate an internal model. M2E3-3-1: Insurers should be permitted to make use or refer to information filed under other legal or regulatory requirements. M2E3-3-2: It requires identification/measurement/reporting of risks and their interdependencies on a continuous basis. On a 'regular' basis would be more appropriate as monitoring these risks on a continuous basis is, in our view, almost impossible. M2E3-3-6: The list of methods (stress testing, reverse stress testing, scenario analysis...) named is highly prescriptive. We would like to see the range of potential methods moved to the guidelines. In addition, in order to avoid additional calculations only scenarios as identified and used by the undertaking in their regular risk management process should be used. Additional stress tests should then be unnecessary and in any case should form part of an IAIG's ORSA (M2E3-4). M2E3-4: The requirement for an economic capital model for the risk assessment is too specific and prescriptive. Simple stress testing or other analyses should be possible. Assessment should not stipulate an internal model.	

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		M2E3-4-1-1: It is unclear the meaning of "take into account all its insurance entities' ORSAs in the group context", moreover considering that the group-wide ORSA is not supposed to be an aggregation of solo ORSAs. M2E3-4-2-1: The objective of the group-wide ORSA should be to ensure that the IAIG adequately assesses the impact of all group specific risks and interdependencies within the group as well as, their impact on the group's overall solvency needs, taking into consideration the specificities of the group and the fact that some risks may be scaled up at the level of the group; and not to demonstrate that all supervisory requirements at entity level are met. M2E3-4-4: ComFrame introduces "group risk" as a key risk category that should be measured and included within the ORSA. While we agree that group factors can influence other key risks and that this influence should be assessed. The influence of such factors will be assessed as part of the consideration of the established key risk categories through Enterprise Risk Management. Therefore, we do not consider that "group risk" should be regarded as a discrete type of risk in the same way as other risk categories. We therefore, suggest that reference to group risk should be deleted.	
International Actuarial Association (IAA)	International	- M2E3-1-1; Could also include here "the identification of unknown risks via an emerging risk process" Also, it may help to have a section that discusses how non-insurance entity risk is to be addressed - M2E3-1-2; While ComFrame may be trying to get additional comparative comments into the ERM documentation, this request might be better appearing in an ICP rather than ComFrame itself, as long as the ICP included a requirement to emphasize the differences between the risks as they apply to entities within a larger organization. - M2E3-1-4; What does it mean to be "fit for purpose"? Since the guideline says	

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		the review may be carried out by an internal or external body, how will the independent reviewers know how to evaluate it? This is an example of where actuarial standards that apply to this situation may be a useful sufficient condition for "fit for purpose". - M2E3-1-4-1; Is the desired output of the review a "clean bill of health" a list of red, yellow, green comments or a "what is working well and what needs to be better"? Who is the audience for the review? Is it the board or the regulator? - M2E3-1-6; It would be useful to include here some reference to or clarification of examples about qualitative risk tolerance. Qualitative is also used in M2E3-2-8. - M2E3-2-1; This sentence is confusing and we suggest it could be rewritten for greater clarity: "During the development, statement and testing of its group-wide ERM policy, the IAIG both defines the basis for how it determines the relationships among the IAIG's risk tolerance limits, regulatory capital requirements, and economic capital and also formalizes the processes and methods for monitoring risk." - M2E3-2-2; Why is this done at the group level? For some of this (e.g., underwriting, reserving) the practices should be created locally with oversight via principles and policies. This should not be done at the group level in most cases. We would require that the group ensures such processes are in place at a company level. Note also that the accompanying Guideline M2E3-2-2-1 doesn't seem to fit this parameter. - M2E3-2-6; In general, property/casualty product development and pricing are not impacted at all by the ALM policy. The ALM policy instead needs to adjust to what is sold. Hence this should be rewritten (or at least modified to say "where applicable" with regard to product development and pricing).	

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		- M2E3-2-8; The first paragraph deals with Corporate Governance, not ERM. It is only the second paragraph that follows this that deals with ERM. Should the first paragraph be removed or placed elsewhere? Perhaps it is meant to require risk limits on intra-group transactions? - M2E3-3-1; Since this seems to be a comprehensive list, consider adding "counterparty risk". Counterparties are cited in the guideline, M2E3-3-1-2, that follows. - M2E3-3-1-1; Not clear why intra-group reinsurance arrangements will be different than external facilities especially for materiality and concentration risk. Does the concentration risk increase in the group because of the Intra Group Transactions? It also seems to contradict M2E3-2-1-2, which says "When dealing with intra-group reinsurance arrangements, the IAIG should set up and manage such transactions in the same way as external reinsurance arrangements." Which point of view is intended? - M2E3-3-2-1; This reads like a Parameter (and doesn't seem to fit well in the Parameter where it was placed). It also doesn't seem to be IAIG specific but the group needs to ensure that such processes are in place on a company level. Suggest covering in an ICP instead, but if needed in ComFrame then one could devote a Parameter in this section to Reinsurance issues and place this issue in that parameter. - M2E3-4-4-1; Are these risks in the second paragraph different from, contained within or in addition to the operational risk mentioned in the accompanying Parameter? We would see operational risk as including strategic and reputational risk. It would seem that "Counterparty risk" should also be included. We don't understand the last paragraph. Would a risk covered in an ERM Framework also be covered in a group's "own risk assessment"? We are not sure what is being communicated here.	

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		- M2E3-4-5-1; Not clear why these should be included if they are not part of the strategic plan. Suggest adding "where applicable to the strategic plan".	
Financial Services Agency	Japan	M2E3-1-2-2 This guideline (i.e. communication of ERM framework) does not seem to connect its relevant parameter (i.e. M2E3-1-2, documentation of ERM framework). To revise the guideline otherwise delete it. M2E3-1-3-3 Propose to revise last part of this guide line (i.e "to the IAIG and its entities") to "at the IAIG level or its entities' level". M2E3-1-5 Word "risk tolerance limits" is unusual in risk management world. "Risk tolerance" and "Risk limits" may be usual. Suggest changing this word appropriately. Note: this comment is applicable to the same word in other section. M2E3-2-1-1 1st bullet point in this guide line is unclear (i.e. "risk tolerance levels"). Suggest deleting "levels". M2E3-2-1-2 Suggest revising this guideline as follows: "When dealing with intra-group reinsurance arrangements, the IAIG should manage such transactions in the same way as external reinsurance arrangements. (delete following 2 sentences) " The 2nd paragraph talks about governance and accounting rather than ERM. M2E3-2-2-1 Suggest revising the last sentence in the 1st paragraph as follows: "For example, intra-group transactions may be eliminated in consolidation and may not be reflected in the consolidated financial statement of the IAIG at the top level."	

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		M2E3-2-8-2 Word "mobility" in 1st bullet point to be revised to "transferability"	
The General Insurance Association of Japan	Japan	(General comments) - As this element requires an enterprise risk management structure (e.g. ERM Framework with a focus on a risk management policy and a risk appetite statement) be properly established, requirements regarding individual risk management (primary risk management) should be grouped together in Element 4. To put it concretely, articles such as E3-2-2 (underwriting, pricing, reserving, and reinsurance), E3-2-6 (ALM), and E3-2-7 (investment) should all be moved to Element 4. (M2E3-1-1-1) - Since not all functions are necessarily classified as either purely centralized or decentralized, the sentence "The IAIG should be able to demonstrate its rationale for implementing centralized or decentralized operations of the ERM Framework" should be changed to read "The IAIG should confirm whether its ERM Framework is properly functioning". (M2E3-1-4) - The IAIG's ERM Framework is implemented for internal management purposes, and includes the group's business strategy and other highly confidential contents. Hence, it is inappropriate to require IAIGs to have their ERM Frameworks be independently reviewed in their entirety. The scope of independent reviews should be limited to qualitative matters regarding risk management within the IAIG's ERM Framework. (M2E3-1-4-1) - Since internal audit departments may comprise part of the ERM Frameworks, from the same viewpoint as M2E3-1-4, the phrase "the part of the ERM Framework that it reviews" should be changed, for example, to read "the implementation of the ERM Framework that it reviews". (M2E3-1-5), (M2E3-1-6), (M2E3-1-6-1), (M2E3-2-1), (M2E3-3-1-1) - Since definitions and meanings of risks in ERM vary by insurance company, definitions of similar terminologies ("risk tolerance	

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		statement" in M2E3-1-6 and M2E3-1-6-1, as well as "risk tolerance limits" in M2E3-1-5, M2E3-1-6, M2E3-2-1, and M2E3-3-1-1) should conform to the terminologies used in the FSB's "Principles for An Effective Risk Appetite Framework". Alternatively, their definitions should be added to the IAIS glossary or the ComFrame glossary. (M2E3-2-6) - Since it is effective and efficient for individual business entities to implement ALM policies, it is sufficient to require the IAIG to maintain a structure to confirm the appropriateness of the ALM policies of its entities. Since it is reasonable to set up ALM policies in accordance with the nature of products of individual insurers, establishment of a rule-based, group-wide ALM policy should not be required. (M2E3-3-1) - The risks to be covered by this Parameter should conform to those in M2E3-4-4.	
The Life Insurance Association of Japan	Japan	M2E3: It is important to take into account the nature, scale and complexity of the IAIG in applying ComFrame based on 'Proportionality' as stated in the Introductory Remarks. In particular, in order to ensure that each entity's commitment to the group-wide policy and framework, it should be noted that considerable negotiations or consultations will be needed depending on the extent of control by Head of the IAIG (e.g. ownership ratio) in addition to the need to take into account each jurisdiction's legislations, market environments, business models and the diversification of products. For this reason, materiality and effectiveness should be focused in applying ComFrame requirements, and those requirements should be achievable within reasonable costs and timeframe. To be specific, with regard to the entities that may have less influence over the IAIG, or the entities controlled by Head of the IAIG to lower extent, provided that each entity has its own ERM policy and framework in place, we think it would be more feasible to allow Head of the IAIG to 'confirm' the situation of each entity, rather than applying the group-wide ERM policy and framework to each.	

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		M2E3-1-5 and M2E3-1-6: We find that there are two terms 'risk tolerance' and risk tolerance limits' in the same Parameter. We would like to confirm whether there are any differences between the two terms. If each term has different meaning, please provide their definitions respectively. If they have the same meaning, the same term should be used. M2E3-3-1: We think that some of the risks presented in the Parameter M2E3-3-1 are inappropriate to be stated as risks to be covered minimally in the IAIG's ERM Framework. We believe that insurance risk, market risk, credit risk, liquidity risk and operational risk are considered as general risks. On the other hand, since there are not established methods to measure the other risks currently, such risks should not be included as risks to be covered minimally in the IAIG's ERM Framework. Furthermore, we think that the definitions of concentration risk, contagion risk, strategic risk and fraud risk are not clear. In particular, strategic risk is significantly abstractive and thus, it could be at the discretion of supervisors, and also could constrain the business judgement of the management. We would like to suggest that the 'strategic risk' be deleted from this Parameter, considering the fact that the 'strategic risk' is not described in the ICPs.	
Komisja Nadzoru Finansowego - KNF (Polish Financial Supervisory Authority)	Poland	Proportionality is mentioned inconsistently in many places in ComFrame. In our view it should be applied on the basis of the nature, scale and complexity of the risks of the IAIG, and not of the IAIG as itself (the simple size of the entity as a whole).	
Monetary Authority of Singapore	Singapore	Standard M2E3-1: Parameter M2E3-1-1 makes reference to "risk appetite", but this term is not used in ICP 16. We suggest to maintain consistency on the terminology used for both ComFrame and the ICPs. We suggest to add an additional Parameter on requiring the IAIG to have an effective communication plan internally where key decisions or changes made to the ERM framework can be disseminated and explained on a timely basis.	

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		Standard M2E3-4: We propose to delete the reference to "strategic risk" in Guideline M2E3-4-4-1, as strategic risk is already described in Parameter M2E3-4-5. In relation to Parameter M2E3-4-6, it is not clear how the output is being used in this point. We suggest amending the parameter to "The IAIG uses the output of its ORSA in reviewing its group-wide ERM Policy".	
Lloyd's of London	UK	We agree with the principle expressed in Standard M2E3-1, that an IAIG should have a group-wide ERM Framework. However, we question the detail and extent of the requirements laid down in the 11 pages constituting this Element. Individually, the Parameters and Guidelines making up this Element are not objectionable. Collectively, they constitute a wide ranging and prescriptive list of requirements. ComFrame should be principles based. It can suggest that IAIGs should have group-wide ERM Frameworks and lay down principles on what those Frameworks should look like. However, the details of an IAIG's Framework should be the responsibility of the IAIG itself, under the supervision of its group supervisor.	
RSA Group	UK	Whilst we recognise much of what is contained in this section from other regulatory requirements, we do not see why ComFrame needs to include all of this detail. In our opinion this is an area where ComFrame can signpost to other acceptable standards rather than repeat them.	
Association of British Insurers (ABI)	United Kingdom	We consider that the ERM requirements are still too detailed and overly-prescriptive in a number of areas. For example: - excessive information is required in relation to: - o the use and assessment of reinsurance arrangements; - o the ERM policy - formal review of the whole policy on an annual basis, not just the parameters/calibrations; - o investment policy; and - o intra-group transaction policy. - M2E3-4 risks providing too much prescription on the contents of	

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		an IAIG's ORSA, which would detract from the concept of the assessment being defined and carried out by the IAIG itself.	
American Council of Life Insurers	United States	We would appreciate some further clarity on the scope of the information described in Guideline M2E3-1-2-1. We assume that the scope would be similar to an ORSA. Elements 3 and 4 seem to conflict with the principle that an organization's approach to ERM should be appropriate to its nature, scale and complexity. Just as importantly, the discipline of ERM is at an evolutionary phase. By prescribing certain ERM policies, ComFrame risks being or becoming inconsistent with evolving industry best practices. ComFrame should be principles-based to assure that companies can design an ERM framework that is appropriate for their organization and is responsive to future developments. ComFrame should recognize that it is appropriate for group and entity level risk management approaches to differ. Fundamentally, risk appetite at a group level and individual entity level may differ. In Parameter M2E3-1-4 we assume that the scope of the triennial independent review of the ERM framework would be appropriate to the nature, scale, and complexity of the insurance group and to the materiality of risks identified. Guideline M2E3-2-2-1 is too prescriptive. It allows a consolidation or "another aggregation method" for a group assessment but in our view IAIGs should be free to choose a method for ComFrame reporting purposes, regardless of what they use for other reporting. Parameter M2E3-2-6: The principle should be that the IAIG should have an ALM policy but not be required to have the policy embedded in the group-wide ERM policy. Accordingly, we assume that the "ERM framework" will be read broadly to include such related policies, and make the point for clarity. Parameter M2E3-3-1 uses the term "concentration risk." We would appreciate clarification of "concentration risk," noting that the	

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		Consultation Draft defines "asset concentration risk" only.	
American Insurance Association	United States of America	(Please note that our comments to M2E3 and M2E4 have been combined here.) Elements 3 and 4 of Module 2 outline an IAIG's critical enterprise risk management functions and policies. AIA believes that these provisions may be the most essential to ComFrame, as they underscore an IAIG's ability to manage all relevant and material risks that impact the group and each legal entity within that group, as well as form the basis for the development and use of internal economic capital models. For supervisors, evaluating an IAIG's enterprise risk management structure constitutes a core qualitative assessment aspect of group-wide supervision. To the extent that these elements of the ComFrame Draft have evolved to allow the IAIG flexibility to manage its risks, the Draft reflects an improvement over prior versions. However, there are a number of remaining concerns with the level of specific detail contained in some provisions of Elements 3 and 4. First, AIA respectfully recommends that the IAIS combine Elements 3 and 4 into a single set of standards that outlines an IAIG's ERM structure and sets forth the relevant implementing policy. In many respects, having two separate elements can be repetitive and lead to confusion. Streamlining the treatment of ERM will create regulatory efficiency without undercutting the importance of this function. Moreover, doing so would not be inconsistent with any of the cornerstones of ComFrame. Consistent with this recommended consolidation, we note that Element 4 does not require the development of an Asset-Liability Management Policy that reflects both the nature of the assets and liabilities and jurisdictional requirements that may be imposed on the IAIG (partially captured in Investment Policy). In addition, Element 4 does not require a Hedge Risk Management or Derivatives Policy for the management of hedging activities of the IAIG. Second, Elements 3 and 4 of the Draft place a disproportionate emphasis on reinsurance. While reinsurance is clearly an important tool used by insurance companies to manage risk, it is only one	

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		tool for risk management. Creating a singular emphasis on reinsurance runs the risk of creating an un-level playing field across various forms of risk management spanning risk mitigation, reinsurance, hedging, and other forms of risk transfer. Instead of a continual reference to reinsurance in the main parameters and guidelines of Elements 3 and 4, ComFrame should adopt a neutral approach to the form of risk management and instead emphasize the need to manage risk on both a gross and net basis (net of all forms of risk transfer). While AIA recognizes the regulatory merits of a consistent approach to reinsurance as outlined under M2E4-7, these standards should be addressed in a Reinsurance Risk Management Policy and not by a series of cross-references to other sections of the Module. Third, it is important to take into account the nature, scale and complexity of the IAIG in applying ComFrame's ERM standards, based on the proportionality cornerstone. In particular, in order to ensure each entity's commitment to the group-wide policy and framework, it should be noted that considerable negotiations or consultations will be needed depending on the extent of control by the Head of the IAIG (e.g. ownership ratio) in addition to the need to take into account each jurisdiction's laws and regulations, market environment, business models and product diversification. For this reason, materiality and effectiveness should be the focus in applying ComFrame requirements, and those requirements should be achievable within reasonable costs and timeframe. Therefore, AIA respectfully suggests that it would be more feasible to permit the Head of the IAIG to 'confirm' the situation of each entity, rather than applying the group-wide ERM policy and framework to each. ComFrame Standard M2E3-3: While AIA is generally supportive of Guideline M2E3-3-3-1, the final sentence of this guideline is inconsistent with the key principle of proportionality and is over prescriptive. Specifically, while an economic capital model is a critical input in management decision-making, we do not believe that ComFrame should require that "[t]he economic capital model [be] used to drive or validate major management decisions..." Such a requirement runs the risk of effectively negating or diminishing other views of risk and return -	

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		perspectives that Parameter M2E3-3-4 correctly incorporates. For purposes of consistency, AIA requests that this sentence be removed from the guideline. ComFrame Standard M2E4-1: This standard requires the IAIG to have a group-wide investment policy. The standard includes a guideline (M2E4-1-1-2) encouraging liability matching. While the guideline indicates that "strict one for one asset to liability matching" is not required, AIA requests that the IAIS consider whether such a guideline unduly limits an IAIG's flexibility in managing its investments. ComFrame Standard M2E4-2: This standard, governing the quality of an IAIG's investments pursuant to its policy, requires the IAIG to "document any specific legislative restrictions" governing the transfer of capital across jurisdictional borders, any "additional [legislative] restrictions" that would apply in the case of liquidation or insolvency, and any procedures or actions that must be taken for "the cross-border transfer of capital and assets in normal and stressed times" (Guideline M2E4-2-4-1). It is unclear, however, what constitutes documentation and who can function in this role. Equally important, as discussed more fully in the context of the propriety of applying policy measures designed to deal with systemic risk to IAIGs, it would be difficult (if not impossible) to prescribe procedures governing cross-border transfers in times of stress. As a result, AIA respectfully requests that the IAIS reconsider this standard and instead perhaps allow the IAIG to certify that it has knowledge of, and complies with, any jurisdictional limitations on cross-border transfer. If the IAIS is not willing to shift to a certification, the standard should require no more than a statement of applicable laws that affect cross-border transfers of assets by insurers. ComFrame Standard M2E4-5: This standard relates to the establishment of a group-wide claims management policy in order to address reputational risk. The interaction of policy implementation in this area with the uniquely	

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		local jurisdictional requirements for claims handling raises the likelihood that overly-detailed claims management standards will conflict or be inconsistent with those local requirements. As a result, AIA would recommend that the IAIS review this standard to ensure that it reflects high-level principles that will not conflict with local laws or court decisions. ComFrame Standard M2E4-6: Guideline M2E4-6-1-1 states: "The group-wide insurance liability valuation policy should focus on group-wide reporting requirements for both internal management purposes and for reporting and disclosure purposes." To the extent this sentence can be interpreted to require an IAIG to produce an additional group-wide uniform valuation policy due to differences in local jurisdiction valuation policies, production of such a policy would impose an onerous new reporting requirement for IAIGs. If this is the case, AIA recommends that this guideline be deleted. ComFrame Standard M2E4-8: This standard requires the IAIG to maintain a group-wide actuarial policy. As AIA has noted with respect to interim versions of ComFrame, insurance groups can differ as to whether an actuarial opinion is prepared on a group-wide basis or at the legal entity level. As a result, even establishing a group-wide standard for this function may be problematic. Indeed, to the extent that preparation of an actuarial opinion can be characterized as a core underlying process within an insurance company, rather an enterprise risk management function, Standard M2E4-8 may not be germane. ERM has its own responsibilities for evaluating the adequacies of technical provisions both in the development of the economic capital model and in providing a second or third opinion on the company's actuarial policies. Assuming that the IAIS retains this standard, AIA respectfully notes additional concerns with the current Draft. While one of the guidelines (Guideline M2E4-8-2-1) allows the IAIG to use the individual insurance entity reports as "input" to the annual group-wide actuarial opinion, the overarching standard supersedes the	

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		guidance, and may undermine the operational structure cornerstone. In addition, AIA notes that most of the suggestions by the International Association of Actuaries were not adopted in the ComFrame Draft. We would encourage the IAIS to reconsider those suggestions and incorporate them into the Draft. Parameter M2E4-8-2 also provides that the actuarial opinion must be "forward looking." AIA is concerned that the scope of this parameter may be inconsistent with current practice. Indeed, use of the term "opinion" may prove difficult in jurisdictions where that word is a term of art. Given the breadth and scope of the standard, AIA would recommend that the IAIS use the term "assessment" in order to provide maximum flexibility for IAIGs to meet this standard and comply with local requirements.	
Property Casualty Insurers Association of America (PCI)	United States of America	M2E3-1 and M2E3-2: While an IAIG-wide ERM Framework may make sense depending on the way an IAIG is organized, problems and issues arise when ComFrame gets into the business of imposing ERM requirements. What if an IAIG operates in just a few jurisdictions, none of which has the same ERM requirements? While ERM may make sense at the group level, ComFrame should not create new and potentially different obligations (such as requiring every IAIG to have asset-liability management and intra-group transaction policies); rather, existing ERM obligations applicable to the IAIG's members (which include the entire IAIG "enterprise" in their scope) should simply be confirmed and (at the IAIG's option) coordinated at the group level. M2E3-4-1 through M2E3-4-6: Another good example of why imposing regulatory requirements on IAIGs via ComFrame is a bad idea - here, the precise requirements relating to the conduct of an ORSA and the creation of an ORSA report are the focus. Many major regulatory jurisdictions are implementing their ORSA requirements, and they each have requirements that differ to a lesser or greater degree, with usually some ability to leverage ORSA work done elsewhere in the group. But there is no reason to recreate all of the particular ORSA requirements up at the parent level with ComFrame, doing so is redundant and will lead to conflict	

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		between ComFrame and local ORSA requirements. Instead the ComFrame ORSA provisions should rely on the IAIG's existing ORSA requirements.	
ACE Group	USA	M2E3-1 The reference to relevant and material risks at both insurance entity and IAIG/group level suggests an overlap with existing entity level reporting requirements and has the clear potential to be duplicative and burdensome. Since the scope of ComFrame is Group-level, the reference to "entity" should be struck. M2E3-1-4 The College process will give supervisors a good view as to the quality of ERM frameworks across the industry. Paying external consultants to do something similar is wasteful in terms of resource and money, plus companies risk loss of proprietary information. The requirement to use external resource, assuming none exists internally, should be altered such that it must be agreed to by the group supervisor and the IAIG as a demonstrative need of the college process findings. The requirement of an independent review of the ERM framework at least once every 3 years should similarly be struck. Clarity of the role of the internal independent reviewer in the company's ERM framework should be provided since by definition the ERM framework covers the company. For example, can internal audit resource be used? M2E3-2-2 The language on data quality requirements is broad and potentially highly onerous and the accompanying guideline M2E3-2-2-1 seems to address the capital/solvency process. The scope and intent of this parameter needs careful review and definition as to purpose. M2E3-4-3 The linkage of ORSA and strategy should be addressed in another parameter. This parameter also appears inconsistent with parameter M2E3-4-5" M2E3-4-6 The requirement to use the output of its ORSA in its Group-wide	

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		ERM policy is not clear in purpose and needs further clarity as to purpose.	
Association of Financial Guaranty Insurers	USA	Guideline M2E3-2-1-2 states that internal and external reinsurance arrangements should be established and managed in the same way. AFGI members (as well as insurers in general) often utilize internal reinsurance arrangements to achieve operational, tax and capital efficiencies and improve overall risk management. There may be differences in the management of internal and external reinsurance arrangements that reflect the nature of the reinsurer or reinsurance market, local regulatory requirements or the risk exposure. Rather than focusing on whether internal and external arrangements are managed in the same way, ComFrame should focus on the outcome desired - the robust risk management of all reinsurance arrangements, the mitigation of counterparty risk and risk concentrations and appropriate terms, conditions and governance- regardless of the identity of the reinsurer. This outcomes-focused approach is better reflected in Standard 13.1 and related parameters and guidelines. Parameters M2E3-3-3 through M2E3-3-5, relating to economic capital models, should recognize explicitly that an IAIG's model and its implementation reflect the group's approach to risk management and capital allocation. The parameters should provide the flexibility for different approaches and for the evolution of different modeling techniques over time. ComFrame should reflect the fact that economic capital models are designed for internal risk management and capital allocation purposes, as opposed to regulatory purposes. While these models can be an important source of information for both IAIGs and regulators, they should not be used to drive regulatory minimums. If economic capital models are used to drive regulatory minimums, there is a serious risk that IAIGs would be disincented to use these models to test extreme loss events, with negative effects on sound risk management.	
CNA	USA	Guideline M2E3-2-1-2 suggests that intra-group reinsurance arrangements be set up and managed in the same way as external reinsurance. Unfortunately, in the U.S., non-life insurance groups are required to use a series of legal entities to write various pricing tiers of a similar risk to be in compliance with state discrimination in pricing laws. After writing the business in several different legal	

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		entities the risks are then accumulated and reallocated between the entities for capital management purposes through an inter-company pooling agreement. These agreements take the form of a reinsurance agreement although the business purpose and objective are different than third party reinsurance. For this reason we request that the guideline be updated to exclude inter-company pooling agreements. Standard M2E3-1 calls for the ERM Framework to address all relevant and material risks at both the insurance entity and IAIG level. Since ComFrame is a group regulatory framework it should avoid establishing requirements at the legal entity level which are under the purview of the jurisdictional regulators. Parameter M2E3-3-3 requires that the IAIG develop and maintain an economic capital model. We believe this is overly prescriptive and IAIG's should be able to develop its ERM policy that best suites its risk profile, complexity and variability of required capital. Additionally, some practitioners interpret economic capital models as implying a market consistent approach to assessing risk, similar to the approach utilized under Solvency II. While such an approach is useful in some instances, it is not necessarily the best approach to managing risk for all lines of business under all circumstances. In some instances, an asset adequacy or cash flow testing approach may be superior. It is our belief that economic capital models should not be a requirement for an IAIG. Parameter M2-E3-3-4 requires that the output of an IAIGs economic capital model be used in its capital planning. We believe this is overly prescriptive and IAIG's should be able to develop their ERM policy in a manner that best suites its risk profile, complexity and variability of required capital. Additionally, some practitioners interpret economic capital models as implying a market consistent approach to assessing risk, similar to the approach utilized under Solvency II. While such an approach is useful in some instances, it is not necessarily the best approach to managing risk for all lines of business under all circumstances. In some instances, an asset adequacy or cash flow testing approach may be superior. It is our belief that economic capital models should not be a requirement for an IAIG. If, however, an economic capital model is required, we do	

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		not believe its use should be mandated. If, in the professional judgment of the IAIG's management, the results of such a modeling exercise are viewed as being inappropriate due to the characteristics of the business or the results of the model, the IAIG should be allowed to deviate from the economic capital model without fear of failing a "use test".	
Institute of International Finance - IIF	USA	Module 2, Element 3 and 4 IIF members acknowledge the recognition of Enterprise Risk Management (ERM) as a key element in ComFrame. The ERM related elements M2E3 and M2E4 in ComFrame must, however, remain principles based and should not be prescriptive. The current ComFrame draft is still too prescriptive. This could also impede the ability to take future sound ERM practices into considerations. As an example, the current ComFrame draft provides many details on the potential structure, operating objectives and policies (e.g. underwriting, claims and investment policies) of an IAIG and its risk-related functions (e.g. risk management, actuarial, internal audit and compliance) and other key business functions. These functions need to be sufficiently flexible to recognize different operating models in the re-/insurance business. ComFrame introduces in M2E3 'group risk' as a distinct risk category that should be measured and included within the own risk and solvency assessment (ORSA). IIF members share the view that group factors can influence other key risks and that they should be assessed accordingly. The influence of such factors on established risk categories will be assessed as part of ERM. Therefore, the Institute would recommend the removal of 'group risk' as a separate risk type.	
Liberty Mutual Group	USA	The 2013 Draft ComFrame appropriately advises groups of the importance to supervisors of a prudent system of risk management. Consistent with our previous comments, this Element should not prescribe that a group's ERM policy includes "an explicit group-wide intra-group transactions policy" that, among other things, requires a "group-wide analysis" of "intra-group transactions". (See M2E3-2-8). Although, we understand this is contained in Solvency II, the Draft ComFrame fails to include information necessary to understand the scope of this requirement. We recommend also that	

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		a materiality threshold be added to determine when this analysis is needed. This Element should also specify that an IAIG's internal audit function may conduct the review of a group's ERM process.	
NAIC	USA	ComFrame should identify the main components of effective ERM that addresses all relevant and material risks without prescribing a particular form to the IAIG. An IAIG should have an enterprise-wide risk management framework which addresses all relevant and material risks. Insurers use enterprise risk management to help reach business goals. The insurance business model has numerous risks, some of which can be mitigated through risk management, but ultimately residual risk still exists given insurance represents a business designed to transfer risk from a policyholder to the insurer. Insurers should be encouraged to make decisions that reduce or mitigate risk, but provided they do not take excessive risks, the role of a supervisor should NOT include making decisions for the insurer. Instead, supervisors are responsible for identifying material risks and taking action on an exception basis when risks become excessive. The ORSA should be sufficiently flexible in its form and content to accurately reflect the IAIG's nature, scale, and complexity. The ORSA should reflect a clear assessment of the IAIG's risk management and its current (and likely future) group solvency position. The ORSA should provide a clear understanding of the material exposures of the group.	
Northwestern Mutual	USA	As ComFrame moves into the Field Testing phase, the application of the ERM-related portions of ComFrame will be an important area of focus. As a non-IAIG Observer, we urge that the IAIS keep certain concepts in mind and show the flexibility to modify ComFrame accordingly: First, ComFrame must avoid prescriptiveness. ERM must, as acknowledged in the US ORSA model law and guidance manual, reflect the nature, scale, and complexity of the organization. Additionally, the discipline of ERM is in an evolutionary phase.	

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		Accordingly, guidance in ComFrame should be principles-based to assure that IAIGs can design an ERM framework that is appropriate for their organization and is responsive to future developments. Second, ComFrame must not lose sight of the legal entity. Local regulators have legislative mandates to protect the policyholders of those legal entities. While ComFrame attempts to increase supervisory oversight at the group level, this cannot be done at the expense of the ability of the local regulator to carry out its mandate at the legal entity level. ERM, whether centralized or de-centralized, should identify and manage risks not just at the group level, but also at the legal entity level. The language within ComFrame should acknowledge this necessity. Third, ComFrame must provide a workable process to assure the protection of the confidentiality of company information. This is particularly so as related to ERM, given the proprietary and forward-looking nature of company ERM information. We support the recommendations made by the American Council of Life Insurers to assure the confidentiality of information shared in the context of ComFrame.	
CRO Forum - CRO Council - CFO Forum	Worldwide	The Forums welcome the IAIS efforts to recognize ERM as a key element in ComFrame. Elements of ComFrame related to ERM (M2E3 and E4) must remain principles based (and not prescriptive) and address the Group level (and not legal entities). The current ComFrame draft still goes too far in prescribing elements which will undermine the flexibility to accommodate new best practices that will evolve in ERM. For example, ComFrame provides considerable details as to how IAIGs might structure and set operating objectives and policies for their various risk-related functions (e.g. actuarial, internal audit, compliance and risk management) and other key business functions. These functions need to be sufficiently flexible to recognize the effectiveness of different operating models. There also exists overlap between the functions and potentially with the various lines of defence. Therefore, the guideline M2E2-8-2-1 that prevents the combining of control key will create substantial issues in practice and therefore this guideline should be removed or amended. Finally, M2E3-1 references the need to provide reports	

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		on ERM Framework at both solo entity and group level. We believe this is inconsistent with other processes (e.g. investments, reinsurance) referenced by ComFrame which should be reported at the Group level and avoid duplicative reporting requirements. We propose that the language on ERM reporting refer solely to Group requirement. As currently drafted the framework introduces "group risk" as a key risk category that should be measured and included within the ORSA. Whilst we agree that factors considered as group risks can influence other key risk categories and that this influence should be understood and assessed. The effects of such factors will be captured through ERM in the measurement of the established key risk categories, and therefore it is misleading to refer to group risk as a risk category in its own right. In addition some of the factors noted as key group risks will also be relevant for solo entities, and are not specific to groups. Any consideration of a framework for measurement of balance sheet valuation and solvency capital requirements needs to recognize the long-term nature of insurance business. Care needs to be taken to assess the degree of short term volatility that might be introduced by different approaches.	
Comments on Module 2 Element 4 Enterprise Risk Management (ERM) policies			
Association of Bermuda Insurers and Reinsurers	Bermuda	M2E4-1 through M2E4-3 While it is possible to have oversight and assimilation of investment activities at the IAIG level if the IAIG choses to do so, there is no way to impose the investment rules and limitations found in ComFrame on an IAIG and its subsidiary insurance companies, all of which are subject to a wide variety of such investment laws and regulations in their domestic jurisdictions. M2E4-4 (Group-Wide Underwriting Policy), M2E4-5 (Group-Wide Claims Management Policy) and M2E4-7 (Group-Wide reinsurance and Risk Transfer Strategy): IAIGs will typically have a variety of different insurance sub-groups or underwriting platforms, each with different risk appetites, underwriting mentalities, approaches to claims handling and reinsurance needs. While these need to operate within certain boundaries, there needs to be recognition	

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		that Group level policies are often high level and, in many instances, act as an "umbrella" for more detailed policies elsewhere in the Group. M2E4-5 The requirement of a group-wide claims management policy in particular is unnecessary and unduly prescriptive. Many groups manage claims at the insurance legal entity level, and we see no reason to require claims management to be performed at the group level as long as the individual insurers in the group are doing so in accordance with the legal requirements that apply to them. M2E4-6-1-1 We appreciate the recognition that "the group-wide insurance liability valuation policy should focus on group-wide reporting requirements." We oppose any application of this requirement to individual legal entities which have to comply with local jurisdictional requirements. M2E4-2-2-1 It should be for the firm to define its own escalation procedures around breaches and this may not require every limit breach to be escalated to the Governing Body.	
Canadian Life & Health Insurance Association Inc.	Canada	- Parameter M2E4-1-1 and Guideline M2E4-1-1-1: The Guideline is narrowly focused on liability segment investments and states an inappropriate test. The more common test is the prudent person test - what portfolio would a prudent person invest in to avoid undue risk of loss and obtain a reasonable return. - Parameter M2E4-1-2 and Guideline M2E4-1-1-2: The reference to liquidating assets in a timely manner is unclear. For the insurance segments, cash flow matching would be an appropriate consideration but non-insurance and surplus segments may have other strategies which are prudent and do not involve matching. In Guideline M2E4-1-1-2, the reference to matching currencies and investment durations to the nature of the liabilities should be	

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		changed to a reference to managing (i.e. change the word "match" to "manage") as at issue should be the management of this risk as opposed to the prescribed way of mitigating it. - Parameter M2E4-1-4 and Guideline M2E4-1-4-1: It is not clear what is meant by the term "participations" in the context of "total value of intra-group participations". Also, intragroup transactions do not need to be covered in Investment Policy. - Guideline M2E4-2-2-1: Exposures exceeding limits should be restricted to "materially exceeding". - Parameter M2E4-2-3 and Guideline M2E4-2-3-1: Liquidity criteria do not need to be in Investment Policy as they could be addressed in a Liquidity or other Policy. - Parameter M2E4-2-4 and Guideline M2E4-2-4-1: This parameter and the associated guideline are a mix of ERM, ORSA, capital and contingency planning and are not especially relevant to investment policies. In particular, liquidity and capital transfers are different concepts and should not be intermingled. Other sections of ComFrame deal with these issues and hence they should be deleted from the Investment Policy Element. - Standard M2E4-6: The splitting of "the group-wide insurance liability valuation policy" (Parameter M2E4-6-1) from the "group-wide actuarial policy" (Standard M2E4-8) is unnecessary and introduces some confusion within these two activities of the group wide actuarial function. It would be better to put the "group wide insurance liability valuation policy" within the "group wide actuarial policy". - Guideline M2E4-8-1-2 This should be removed. This is a legal requirement in Canada, not one that should be within ComFrame. As well, the parameter itself talks about setting out procedures to comply with the requirement, but the Guideline goes on to discuss legal requirements of the actuary (outside of the parameter). - Parameter M2E4-8-2: It is not the policy that requires the annual actuarial opinion, it is a legal requirement. The policy should be	

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		established to help meet the requirement, not establish the requirement per se. If retained, the text should state "Where not already established by local legal requirements, ...". An Actuary may only opine on narrow issues where local actuarial standards boards have prescribed standards and processes, and such opinions are typically required by statute or regulation. References to "opinions" should be changed to "reports" which is a more general term.	
Office of the Superintendent of Financial Institutions	Canada	M2E4-6-1: The ICPs do not require a liability valuation policy as part of its ERM and therefore it is not part of the ERM feedback loop. Therefore, we suggest that ComFrame specify that the group-wide insurance liability valuation policy should include feedback loops with the ALM, underwriting and claims management policies. M2E4-7-1-3: We suggest that the guideline be modified to remove the word facultative since this requirement should apply to all types of reinsurance arrangements. M2E4-7-1: We suggest that a new guideline be added as follows: M2E4-7-1-4: "Reinsurance agreements should contain terms and conditions to ensure that funds will be available to cover policyholder claims, including terms with respect to insolvency that are consistent with the liquidity and risk transfer strategies of the IAIG and the individual insurance entities." M2E4-8-2-1: We suggest that an additional bullet be added to the guideline: "a review of the valuation techniques used to determine exposures and the adequacy of reinsurance programs to mitigate these exposures". M2E4-8-2-1: We suggest that bullet 7 of this guideline be modified: "the adequacy of pricing, taking into account the underwriting policies, at the appropriate level and at the insurance entity level and the group level." M2E4-8-2-2: It is not clear if this analysis of the current and future financial condition of the IAIG could be the ORSA or if it is in addition to the ORSA. We suggest clarifying and strengthening the link between this guideline and the expectations of the actuarial	

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		function and/or the ORSA.	
European Insurance and Occupational Pensions Authority (EIOPA)	EU	Concerning the two Standards detailed below, there may be misunderstandings leading to interpretations that by establishing these policies, underwriting and claims management approaches need to be similar among all group entities, while usually there may be good reasons for this not to happen in practice (due to the diversity of realities in which different group entities operate). We believe this should be better clarified to avoid the possibility that such interpretations may arise. M2E4-4 Requirement to establish a group-wide underwriting policy M2E4-5 Requirement to establish a claims management policy We believe that the requirement to establish limits on intra-group participation would be against the spirit of a risk-based regime and of the prudent person principle embedded in ComFrame. Moreover, the reporting requirements on intra-group transactions would serve the purpose of timely informing the supervisors, that can take action if necessary. Hence, we would recommend deleting the parameter M2E4-1-4. Standard M2E4-8: Reference to 'actuarial function' instead of 'actuarial policy' would be more in line with the ICPs.	
Federation Francaise des Societes d'Assurance (FFSA)	France	Having in place a risk management policy is part of sound prudential regime. However we'd like to stress that some of the parameters introduce prescriptive rules over how to run businesses where other topics are barely developed. As a general statement, ComFrame should be more balanced and sufficiently high level. Use of ECAs Proportionality should apply in the requirement of having its own credit and market risk assessment methodology. We'd prefer a wording saying that the group should not solely rely on the information provided by third parties in their investment policy. Consistency should be brought in across requirements regarding the reliance given to ECAs when dealing with complex instruments or derivatives. Quantitative limits	

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		ComFrame requires the IAIG to determine strict quantitative limits in intra-group participations. We do not understand what is the intention behind. Furthermore, we believe that parameters should be redrafted regarding quantitative limits in the ERM policy should it be either to narrow the requirements "In exceptional circumstances, reports to the Governing Body should also include exposures that, even within limits, [...]", or to be more principle-based on risk concentration requirements, or to avoid leaving room to interpretation with the requirement of having investment "sufficiently transparent". Liquidity, underwriting and claims risk management We fully support the requirement of having various policies in place on liquidity risk management, group underwriting risks, claims management. However parameters/guidelines at group level should not end conflicting with regional or national regulations. As previously said, the implementation of a group-wide management policy is limited to where the parent undertaking has control over entities within the group. With respect to the requirement for the group-wide underwriting policy to specify aggregation limits we believe this would already be covered by the IAIG's risk appetite framework. The reference to a group-wide policy including "aggregation limits on particular types of risk' should be deleted. The claims management process is highly regulated at national level. Therefore, it is not practical to implement a group-wide claims management policy. Group actuarial policy The group actuarial policy should not extend its scope too far. The distribution of roles between various key functions and senior management of the group should allow for more flexibility in order not to conflict with existing split of responsibilities as long as requirements are met. Group actuarial policy goes from corporate missions (ALM, performance of the IAIG's insurance portfolio,...) to operational missions (pricing ...). Moreover we do not see why the group actuarial opinion would include consideration of non insurance entities and non-regulated entities.	

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Allianz Group	Germany	M2E4-1-3 With regard to the wording we suggest it be changed to "[...] and conducts its own risk assessment", because the term "due diligence" is usually used in the context of mergers & acquisitions. M2E4-2-2-1 Reporting of limit breaches and other non-compliance situation to committees established by the Governing Body should be sufficient. The text is suggested to be amended as follows: "...reported periodically to the Governing Body, or to relevant committees established by the Governing Body." M2E4-7-1-3 It is suggested to amend the text as follows: "Where individual insurance entities are authorized to enter into reinsurance arrangements on their own account, the manner in which facultative and obligatory reinsurance arrangements are managed locally and ..." because within international insurance groups, the insurance entities are to a certain extent allowed to place facultative and treaty reinsurance locally. M2E4-8-1 It is unclear to which level the requirement regarding the third bullet point applies to. It should be clarified that the requirements specified in the third bullet point apply to Group level as do the first two bullet points.	
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	M2E4-4-1: References to other documents that specify aggregation limits (e.g. risk appetites) should be possible. M2E4-5: The claims management process is highly regulated at national level. Therefore it is not practical to implement a group wide claims management policy. Regarding the implementation of a group wide claims management policy see general comments. M2E4-6:	

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		Regarding the implementation of a group wide insurance liability valuation policy see general comments. M2E4-6-1: Manuals and documents as established for other regulatory purposes should be accepted in this regard. M2E4-8: Regarding the implementation of a group wide actuarial policy see general comments.	
KPMG AG WPG	Germany	Please refer to our general comments	
Global Federation of Insurance Associations	International	As noted above, it is important that the requirements on what needs to be included in the various ERM policies in ComFrame remain principles based; otherwise the ability of undertakings to adapt their ERM policies in line with emerging best risk practices will be compromised as well as the flexibility for individual undertakings to adapt their policies as most appropriate to their operating structure. GFIA believes the current draft is still far in prescribing what certain policies should include. For example: M2E4-1 requires the IAIG to have a group-wide investment policy, including a guideline (M2E4-1-1-2) encouraging asset-liability matching. While the guideline does indicate that "strict one for one asset to liability matching" is not required, GFIA requests that the IAIS consider whether such a guideline allows IAIGs enough flexibility to manage their investments as most appropriate for their risk profile. M2E4-8-2 also provides that the actuarial opinion must be "forward looking." GFIA is concerned that the scope of this parameter may be inconsistent with current best-practice. Indeed, use of the term "opinion" may prove difficult in jurisdictions where that word is a term of art. Given the breadth and scope of the standard, GFIA would recommend that the IAIS use the term "report" in order to provide maximum flexibility for IAIGs to meet this standard and	

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		comply with local requirements.	
Insurance Europe	International	It is important that the requirements on what needs to be included in the various ERM policies in ComFrame remain principles based; otherwise, the ability for undertakings to adapt their ERM policies in line with emerging best risk management practices will be compromised as well as the flexibility for individual undertakings to adapt the policies as most appropriate to their operating structure and underwriting portfolio. In this respect, we believe the current draft still goes too far in prescribing what certain policies should include and would benefit from more of the requirements being moved to guidelines with some of the detail in the guidelines reduced or redrafted more in-line with its illustrative status. M2E4-1-3: In line with the application of the proportionality principle the requirement for IAIGs to avoid placing undue reliance on credit rating agencies and conduct their own due diligence should not be mandatory for immaterial exposures. M2E4-1-4: We are a little unclear what the IAIS intends by setting limits on the nature and total value of intra-group participations. In any case we suggest the text is aligned with other sections and reference is made to "limits or other requirements". M2E4-4-1: With respect to the requirement for the group-wide underwriting policy to specify aggregation limits we believe this would already be covered by the IAIG's risk appetite framework. We, therefore, believe the reference to a group-wide policy including "aggregation limits on particular types of risk' should be deleted. M2E4-4-1-1: It is unclear the meaning and rationale for requiring the group-wide underwriting policy to cover "process for setting approval authorities" for underwriting. M2E4-3: Global limits on asset classes cannot be set at the group level - it has to be done bottom up based on portfolio ALM requirements - it is however possible to set group standards for the type of investment policies that should be in place across the group. M2E4-3-1-1 should be redrafted to reflect this.	

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		M2E4-5: The claims management process is highly regulated at national level. Therefore, it is not practical to implement a group-wide claims management policy. In addition, see comments below on limits on the enforceability of implementation of group-wide policies. M2E4-5, M2E4-6, and M2E4-8: With respect to the group-wide claims management policy and liability valuation policy and actuarial policy a parent's ability to enforce group-wide policies/strategies is limited to where the parent undertaking has control over the activities of individual entities. This is something that needs to be recognized by supervisors when assessing an IAIG's compliance with this requirement. Full subordination under the parent's policies is not essential as long as group entities have policies in place that are in line with ComFrame requirements. M2E4-6-1: Given the need for local specificities to guide the methodology an insurer uses for calculating its gross insurance liabilities we believe there should not be a requirement for a single methodology to be decided/ detailed at the group level. The requirement should, therefore, be deleted from ComFrame draft. In addition, there seems to be some overlap between the requirements that relate to an insurers liability valuation policy and its actuarial policy. Also, insurers should be permitted to make use of or refer to manuals or documents made under other legal or regulatory requirements. M2E4-8-2: This parameter requires that the actuarial opinion includes consideration of non-insurance entities and non-regulated entities. These entities can be very different from insurance entities; therefore we find it hard to see how the actuarial function can add any value/fulfil this request. We, therefore, believe the requirement for the actuarial opinion to include consideration of non-insurance entities and non-regulated entities should be deleted	
International Actuarial	International	- M2E4-2-4-1;	

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Association (IAA)		In the event of insolvency or winding-up the IAIG management will no longer be in control and they may not have knowledge of what the real options or restrictions are (as they may not know how flexible the authority of the supervisor is in such situations, as these situations may be confidential for the applicable jurisdiction(s)). Will the second paragraph link to Module 3 on the supervisory need to have similar documentation/preapproval already in place? We see this requirement here as aiding the regulators to also plan ahead on what management/regulatory options they may need to mitigate and/or successfully manage insolvency. - M2E4-2-5-1; Not clear why this is specific to an IAIG. Should not this just be placed in an ICP? - M2E4-4-1-3; We think that this is a general statement that belongs in an ICP (if not already there) and should not need more stress in ComFrame. - M2E4-4-1-4; Note that some IAIG's have a policy to only write risks (or certain types of risks) that they can handle on a gross basis, so as to not be dependent on the reinsurance market and its potential volatility. - M2E4-5-2; We understand this parameter is fulfilled at a high general process level and not meant to presume to aggregate products and legal environments that differ significantly by jurisdiction. As such, the claim procedures, processes and data capture should reflect the particulars of the products and risks relative to the local environment as a top priority. - M2E4-7-1; The list in this parameter does not consider the possibility that local entities may be required to participate in certain reinsurance arrangements. The list should be adjusted to reflect this, perhaps in rewording the current fourth bullet in the list (which addresses locally entered into reinsurance cessions). This parameter does not address the need for a clear contractual description in such arrangements as to how recoveries are	

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		assigned to individual legal entities. Many group-wide contracts list multiple entities in the group as contributing to the contract's subject losses, with recoveries from the contract paid to one entity in group (as the group's "banker" for the contract), even if the subject losses that triggered the cede came from a different or multiple group entities. The agreements should specify how such recoveries are then allocated or assigned to individual group entities. - M2E4-8-2; The expression in the second line "whether certified or not" should be clarified. In the first bullet point, it would be useful to either define reliability and sufficiency, or to make use of actuarial standards for this purpose to be sure they are applied consistently. This will not be the same as local unit statutory sufficiency if only the central estimate is booked in the consolidated balance sheet (without any risk margins). We expect that the intent of this actuarial opinion, in a "clean" situation, is a "clean opinion", rather than an assessment/report on green, yellow, red conditions, but clarification would be appreciated. If this is the case, it will require specific clarity as to what is being certified to. As commented below regarding M2E4-8-2-1, providing such an actuarial opinion which includes consideration of non-insurance or non-regulated entities may require the actuary to rely on another expert. In addition, the term "opinion" could add "report, advice or review" to be consistent with our earlier suggestion. - M2E4-8-2-1; It would be useful to add a bullet in the list of examples dealing with "the reliances made by the actuary in utilizing the values provided of non-insurance entities". We suggest that actuarial standards could play a useful role in providing guidance on several of the issues listed. In the meantime, some specific questions that arise include: 1. Is the input of other opinions then used as a basis for an opinion that is a statement of reliance to the board, or is the opinion to the board a documentation of current procedures, shortcomings and plans for improvement? 2. Will this include a requirement to opine on the	

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		opinions/attestations of the other mentioned group functions & policies? 3. Or is this meant to be an opinion that has been prepared in compliance with an actuarial standard? 4. Lastly, how much would this be duplicated in the ORSA (or would the ORSA rely on ComFrame)? The fifth bullet point regarding "recent experience in comparison with assumptions and valuations" could be improved by mentioning back-testing of assumptions and model validation, assuming that is the intent of this point. The sixth bullet point regarding "uncertainty in current estimates by both insurance entities and the aggregated/consolidated group level" could use further clarification. Does this imply estimating distributions of possible outcomes when the data for this is available? Or simply a general discussion of the types of uncertainty that could affect results and assumptions? Or both? This is the kind of question that may be well suited to be addressed in an actuarial standard. - M2E4-8-2-2; Should this be part of the ERM/ORSA section rather than the Actuarial Policy section? Or is this relied on in the ORSA report?	
Financial Services Agency	Japan	The Title This element only talks about investment policy rather than ERM policies. Propose to change the title of this element. M2E4-1-1 Sentence in the 2nd bullet point changes to "the IAIG invests only in assets whose risks it can be properly assessed and managed." M2E4-1-3 This parameter is not consistent with M2E4-3-2-2. Propose changing M2E4-3-2-2 appropriately. M2E4-2-1 The meaning of "low-quality investment" is unclear. In terms of liquidity, credit or others?	

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		M2E4-4-1-2 This guideline is not only related to underwriting policy but also to other risk management aspects. Suggest moving it into general section. M2E4-6 This standard is about valuation rather than ERM. Suggest moving the standards into other appropriate sections.	
The General Insurance Association of Japan	Japan	(General comments) - As M2E4-1 through M2E4-3 are pertaining to investment risk, and M2E4-4 through M2E4-7 require establishment of a primary management structure regarding underwriting risk, two major categories of "Investment risk management" and "Underwriting risk management" should be created to align and summarize the items in M2E4-1 through M2E4-7. - On that basis, requirements for setting a policy or a strategy for each item should be eliminated. Moreover, the articles should be changed to require policies to be maintained respectively for investment risk and underwriting risk, and require these policies to contain explanation of those risks. - In addition, the title of this Element should be changed from "ERM Policies" to "Policies and guidelines for individual risk categories, etc." in accordance with the comment above. - Requirements regarding group-wide policies should focus on how to make the IAIG control its business entities at the group level to prevent them from taking excessive risks. Therefore, the parts regarding investment and underwriting should be comprised mainly by high level and general articles related to risk tolerance limits and management structures. On the other hand, as for claims management and actuarial issues, it is important to create policies conforming to individual jurisdictional legal systems and market practices, and it is unreasonable to set requirements other than those related to management structures. - As for the issues paper on governance structures that is being drafted in the Governance and Compliance Sub-Committee, discussions are being carried out with the intention of making it neutral and recommending neither a centralized nor decentralized structure. Requirements for establishment of individual policies in the ComFrame should be set in accordance with the above	

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		perspective. (M2E4-1) - Since investment environments vary according to each entity, it is effective to limit the scope of the group-wide investment policy to items regarding the establishment of a structure through which the IAIG can confirm the extent of investment risks it can take as well as the appropriateness of such risk taking. (M2E4-2-3) - Since asset liquidity of insurance companies within each jurisdiction should respectively be examined taking into account their reinsurance policy, insurance contract portfolio, or major hazards and governmental involvement, etc., it is difficult to create a uniform standard for the IAIG. (M2E4-4-1-1), (M2E4-4-1-2) - Since underwriting policies should conform to each jurisdiction's legal system and business characteristics, it is difficult to create a uniform group-wide underwriting policy at the group level that goes into day-to-day and risk-by-risk underwriting procedures of group entities. Therefore, it is sufficient for IAIGs to determine their group-wide risk appetite and risk tolerance through their group ERM frameworks as stated in M2E3-1-1. (M2E4-5-2) - Since criteria for damage assessment and claims processing need to be consistent with each jurisdiction's legal system and the nature of each entity's products, it is difficult to create a uniform group-wide claims management policy at the group level that goes into day-to-day and claim-by-claim handling procedures. (M2E4-6-1), (M2E4-6-1-1) - Since liability valuation methods vary significantly by IAIG depending on the size of the entities within the group and their jurisdictions, it is impracticable to stipulate detailed rules and standards for liability valuation policies. The standards should be limited to principle-based ones providing a general concept. (M2E4-7-1), (M2E4-7-1-2)	

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		- Since assumed reinsurance should be managed under policies covering other primary insurances, it should be made clear that the group-wide reinsurance strategy is only related to ceded reinsurance, as in ICP 13. (M2E4-8) - If group-wide actuarial policies and group-wide insurance liability valuation methods are established separately, inconsistency between the two may arise. Hence, we suppose it would be better to incorporate insurance liability valuation methods into actuarial policies. If the group-wide actuarial policy described in the draft is meant to be part of risk management and different from insurance liability valuation methods for financial accounting, it should be clearly explained in this standard regarding the group-wide actuarial policy. (M2E4-8-1), (M2E4-8-1-1) - As for approaches, models and assumptions regarding calculation of technical provisions, it is necessary to set them up according to the nature of insurance products and jurisdictions. As assessment of these factors is being done by each entity's actuarial function, it is inefficient for the group-wide actuarial function to conduct similar assessment. Therefore, we believe it is sufficient for the group-wide actuarial function to confirm whether each entity's actuarial function properly conducts the assessment. (M2E4-8-1-2) - Matters that the IAIG's group-wide actuarial function should become aware of should be limited to those related to actuarial issues. (M2E4-8-2), (M2E4-8-2-2) - As actuaries are experts mainly in actuarial issues, given the purposes of an actuarial function described in M2E2-11, it may not be appropriate for actuaries to conduct assessments on entities such as "non-insurance entities and non-regulated entities". Therefore, "consideration of non-insurance entities and non-regulated entities" should be kept outside the scope of actuarial opinion. In addition, overlapping between some of the items covered by actuarial opinion and the contents of ORSA described	

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		in M2E3-4 should be eliminated. We suggest replacing Group-wide actuarial "opinion" with "assessment", and moving the relevant description to a Guideline as an illustration. (M2E4-8-2-1) - Although "the assumptions used by all of the insurance entities in the group and the consolidation/aggregation method" is mentioned in this Guideline as an example to be addressed in the group-wide actuarial opinion, if the actuarial opinion describes items of individual insurance entities, the contents of the opinion could be inappropriate for the IAIG's Governing Body to recognize. Therefore, the Guideline should mainly deal with group-wide matters, rather than issues on an entity by entity basis.	
The Life Insurance Association of Japan	Japan	M2E4: It is important to take into account the nature, scale and complexity of the IAIG in applying ComFrame based on 'Proportionality' as stated in the Introductory Remarks. In particular, in order to ensure that each entity's commitment to the group-wide policy and framework, it should be noted that considerable negotiations or consultations will be needed depending on the extent of control by Head of the IAIG (e.g. ownership ratio) in addition to the need to take into account each jurisdiction's legislations, market environments, business models and the diversification of products. For this reason, materiality and effectiveness should be focused in applying ComFrame requirements, and those requirements should be achievable within reasonable costs and timeframe. To be specific, with regard to the entities that may have less influence over the IAIG, or the entities controlled by Head of the IAIG to lower extent, provided that each entity has its own policy and framework in place, we think it would be more feasible to allow Head of the IAIG to 'confirm' the situation of each entity, rather than applying the group-wide policy and framework to each. M2E4-1-4: This Parameter states that 'limits on intra-group participations' are established in the group-wide investment policy. We would like to confirm that this parameter means that when an entity obtains control over investee or obtains larger participations which could	

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		give it significant influence over the investee through intra-group participations, liquidity of the assets may lack or IAIG may need to take into account of reputational risk and contagion risk, and therefore, IAIG should set out guideline in this regards. M2E4-6-1-1: We would like to confirm the intention of following sentences ; 'The group-wide insurance liability valuation policy should focus on group-wide reporting requirements for both internal management purposes and for reporting and disclosure purposes.' For example, provided the intention of sentences is that although there may be differences in the valuation policy at entity level due to compliance with requirements in each jurisdiction, IAIG needs another uniformed valuation policy at group level, we believe that this requirement might impose significant burden on IAIGs. M2E4-8-2: In this Parameter, it is stated that "The actuarial opinion includes consideration of non-insurance entities and non-regulated entities.' However, these entities do not necessarily address actuarial matters and therefore, actuaries do not necessarily have to provide their opinion. Accordingly, we believe that 'includes' in this Parameter should be replaced by 'may include'.	
Komisja Nadzoru Finansowego - KNF (Polish Financial Supervisory Authority)	Poland	Standards: M2E4-4 (Requirement to establish a group-wide underwriting policy) and M2E4-5 (Requirement to establish a claims management policy) may be misunderstood. It may be interpreted that by establishing these policies, underwriting and claims management approaches need to be similar among all group entities. In practice very often it does not happen due to the diversity of the markets in which different group entities operate. This should be clarified.	
Great Eastern Holdings Ltd	Singapore	Parameter M2E4-4 and M2E4-5 Is there a need for IAIG to have specific standalone policies for underwriting and claims management? Can this be consolidated into a single policy? This is due to the group policies for some IAIGs are owned by group functional departments, and the functional department is Group Operations which oversees new business, customer service and claims, then Group Operations might decide to issue a single policy (combination of underwriting	

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		and claims management) for ease of maintenance and administration.	
Monetary Authority of Singapore	Singapore	Standard M2E4-1: We propose to add the sentence: "This methodology should be independently reviewed on a regular basis." to Guideline M2E4-1-3-1. Suggest to amend the last bullet point in Guideline M2E4-1-4-1 to "potential impact on capital resources", to be consistent with the terminology used in the Capital Adequacy section. " Standard M2E4-3: We propose to add the sentence "This methodology should be independently reviewed on a regular basis." to Guideline M2E4-3-2-2. Standard M2E4-8: In relation to Parameter M2E4-8-1, we propose that the actuarial policy should also set out procedures for assessing the group's solvency/financial position. This is to align with Guideline M2E4-8-1-2.	
Association of British Insurers (ABI)	United Kingdom	Some drafting in relation to investments appears to go beyond the concept of the Prudent Person Principle established in the Solvency II Directive, which we consider a strong provision. For example, M2E4-2-5-1 implies that IAIGs would be prevented from investing in certain assets depending on the situation. IAIGs should be allowed freedom of investment; if they are able to "identify, measure, monitor, manage and report" the risks to which they are exposed (and hold appropriate levels of capital against them), then arbitrary and selective restrictions such as those described in M2E4-2-5-1 are not necessary. M2E4-1-4 risks being mistaken for supervisory intervention in mandating how IAIGs should be structured. As per our comment in response to M2E1, this is not desirable and should be avoided.	
American Council of Life Insurers	United States	M2E4-1 & M2E4-2: An organization's approach to ERM should be appropriate to its nature, scale and complexity. Just as importantly, the discipline of ERM is at an evolutionary phase. By prescribing	

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		certain ERM policies, ComFrame risks being or becoming inconsistent with evolving industry best practices. ComFrame should be principles-based to assure that companies can design an ERM framework that is appropriate for their organization and is responsive to future developments. Parameter M2E4-2-5 could be rephrased to use the defined term "asset concentration risk:" "The group-wide investment policy sets limits or other requirements so that assets are properly diversified and asset concentration risk is mitigated." Standard M2E4-6: An insurance liability valuation policy is usually a subset of a broader accounting policy which in turn is set by national accounting boards, not the IAIGs. So should a similar standard be directed towards supervisors? In our view splitting the "group wide insurance liability valuation policy" in Parameter M2E4-6-1 from the group-wide actuarial policy in Standard M2E4-8 is unnecessary and creates some confusion. It would be better to place group-wide valuation policy within the group-wide actuarial policy. Standard M2E4-8: We note that the International Association of Actuaries (IAA) strongly recommended against this language. The IAA was concerned about actuaries delivering opinions such as those required in this Standard. We believe that the IAA concerns are justified. Parameter M2E4-8-2: Our members are unclear what a "forward looking [actuarial] opinion" is and about what the term "reliability" mean in this context. This may impose a difficult standard for actuaries to meet. It may be useful to consider replacing the word "opinion" with the word "report." Using the word "report" will also ease concerns about interpreting the phrase "consideration of ... non-regulated entities. Guideline M2E4-8-2-2: We believe that it is inappropriate to define exactly the role of the actuarial function because each IAIG may choose to set up a different structure. For example, product development and pricing activities may be part of the risk function	

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		rather than the actuarial function, or the actuarial function may include capital management. The role of the Actuarial Function should be based on ICP 8.5.5 (Main activities of the actuarial function).	
American Insurance Association	United States of America	(Please note that our comments to M2E3 and M2E4 have been combined here.) Elements 3 and 4 of Module 2 outline an IAIG's critical enterprise risk management functions and policies. AIA believes that these provisions may be the most essential to ComFrame, as they underscore an IAIG's ability to manage all relevant and material risks that impact the group and each legal entity within that group, as well as form the basis for the development and use of internal economic capital models. For supervisors, evaluating an IAIG's enterprise risk management structure constitutes a core qualitative assessment aspect of group-wide supervision. To the extent that these elements of the ComFrame Draft have evolved to allow the IAIG flexibility to manage its risks, the Draft reflects an improvement over prior versions. However, there are a number of remaining concerns with the level of specific detail contained in some provisions of Elements 3 and 4. First, AIA respectfully recommends that the IAIS combine Elements 3 and 4 into a single set of standards that outlines an IAIG's ERM structure and sets forth the relevant implementing policy. In many respects, having two separate elements can be repetitive and lead to confusion. Streamlining the treatment of ERM will create regulatory efficiency without undercutting the importance of this function. Moreover, doing so would not be inconsistent with any of the cornerstones of ComFrame. Consistent with this recommended consolidation, we note that Element 4 does not require the development of an Asset-Liability Management Policy that reflects both the nature of the assets and liabilities and jurisdictional requirements that may be imposed on the IAIG (partially captured in Investment Policy). In addition, Element 4 does not require a Hedge Risk Management or Derivatives Policy for the management of hedging activities of the IAIG.	

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		Second, Elements 3 and 4 of the Draft place a disproportionate emphasis on reinsurance. While reinsurance is clearly an important tool used by insurance companies to manage risk, it is only one tool for risk management. Creating a singular emphasis on reinsurance runs the risk of creating an un-level playing field across various forms of risk management spanning risk mitigation, reinsurance, hedging, and other forms of risk transfer. Instead of a continual reference to reinsurance in the main parameters and guidelines of Elements 3 and 4, ComFrame should adopt a neutral approach to the form of risk management and instead emphasize the need to manage risk on both a gross and net basis (net of all forms of risk transfer). While AIA recognizes the regulatory merits of a consistent approach to reinsurance as outlined under M2E4-7, these standards should be addressed in a Reinsurance Risk Management Policy and not by a series of cross-references to other sections of the Module. Third, it is important to take into account the nature, scale and complexity of the IAIG in applying ComFrame's ERM standards, based on the proportionality cornerstone. In particular, in order to ensure each entity's commitment to the group-wide policy and framework, it should be noted that considerable negotiations or consultations will be needed depending on the extent of control by the Head of the IAIG (e.g. ownership ratio) in addition to the need to take into account each jurisdiction's laws and regulations, market environment, business models and product diversification. For this reason, materiality and effectiveness should be the focus in applying ComFrame requirements, and those requirements should be achievable within reasonable costs and timeframe. Therefore, AIA respectfully suggests that it would be more feasible to permit the Head of the IAIG to 'confirm' the situation of each entity, rather than applying the group-wide ERM policy and framework to each. ComFrame Standard M2E3-3: While AIA is generally supportive of Guideline M2E3-3-3-1, the final sentence of this guideline is inconsistent with the key principle of proportionality and is over prescriptive. Specifically, while an economic capital model is a critical input in management decision-	

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		making, we do not believe that ComFrame should require that "[t]he economic capital model [be] used to drive or validate major management decisions..." Such a requirement runs the risk of effectively negating or diminishing other views of risk and return - perspectives that Parameter M2E3-3-4 correctly incorporates. For purposes of consistency, AIA requests that this sentence be removed from the guideline. ComFrame Standard M2E4-1: This standard requires the IAIG to have a group-wide investment policy. The standard includes a guideline (M2E4-1-1-2) encouraging liability matching. While the guideline indicates that "strict one for one asset to liability matching" is not required, AIA requests that the IAIS consider whether such a guideline unduly limits an IAIG's flexibility in managing its investments. ComFrame Standard M2E4-2: This standard, governing the quality of an IAIG's investments pursuant to its policy, requires the IAIG to "document any specific legislative restrictions" governing the transfer of capital across jurisdictional borders, any "additional [legislative] restrictions" that would apply in the case of liquidation or insolvency, and any procedures or actions that must be taken for "the cross-border transfer of capital and assets in normal and stressed times" (Guideline M2E4-2-4-1). It is unclear, however, what constitutes documentation and who can function in this role. Equally important, as discussed more fully in the context of the propriety of applying policy measures designed to deal with systemic risk to IAIGs, it would be difficult (if not impossible) to prescribe procedures governing cross-border transfers in times of stress. As a result, AIA respectfully requests that the IAIS reconsider this standard and instead perhaps allow the IAIG to certify that it has knowledge of, and complies with, any jurisdictional limitations on cross-border transfer. If the IAIS is not willing to shift to a certification, the standard should require no more than a statement of applicable laws that affect cross-border transfers of assets by insurers. ComFrame Standard M2E4-5:	

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		This standard relates to the establishment of a group-wide claims management policy in order to address reputational risk. The interaction of policy implementation in this area with the uniquely local jurisdictional requirements for claims handling raises the likelihood that overly-detailed claims management standards will conflict or be inconsistent with those local requirements. As a result, AIA would recommend that the IAIS review this standard to ensure that it reflects high-level principles that will not conflict with local laws or court decisions. ComFrame Standard M2E4-6: Guideline M2E4-6-1-1 states: "The group-wide insurance liability valuation policy should focus on group-wide reporting requirements for both internal management purposes and for reporting and disclosure purposes." To the extent this sentence can be interpreted to require an IAIG to produce an additional group-wide uniform valuation policy due to differences in local jurisdiction valuation policies, production of such a policy would impose an onerous new reporting requirement for IAIGs. If this is the case, AIA recommends that this guideline be deleted. ComFrame Standard M2E4-8: This standard requires the IAIG to maintain a group-wide actuarial policy. As AIA has noted with respect to interim versions of ComFrame, insurance groups can differ as to whether an actuarial opinion is prepared on a group-wide basis or at the legal entity level. As a result, even establishing a group-wide standard for this function may be problematic. Indeed, to the extent that preparation of an actuarial opinion can be characterized as a core underlying process within an insurance company, rather an enterprise risk management function, Standard M2E4-8 may not be germane. ERM has its own responsibilities for evaluating the adequacies of technical provisions both in the development of the economic capital model and in providing a second or third opinion on the company's actuarial policies. Assuming that the IAIS retains this standard, AIA respectfully notes	

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		additional concerns with the current Draft. While one of the guidelines (Guideline M2E4-8-2-1) allows the IAIG to use the individual insurance entity reports as "input" to the annual group-wide actuarial opinion, the overarching standard supersedes the guidance, and may undermine the operational structure cornerstone. In addition, AIA notes that most of the suggestions by the International Association of Actuaries were not adopted in the ComFrame Draft. We would encourage the IAIS to reconsider those suggestions and incorporate them into the Draft. Parameter M2E4-8-2 also provides that the actuarial opinion must be "forward looking." AIA is concerned that the scope of this parameter may be inconsistent with current practice. Indeed, use of the term "opinion" may prove difficult in jurisdictions where that word is a term of art. Given the breadth and scope of the standard, AIA would recommend that the IAIS use the term "assessment" in order to provide maximum flexibility for IAIGs to meet this standard and comply with local requirements.	
National Association of Mutual Insurance Companies	United States of America	ASSET-LIABILITYMATCHING. Property/casualty insurers do not generally apply the principles of asset-liability matching in the same manner that life insurance companies apply them. The future benefit model of life insurance lends itself to the concept of investing in assets that will support the future payments owed to beneficiaries. Premiums paid under the life insurance policy do not alone support the future beneficiary payments. Investment income supplements these premiums. Under a property/casualty model insurance policy premiums based on loss experience are intended to cover claim liabilities. Language encouraging asset-liability matching does not address the differences between the two models and will disproportionately impact property/casualty companies. ACTUARIAL OPINION. In the U.S. actuarial "opinions" are required to meet certain parameters and are not generally issued on a group-wide basis. Significantly these "opinions" do not address the non-insurance operations within the enterprise. U.S. actuaries are	

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		ethically required to opine only on matters in which they have expertise. This requires that casualty actuaries issue opinions on casualty reserves and life actuaries issue opinions on life reserves. The non-insurance operations of a group are not within the expertise of insurance actuaries. We strongly urge the revision of the language to refer to actuarial "reports" instead of "opinions."	
Property Casualty Insurers Association of America (PCI)	United States of America	M2E4-1 through M2E4-3: As with ORSA, while it is feasible to have oversight and assimilation of investment activities at the IAIG level if the IAIG choses to do so, there is no way to impose the investment rules and limitations found in ComFrame on an IAIG and its subsidiary insurance companies. All of those legal entities are subject to a wide variety of such investment laws and regulations in their domestic jurisdictions, which vary widely in their approach, depth and flexibility based on the particular jurisdiction's approach and views. M2E4-1-3: The language should be clarified to provide that an IAIG can "conduct its own due diligence" with regard to investments on a decentralized basis. M2E4-2: Large IAIGs will be unable to comply with the proposed requirement that the IAIG "should document" any specific legislative restrictions that apply to transfer of capital and assets from one jurisdiction to another" and what, if any, additional restrictions apply in case of insolvency/wind-up. This is likely to be an enormously detailed document of no use to supervisors or IAIGs in their ordinary operation. M2E4-4 (Group-Wide Underwriting Policy), M2E4-5 (Group-Wide Claims Management Policy) and M2E4-7 (Group-Wide Reinsurance and Risk Transfer Strategy): IAIGs will typically have a variety of different insurance sub-groups or underwriting platforms (travel accident vs. financial guaranty, life vs. property, insurance vs. reinsurance, treaty reinsurance vs. facultative reinsurance), each with different risk appetites, underwriting mentalities, approaches to claims handling and reinsurance needs. Nothing good for the IAIG or its member companies will come from attending to the obsessive need by an IAIS regulator to have a single version of an underwriting, claims management and	

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		reinsurance policy applicable without distinction to every company and business unit in the group. Imposing these single policy requirements for the group will often be unsound, unworkable and unwise. IAIGs should have a choice if they want to pursue a single policy or ensure that each sub-group has a policy addressing these topics, without prescription for what they should require. M2E4-5: The requirement of a group-wide claims management policy in particular is unnecessary and unduly prescriptive. Many groups manage claims at the insurance legal entity level, and we see no reason to require claims management to be performed at the group level as long as the individual insurers in the group are doing so in accordance with the legal requirements that apply to them. M2E4-6-1-1: We appreciate the recognition that "the group-wide insurance liability valuation policy should focus on group-wide reporting requirements." We oppose any application of this requirement to individual legal entities, as long as they are in compliance with the legal and accounting standards that apply to them. M2E4-8-2: We strongly oppose the requirement of a forward-looking group-wide actuarial opinion. "Actuarial opinion" is a term of art in the U.S., and asking an actuary to "opine" on a "forward-looking" basis implies a level of precision we believe will be unattainable. This requirement could call into question whether an IAIG's chief risk officer could be a non-actuary. As long as an IAIG's individual insurance legal entities comply with their own jurisdictions' actuarial opinion requirements, Standard M2E4-8 should be satisfied.	
ACE Group	USA	M2E4-6-1 The language regarding the valuation methodology appears to suggest an approach which involves the design of the reinsurance program which is current/prospective. This is not feasible nor relevant for older reserve cohorts and the parameter should simply state that a methodology is required.	

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Association of Financial Guaranty Insurers	USA	Please refer to comments above on Module 2, Element 3.	
CNA	USA	While reviewing the proposed guidance for the group ERM policy we noted significant reference to legal entity activities even though ComFrame is intended to be a group level regulatory framework. To alleviate any concerns that ComFrame is encroaching into jurisdictional legal entity insurance regulation we suggest reference to legal entities be removed from Module 2, Element 4. Standard M2E4-8 requires a group actuarial opinion which seems redundant and unnecessary in light of the jurisdictional legal entity actuarial requirements currently in place. Additionally, in many jurisdictions requiring a non-life actuary to opine on such matters as forward looking assessments, appropriateness of investment policies and reasonableness of non-insurance operations is beyond professional standards and expertise. While we believe that any sound risk management program should take these items into consideration, we do not believe the group actuary is the appropriate individual to be reporting the board on such matters in all cases. In many instances, we would view that this would be the responsibility of the Chief Risk Officer. To clarify this distinction, we suggest that the group actuarial opinion be eliminated and replaced by guidelines that do not specify an individual responsible for such functions. Alternatively, the guidelines could note simply that the desired activities be performed by a qualified professional, without prescribing which control function is responsible for each activity. Parameter M2E4-8-2 calls for a group actuarial opinion that, among other things, is forward looking and includes consideration of non-insurance entities and non-regulated entities. This represents a significant departure from the standards under which U.S. non-life actuaries operate today. Currently, opining actuaries render an opinion on the reserve position as of a specific point in time, and this review does not encompass non-insurance or non-regulated entities. To expand the scope of the actuarial opinion to encompass these additional considerations would require a rework of existing actuarial guidelines, which while feasible, is unnecessary as this type of analysis is being completed by the	

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		Chief Risk Officer as part of an insurance group's enterprise risk management system. We believe requiring a group-wide actuary to opine on such matters is overly prescriptive and we would encourage the IAIS to stay true to the outcomes focused approach of ComFrame by allowing flexibility where within an IAIG such activities are performed.	
Institute of International Finance - IIF	USA	Module 2, Element 3 and 4 IIF members acknowledge the recognition of Enterprise Risk Management (ERM) as a key element in ComFrame. The ERM related elements M2E3 and M2E4 in ComFrame must, however, remain principles based and should not be prescriptive. The current ComFrame draft is still too prescriptive. This could also impede the ability to take future sound ERM practices into considerations. As an example, the current ComFrame draft provides many details on the potential structure, operating objectives and policies (e.g. underwriting, claims and investment policies) of an IAIG and its risk-related functions (e.g. risk management, actuarial, internal audit and compliance) and other key business functions. These functions need to be sufficiently flexible to recognize different operating models in the re-/insurance business. ComFrame introduces in M2E3 'group risk' as a distinct risk category that should be measured and included within the own risk and solvency assessment (ORSA). IIF members share the view that group factors can influence other key risks and that they should be assessed accordingly. The influence of such factors on established risk categories will be assessed as part of ERM. Therefore, the Institute would recommend the removal of 'group risk' as a separate risk type.	
Liberty Mutual Group	USA	As noted in previous comments, it is unnecessary for this Element to direct an IAIG to have a "group wide investment policy" that "applies to the whole portfolio of investments of the IAIG," or to have a "group wide underwriting policy," a "group wide claims management policy," or a "group wide actuarial policy" and to prescribe the manner in which these policies should be implemented. Any such group-wide policy is likely to be cursory, generic, and add little value to the management or supervision of an IAIG. More	

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		flexibility should be given to IAIGs in these areas to permit development of more robust policies by individual operating entities that take into consideration factors such as local market conditions and regulations. This would facilitate, for example, the ability of local management to introduce new products and evaluate their own local exposure limits. As another example, it is impractical to raise claims management issues beyond the legal entity level, unless and until there is an issue which is material to the group.	
NAIC	USA	What is most important about IAIGs is that supervisors understand and agree upon the major risks faced by the IAIG and to know what the IAIG is doing to mitigate or address those risks. It is important to remember this and understand that establishing and maintaining various ERM policies have their limits. For example, M2E4-1 states, "The supervisor requires the insurer to invest only in assets whose risks it can properly assess and manage." Although this is a concept with which most will not disagree, it is important to understand the limitations of such requirements. The fact is, every insurer in the world will incur losses on its investments and in many cases, a portion of those losses will exceed what was expected. The same can be said of underwriting, valuation of insurance liabilities (since virtually every estimate of such can be proven to be wrong), reinsurance strategy (since losses will be incurred on some reinsurance agreements) and actuarial policies. Therefore it's important for supervisors to focus on those areas where they see more material exceptions. Requiring these specific policies will do nothing to change these unmitigated risks, however it may provide guidance for IAIGs for knowing what supervisors may be considering when they try and understand and agree upon the major risks faced by the IAIG. Capital from a U.S. legal entity insurer cannot be used to support another entity within the group without required prior approvals from the legal entity supervisor. Therefore it is important that the legal entity supervisor's traditional powers over his/her company, which serve to protect policyholders in his/her jurisdiction, are not circumvented. This is something IAIGs and supervisor need to take into account when considering the transferability of assets between jurisdictions and the fungibility of capital.	

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		Parameter M2E4-8-2 requires an "annual actuarial opinion"; the accompanying guideline says this can use "underlying actuarial reports". Material under M2E2-11 includes the actuarial function providing an overview, advice and opinion. There needs to be clarification on the distinctions and relationships between the various opinions, reports, overviews and advice in these two different standards so as to avoid overlap and to provide better understanding of expectations. It is important that any such expectations in ComFrame do not require actuaries to report/opine/advice/etc. on things which go beyond the scope of their professional standards of practice.	
Northwestern Mutual	USA	As ComFrame moves into the Field Testing phase, the application of the ERM-related portions of ComFrame will be an important area of focus. As a non-IAIG Observer, we urge that the IAIS keep certain concepts in mind and show the flexibility to modify ComFrame accordingly: First, ComFrame must avoid prescriptiveness. ERM must, as acknowledged in the US ORSA model law and guidance manual, reflect the nature, scale, and complexity of the organization. Additionally, the discipline of ERM is in an evolutionary phase. Accordingly, guidance in ComFrame should be principles-based to assure that IAIGs can design an ERM framework that is appropriate for their organization and is responsive to future developments. Second, ComFrame must not lose sight of the legal entity. Local regulators have legislative mandates to protect the policyholders of those legal entities. While ComFrame attempts to increase supervisory oversight at the group level, this cannot be done at the expense of the ability of the local regulator to carry out its mandate at the legal entity level. ERM, whether centralized or decentralized, should identify and manage risks not just at the group level, but also at the legal entity level. The language within ComFrame should acknowledge this necessity. Third, ComFrame must provide a workable process to assure the protection of the confidentiality of company information. This is particularly so as related to ERM, given the proprietary and	

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		forward-looking nature of company ERM information. We support the recommendations made by the American Council of Life Insurers to assure the confidentiality of information shared in the context of ComFrame.	
Prudential Financial, Inc.	USA	M2E4-8-2: The group-wide actuarial policy, as outlined in ComFrame, is overly prescriptive and should not require an annual actuarial opinion to be provided to an IAIG's governing body. Especially, in regards to the opinion's consideration of non-insurance and/or non-regulated entities. In most cases, such entities are not within the scope of an actuary's professional expertise and responsibility. Such an expectation could well place an actuary in breach of their statutory and governance responsibilities. In addition, the use of the phrase "actuarial opinion" has significant professional meaning regardless of whether or not the opinion is certified. The IAIS should consider re-phrasing this to "actuarial guidance."	
CRO Forum - CRO Council - CFO Forum	Worldwide	The Forums welcome the IAIS efforts to recognize ERM as a key element in ComFrame. Elements of ComFrame related to ERM (M2E3 and E4) must remain principles based (and not prescriptive) and address the Group level (and not legal entities). The current ComFrame draft still goes too far in prescribing elements which will undermine the flexibility to accommodate new best practices that will evolve in ERM. For example, ComFrame provides considerable details as to how IAIGs might structure and set operating objectives and policies for their various risk-related functions (e.g. actuarial, internal audit, compliance and risk management) and other key business functions. These functions need to be sufficiently flexible to recognize the effectiveness of different operating models. There also exists overlap between the functions and potentially with the various lines of defence. Therefore, the guideline M2E2-8-2-1 that prevents the combining of control key will create substantial issues in practice and therefore this guideline should be removed or amended. Finally, M2E3-1 references the need to provide reports on ERM Framework at both solo entity and group level. We believe this is inconsistent with other processes (e.g. investments, reinsurance) referenced by ComFrame which should be reported at the Group level and avoid duplicative reporting requirements. We	

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		propose that the language on ERM reporting refer solely to Group requirement. As currently drafted the framework introduces "group risk" as a key risk category that should be measured and included within the ORSA. Whilst we agree that factors considered as group risks can influence other key risk categories and that this influence should be understood and assessed. The effects of such factors will be captured through ERM in the measurement of the established key risk categories, and therefore it is misleading to refer to group risk as a risk category in its own right. In addition some of the factors noted as key group risks will also be relevant for solo entities, and are not specific to groups. Any consideration of a framework for measurement of balance sheet valuation and solvency capital requirements needs to recognize the long-term nature of insurance business. Care needs to be taken to assess the degree of short term volatility that might be introduced by different approaches.	
Comments on Module 2 Element 5 Capital adequacy assessment. Please provide comments on this Element in the context of the future development of a global quantitative capital standard.			
Association of Bermuda Insurers and Reinsurers	Bermuda	ABIR understands the IAIS and the Financial Stability Board's interest in developing a global insurance group capital standard and we note that the Bermuda Monetary Authority (BMA) already has in place a group risk based capital standard for the insurers which it supervises as a group supervisor. In the development of a group capital assessment for an IAIG, we would support a simple, minimum, base-line risk based capital measurement that can provide an illustration of a group's regulatory capital needs, affords a basis of comparison amongst international groups and focuses on a minimum or floor capital requirement that if breached would be the basis for regulatory action. Group capital requirements are an assessment of capital held by the insurance group and should not be used to compel that the group hold all or part of group capital at an ultimate parent or designated insurer level; rather it is a measure of capital held in the current group structure and does not imply a reallocation or repositioning of regulatory capital. Requirements should not be imposed on the control of capital in excess of the regulatory requirements. Group capital measurements need to respect	

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		existing jurisdictional legal entity regulatory requirements and existing group affiliate contracts, parental guarantees or other such measures that continue to guide capital flows and support within the group. ABIR would not support development of an additional capital standard that requires capital in addition to the existing group capital requirements such as those posed by the BMA. Duplicative or redundant group capital standards would be inefficient and counterproductive to the functioning of consumer insurance markets. Any new ICS would have to be instituted via jurisdictional law. At such time the interplay of the ICS with existing group capital requirements would have to be assessed and understood; and then could likely lead to amendments in the existing jurisdictional capital standards. ABIR notes that the lack of an agreed public accounting model by the FASB and the IASB for insurance accounting complicates regulatory accounting and thus complicates the development of a group capital measure since different accounting systems are currently in use. Until such time as an agreed public accounting model is instituted, regulations should respect the use of the public accounting models most widely in use and regulatory prudential deviations from those models should be sparingly created. For the ICS project, supervisors should be cautious in taking actions that compel creation of substantially modified insurance accounting. The application, scope and regulatory intervention of a group capital ICS should be well defined, universally understood and transparent. The focus on the level of capital must be one that looks to sufficiency to run off policyholder obligations and not a "going concern" model since the role of the regulator is to honor the contractual obligations to the policyholders. Additionally, any group capital ICS that is created should not negate the impact of regulatory approved economic capital models for the calculation of group capital in jurisdictions where models are allowed. M2E5 discusses relative terms such as "core capital" and "qualifying capital resources" and "capital benchmark" but in the	

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		absence of these terms being universally understood or defined in the glossary, it is difficult to understand how these terms apply across existing jurisdictional capital requirements. This module should contain principles for capital adequacy assessment and not be prescriptive as is currently presented. The principles should define outcomes relating to capital adequacy and what an assessment of capital adequacy should demonstrate to the regulator. Whilst the particulars of core capital is yet to be defined, ABIR also expresses concern with respect to M2E5-7-7 which proposes that reinsurance will only be regarded as qualifying core capital for the IAIG to the extent that collateral has been posted to cover the liabilities given the current global consideration and work to reduce collateral requirements based on financial strength of the group and other determinants. There is evidence that regulatory requirements for reinsurance collateral, particularly when applied in discriminatory fashion, act as barriers to the activities of those engaged in the transaction of reinsurance internationally and can therefore be construed as protectionist measures which run counter to prudential goals.	
Canadian Life & Health Insurance Association Inc.	Canada	Assessment of capital adequacy (M2E5-1) - Standard M2E5-1: The term "capital benchmark" should be defined. Total balance sheet approach (M2E5-2) - The treatment of non-life regulated subsidiaries is confusing. Guideline M2E5-2-1-2 implies that non-insurance FI's should be aggregated. Guideline M2E5-2-1-3 page 66, 3rd bullet implies that non-insurance FI's should be excluded, as does Parameter M2E5-9-2 (referring to non-insurance FI subject to risk-based capital requirements). - Guideline M2E5-2-1-2, page 66, bullet 4: We disagree that non-regulated entities that are not material could be excluded from assessments because "materiality" may be affected by economic	

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		conditions. Assessments of groups should be comprehensive and cover all entities. - Guideline M2E5-2-1-4: If the "valuation basis" means "actuarial reserving", this Guideline implies that "group" reserving would overwrite the valuation basis for entities and yet entities need to comply with local regulations. If the "valuation basis" means a similar valuation of risks by IAIG, this should be clarified. Determination of potential qualifying capital resources (M2E5-3) - Guideline M2E5-3-1-1: "Capital resources should be assessed on the basis of the valuation methodology used". It is not clear whether the term "valuation" is used in an actuarial sense or risk sense, and therefore what the sentence means. Classification into core capital and additional capital (M2E5-4) - Guideline M2E5-4-1, page 69: Components of equity qualifying as "capital" should be identified only upon the completion of the construction of the balance sheet that is to be used for solvency purposes is completed. It should also be consistent with the economics of insurance business. For example, unrealized gains and losses on fixed income instruments may need to be excluded as insurers focus on cash flows and have latitude to execute market transactions when opportune. Ability of financial instruments to absorb losses (M2E5-5) - Parameter M2E5-5-8 and Guideline M2E5-5-8-1: Local supervisors should have authority to approve redemptions of local capital without requiring approval by the "relevant" supervisor. It is unclear who the "relevant supervisor" is ("group" or other). - Parameter M2E5-5-13: We support this Parameter, noting that this would in principle allow for the inclusion of senior debt in capital resources (i.e. not just subordinated debentures). - While the Guideline M2E5-5-4-1 uses two alternative features qualifying debt as additional capital (ability to suspend distributions	

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		or the amortization within 5 years of maturity), the Parameter M2E5-5-16 emphasizes only the ability to suspend distribution without mentioning the alternative. This would disqualify traditional subordinated debentures offered in North America as well as long-term senior debt Exclusions from Qualifying Capital Resources (M2E5-7) - As discussed in-depth in the main body of this submission, we urge the IAIS to appropriately distinguish the insurance business model from the banking business model in setting policy on capital resources. As a result of the many unique aspects of the insurance business model, deferred tax assets and intangibles will have significant realizable value to an insurer, even under stress conditions. Limits pertaining to Qualifying Capital Resources (M2E5-8) - Parameter M2E5-8-1: Capital ratios targets should only apply on a total-capital basis. Key group-wide factors (M2E5-9) - Parameter M2E5-9-4 and Guideline M2E5-9-4-1: Fungibility and transferability are liquidity not capital issues. They are relevant for contingency planning but not for capital adequacy. Key risk categories including dependencies and inter-relationships (M2E5-11) - Guideline M2E5-11-3-1: We welcome the recognition that "capital may not always be the best way to deal with this [liquidity] risk". Group capital benchmark using scenario-based approach (M2E5-12) - Guideline M2E5-12-5-1 or M2E5-12-6-1: The descriptions of stress test requirements are too granular. Issues not currently covered in the ComFrame draft	

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		- There should be a Standard/Parameter which recognizes that product-specific aspects should be reflected in the definition of capital resources, e.g. Participating Fund Equity or Terminal Dividends. - There should be recognition in capital of risk-mitigants inherent in some products (e.g. ability to adjust dividends to policyholders or adjust costs). In particular, ComFrame is silent on the general implications of participating policies. - Group supervisors should recognize capital instruments and minority interests arising on consolidation where such instruments are recognized as capital by another supervisor.	
Office of the Superintendent of Financial Institutions	Canada	The Capital Resources and Risk Definitions sections provide a good basis and should be used to develop the BCR and the ICS. The Capital Benchmark section should be used to inform the development of the ICS which should replace it. It is our view that the Capital Benchmark section should be modified and moved to another part of ComFrame and made to constitute the expectations for an IAIG's stress testing program, which is not addressed elsewhere within ComFrame. Stress testing should be made an important assessment tool in ComFrame and should serve the following purposes which are common to many jurisdictions: - Risk identification and control - Provides a complementary risk perspective to other risk management tools - Supports capital management - Improves liquidity management	
Superintendencia de Valores y Seguros	Chile	In the ComFrame Standard M2E5-2, the document suggests two possible approaches for capital adequacy assessment: a consolidation approach and an aggregation approach. However, the document doesn't define both approaches and it also doesn't make any reference about where we can find a definition about those approaches and their respective methodologies of consolidation or aggregation. In that sense, it would be appropriate to include in the ComFrame a clear definition of both approaches and/or include some references, related to the Insurance Core Principle N 23, where people can find	

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		a more detailed explanation of both approaches of aggregation.	
China Insurance Regulatory Commission	China	1. Capital resources. ComFrame specifies the identification criteria for sources of IAIG's eligibility capital as well as core capital and supplementary capital in detail. It is recommended that ComFrame should only develop principled requirements for capital sources and capital quality and give local regulatory agencies more discretion by not introducing criteria that are too specific. Main reasons: First, the market environment is different in different countries; developed insurance markets have more capital instruments and their capital sources are broader, while emerging insurance markets have less capital instruments and their capital sources are fewer. If ComFrame develops detailed provisions for capital resources and capital quality and also proposes higher requirements, such will create unfairness between developed insurance markets and emerging insurance markets, and it is not conducive to promoting the development of emerging insurance markets. Second, laws and regulations systems in different countries are different, so are identification criteria for the same capital instruments. If the capital identification criteria of ComFrame and that of local regulatory agencies have a large discrepancy, such will lead to the different capital compositions as shown under different statements in one insurance company, which is not conducive to insurance regulation and the understanding of the general public. 2. On assets and liabilities assessment principles. Assessment principles and technical details of assets and liabilities have significant impact on capital adequacy ratio of IAIG, but the draft has no clear specification on these. It is recommended that the local principles be the main principles to be used in the asset and liability assessment of the ComFrame. That means, local regulatory standards will be fully respected; if a globally consistent asset and liability assessment principle is to be developed, full consideration of the characteristics and operability of emerging markets is recommended. 3. On capital requirements. ComFrame points out that IAIG adopts scenario comparison method in the calculation of group capital requirements, and clearly specifies the various factors needed to be considered when determining the adverse scenario. Scenario comparison method is simpler, but it raises huge challenge for regulators. For example, regulators need to judge whether the	

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		adverse scenarios determined by IAIG are objective and scientific. They also need to determine the probability of occurrence of adverse scenario is "once in 200 years". For the local regulators, it is hard for them to determine the likelihood of occurrence of adverse events in other countries or regions, etc. It is recommended that ComFrame fully explain these issues. 4. On capital adequacy ratio assessment. The capital adequacy ratio assessment of ComFrame for insurance group should be carried out regarding the entire group as a whole. It is recommended that besides the full assessment of group's risk (risk of intra-group transactions, infection risk and reputation risk, etc.), the capital savings of group's operations in some aspects and the role of group's risk management system and use of risk mitigation tools also be recognized and taken into account. By doing this, the ComFrame will encourage insurance companies to establish comprehensive risk management system and using reasonable risk mitigation tools, while also avoiding hurting the development of insurance business because of over-emphasizing risk.	
Financial Supervisory Commission	Chinese Taipei	According to the ComFrame Standard M2E5-11, it reads that in determining the group capital benchmark, the IAIG addresses the key categories of risk, including insurance risk, market risk, credit risk, group risk and operational risk. It is suggested this element allow supervisors' discretion in applying the risk categories (e.g., separate risk category) and the risk drivers within the category (e.g., the dependencies and inter-relationships between the risks) so as to be able to appropriately reflect each jurisdiction's specific risk.	
European Insurance and Occupational Pensions Authority (EIOPA)	EU	EIOPA is aware of the significant developments which took place since this version of ComFrame was drafted, regarding the future development of an Insurance Capital Standard (ICS). Therefore, we understand that current contents of M2E5 are not presented as definitive text for ComFrame, but should instead be understood as a starting point for the discussions that will follow. Our comments should be interpreted within this context. EIOPA recognizes that considerable work will be necessary to evolve current M2E5 to a global ICS, in particular in those areas where ComFrame draft is currently not so much developed (e.g. Valuation, Calculation of the Capital Benchmark). In particular, we	

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		believe the Event Driven Scenario approach would not work as part of a globally comparable ICS, and is better designed to be used with an approach based on a combination of Module 2 and Module 3. On the other hand, we acknowledge the ground-breaking work which has been developed, and consider that some of the current contents of M2E5 could be brought forward and positively contribute to facilitate the development of the ICS. In particular, we would like to highlight the following: - Risk Definitions; - Individual Stresses (as part of the Scenario Approach); - Possibility to use Internal Models as a mean to complying with the requirements. In particular, regarding the Capital Resources components of ComFrame, we believe it should be highlighted that this section, despite being much further developed than the remaining ones, will also still need to be subject to further significant refinement, to accommodate the further developments which will be incorporated in ComFrame in the process of development of the ICS. In particular, when a common market-based valuation basis is defined as the starting point for ComFrame and the ICS, current standards and parameters allowing for a multitude of possibilities to address similar situations will need to be revisited, in order to ensure comparability in the amount of Capital Resources actually obtained by different IAIGs. In this context, we would like to highlight the following three main issues: 1. The coherence of the capital resources module is affected by the lack of clarity on the approach to determining assets and liabilities - i.e. a common starting point for valuation. While this is not in place the material refers to a number of ways in which the same outcome can be achieved from differing starting points. Of itself this is not problematic but the logic of the approach is not carried through. The following are two major issues arising: a. The different approaches e.g. a total balance sheet in which valuation achieves a prudential purpose, the specification of a prudential filter or deduction or an addition to a capital requirement or benchmark can be seen as delivering the same outcome. However the increase in a capital benchmark is less prudent in the	

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		case that the benchmark can be covered by lower quality capital. b. Many of the detailed parameters and guidelines are drafted on the premise that only one of the above approaches is being used. This leads to a confusing and inconsistent treatment. In the absence of a common valuation approach the applicability of detailed measures must be linked to the relevant approach. 2. ComFrame takes the approach that at least two categories of capital resources should apply. However it then proceeds to occupy the space with core capital and additional capital ascribing to each the properties of being loss absorbent in a going concern and in a winding-up respectively. It is not clear how a capital resources framework which permits further categories to contribute to the coverage of capital requirements where quality is defined over a spectrum sits with the binary approach suggested under ComFrame. While the binary approach appears attractive at the outset, it might result in unintended consequences in the case where IAIGs are not sufficiently incentivized to use capital resources whose quality is in between ComFrame's core capital and ComFrame's additional capital. 3. The above remarks are also relevant to the limits proposed for capital resources. The lack of rationale for these must be highlighted. Clearly further thought must be given and a rationale developed in the light of a more detailed exposition of the capital benchmark. There must be a demonstrable link and equivalent level of detail between the amount of capital and how that is developed and calculated and the appropriate capital quality with which it is met. ComFrame has not yet achieved this. Regarding more specific comments on other M2E5 topics: M2E5-5: The definitions and approach to incentives to redeem need further consideration to ensure they are clear and consistent M2E5-6: Not clear why retraction rights are only prohibited in Core. Any ability of a holder to require repayment fundamentally undermines quality of capital. M2E5-5-10: The 10% limit seems to have been arbitrarily set without a clear justification or rationale. The Field Testing exercise should be used to collect data about the actual relevance of these capital items as well as the safeguards put in place in different jurisdictions to allow for them to be considered. M2E5-5-11: The issue of "in-kind" payments is more a valuation	

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		issue than one concerning capital resources. M2E5-7-8: The proposed treatment of secured assets is overly penalizing and lacks risk sensitivity. Secured assets which exceed the liabilities will be available to meet the risks of loss in value of those assets and also risks of increases in the liabilities for which they can be used. Simply deducting in full seems a rather crude approach without a proper rationale or justification being provided. Under M2E5-11, several references are made to risks related to fungibility of capital. We believe this issue should be captured under the calculation of Group capital resources, not through setting up capital requirements or limiting diversification benefits, as suggested. M2E5-12-5: The consideration of the proportionality and materiality principles regarding the use of models should be made more explicit. The current wording of the Parameter may be read to imply that models need to be used for all perils and regions, which can be disproportionate. We believe such requirement would be unrealistic, as no CAT models even exist for some regions and/or perils.	
Federation Francaise des Societes d'Assurance (FFSA)	France	The quantitative part of ComFrame would be substituted by the coming ICS which in turn should be tested in light of the BCR to be developed in the context of the GSII's capital initiatives. We'd still like to share comments on the current proposal. Our main concerns at this stage are: - Capital resources should be assessed on the basis of the valuation methodology used. The will be part of the field test and should be defined before the introduction of capital requirements. - Current framework does not recognize any diversification effect at group level nor loss-absorbing capacity. It's even the opposite as group structures only lead to increase capital requirement (group risk) instead of reducing the overall risk. - The role of financing the economy played by the insurance industry as a whole and corrective measures to address pro-cyclicality issues should be carefully considered allowing for a treatment with the long term nature of insurance activities. - Capital requirements for solvency purposes should be based on a "going concern" basis and not lean on a "liquidation" situation.	

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		Capital instruments Definition of core/additional capital is too restrictive and would unnecessarily reduce available capital to face supervisory requirements. If the current capital criteria and proposed deductions from qualifying capital remain unchanged, a concerning number of capital resources would not be considered as qualifying to cover ComFrame's capital benchmark. The criteria for determining which debt instruments may be considered as core qualifying capital resources are, as a consequence of this overly conservative approach, far too restrictive. The restrictive requirements proposed for core capital would mean that investors in hybrid debt will have to take the full downside-risk as equity holders but without the chance of upside-benefits. Many criteria are the most concerning and likely to lead to many of the currently eligible instruments (in a number of existing regimes) not being considered as qualifying capital under ComFrame. It may be in particular noted that hybrid instruments and subordinated liabilities may represent an important part of available capital up to 30% for certain French entities. Issuance may have been made prior to the application of stricter prudential rules, so transitional provisions should be introduced. Moreover prior review or approval of any redemption by the supervisor is excessive and should be limited. It can't apply to every single redemption of qualified capital (core and additional). Present value of future profits is not mentioned as being part of the core capital. This should be added as ComFrame is proposing to introduce an economic model valuation. Finally, ComFrame is proposing to limit the recognition of deferred tax assets on future profitability of the IAIG. As there is no level playing field on the consolidation methodology or valuation principles, we consider the recognition of deferred tax assets should follow rules which are consistent with local rules where they exist. For all these reasons, Module Element 5 on qualifying capital should be carefully re-considered, notably in view of the balance sheet basis that will be ultimately chosen for ComFrame.	

Organisation	Jurisdiction	Comments	Resolution of comments
		Capital adequacy ComFrame requires core capital must represent 50% of the capital benchmark. At this stage, this requirement seems arbitrary as it will depend on requirements specifying the capital benchmark (according to risk measure and time horizon definitions, capital adequacy would vary significantly). If ComFrame were to be endorsed with a requirement of having 50% of core capital to face the capital benchmark, past issuances that comply with in-force laws and regulations should transitionally qualify as core capital provided they offer sufficient loss absorbency and are immediately available to absorb losses. Risk transfer transaction Risk transfer transactions classified as finite reinsurance are more and more widely used amongst Alternative Risk Transfer techniques. The definition is generic and might encompass a variety of standard reinsurance products. Substance should prevail over form and if there is an effective transfer of risk it should be taken into account. Volatility risk The volatility risk should be part of the ERM review and we consider that a mandatory inclusion of this risk would lead to an excessive requirement. The possibility of treating both the adverse changes in value and in volatility should be introduced. Diversification, be it geographical or between risk types, sits at the core of insurers' business model and as such needs to be fully reflected thus providing the right risk management incentives to firms. Group risk Group risk is not of the same nature as others risks. The FFSA does agree that intra-group transactions, fungibility and transferability of the capital should duly be taken into account; however group risks can't be treated the same way as other risks. Those risks should be assessed through the use of the Enterprise Risk Management.	

Organisation	Jurisdiction	Comments	Resolution of comments
		It also should be made clear that the group might get a benefit from diversification effects whereas the current proposal would only lead adding capital requirements for groups compared to the sum of each single entity within the group. Use of internal models The requirement of using a scenario-based approach is very prescriptive. It should be made clearer that alternative approaches like economic internal models could be used. Treatment of sovereign debt Insurers are long term investors financing the economy aloes through an important investment in sovereign debt. Considering the asset allocation in sovereign fixed income instruments (around 30%) and the domestic bias, it is important for financial stability purposes that ComFrame provides for an appropriate treatment for those instruments.	
Allianz Group	Germany	M2E5-4-1-1 It seems inappropriate to exclude from Core Capital specified assets that are subject to write-down in periods when the IAIG is under stress. By suffering a reduction in its value in a period of stress the asset absorbs the loss and continues to contribute to qualifying capital after the stress. It is available to absorb losses. If the asset is excluded from qualifying capital but target capital still includes the risk from a loss in value of that same asset the risk is counted double. M2E5-9-2 and M2E5-9-2-1 The treatment of non-insurance entities like Banking, Asset Management and Pension should be outlined more explicitly regarding the inclusion or exclusion of such entities in the scope of ComFrame in respect of available funds (Balance Sheet) as well as required capital (ICS). The same capital requirements are applied for banking and insurance business independent whether the ultimate parent is an insurer or a bank.	
Gesamtverband der Deutschen	Germany	M2E5-2-1:	

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Versicherungswirtschaft		We appreciate the possibility of simplified approaches for entities which do not significantly contribute to the total group risk. M2E5-7-7: The reference to "non-qualifying" reinsurance and collaterals has to do with a very specific approach in certain jurisdictions and doesn't reflect appropriately the global reinsurance business model. There are more sophisticated ways to evaluate reinsurance counter-party credit risks in modern solvency regimes. M2E5-9-2: Non-insurance financial institutions that the insurer controls are excluded from its qualifying capital resources. We believe that sectoral rules should be applied to non-insurance financial entities and their capital resources should then be consolidated at the group level. M2E5-10: The IAIG should in principle be able to use an internal model, especially if it is already applicable and allowed for supervisors under a regulatory framework such as the Swiss Solvency Test or Solvency II. M2E5-11-5: IAIGs should not be required to calculate a capital benchmark for reputational risk and cross-jurisdictional issues. A qualitative assessment of those risks should be considered sufficient. It should be noted that some of these risks like reputational risk may have only little impact for existing policyholders but a strong impact on the ability of the undertaking to write new business. It therefore remains questionable as to what extent such risks should be captured in the capital framework. A prior survey on the magnitude of these risks in the process of the ORSA should be taken into consideration. M2E5-11-5-1: Guideline explicitly recognizes diversification benefits for groups. As such, both the emphasis and the wording	

Organisation	Jurisdiction	Comments	Resolution of comments
		seem to put inadequate relevance on the issue. We would therefore propose to delete the guideline and include reference to diversification effects in Parameter M2E5-11-1 as follows: "The Group capital benchmark is based on the potential adverse changes in capital resources resulting from unexpected changes in material risks under due consideration of group wide diversification effects" M2E5-12: The IAIG should in principle be able to use an internal model, especially if it is already applicable and allowed for by supervisors under a regulatory framework such as the Swiss Solvency Test or Solvency II. M2E5-12-5: It should be clarified that terrorist attacks should only be considered in the catastrophe scenario as far as they are covered in the IAIGs insurance contracts. M2E5-12-7: A double consideration of risks needs to be avoided. For example, non-insurance group entities are considered separately by using sector specific capital requirements (see M2E5-2-1-1). An additional consideration of risks arising from these entities within the group risk category is not appropriate. There needs to be a clearer definition of what these risks comprise of in order to calculate the financial impact. Some of the group risks listed above may not have an impact on cash flows for existing policyholders at all. M2E5-13: The IAIG should in principle be able to use an internal model, especially if it is already applicable and allowed for by supervisors	

Organisation	Jurisdiction	Comments	Resolution of comments
		under a regulatory framework such as the Swiss Solvency Test or Solvency II.	
KPMG AG WPG	Germany	Please refer to our general comments	
University of applied sciences Coburg (Hochschule für angewandte Wissenschaften Coburg)	Germany	It is appreciated that the capital adequacy assessment is suggested to start by applying a total balance sheet approach. Where IAIGs do not use consolidated accounts, it has to be ensured that capital and risk are not double counted. The required overall group capital adequacy assessment (including non-insurance financial institution with sector-specific capital requirements) poses the challenge of eliminating cross-sector intra-group transactions (e. g. participations) with are treated differently in the specific sectors. Aggregating sector specific capital requirements or resources with are adjusted by the elimination of such intra-group transactions might be not appropriate. It is important to allow adjusting the scope of group supervision for the capital adequacy assessment; e. g. not all insurance entities contribute significantly to the total group risks. The consideration of the main relevant entities should be sufficient. For the calculations the legal structure could be simplified to consider adequately the economic substance. For example intermediate insurance holding companies could be omitted and a direct holding of the entities thereunder could be assumed. The core capital definitions with minimum requirements (e. g. no fixed maturity, non-cumulative) might be too strict because of the structure of instruments which could lead to higher quality. The desired quality might be reached better by applying limits or sublimits (see M2E5-8). The exclusion of the value of goodwill and intangibles from core capital is not in line with an economic view. Intangibles might have different qualities. However, this is true for all other assets as well. The risk of a write-down in periods of stress should be reflected in the capital requirements (no deduction from capital). Excluding the value of own shares from the capital is appropriate	

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		(M2E5-7-5). However, it is unclear in which cases the value of own shares reduces the core capital and in which cases it reduces the additional capital. The IAIG should consider restrictions on the fungibility and transferability of capital between entities when determining the amount of the group's capital resources. Fungibility and transferability might depend on the direction in that capital should be made available: In general it is much simpler to stream down capital from a parent undertaking into a subsidiary when transferring capital from a subsidiary to another subsidiary. Fungibility and transferability should therefore reflect the legal structure of the group, i. e. the capital in the head of the IAIG is always fully available for the IAIG. It has to be highlighted that group capital resources and the group capital benchmark have to be linked in a consistent manner. The definition of so-called "group risk" is a mixture of quite different issues that can or cannot be dealt with in a capital benchmark because of different levels of how to measure the mentioned issues. For example it is unclear how to measure the risk of intra-group transactions in a group when they have to be eliminated (e. g. intra-group reinsurance). Capital fungibility is addressed in the capital resources and should not be double counted as group risk if appropriately dealt with in the group capital. Contagion or reputational risk is not a group specific risk; it can arise even in single entities. Regardless of the origin of reputational risk (out- or inside the group) the problem remains how to measure reputational risk in a transparent and reliable manner. Modelling the risk is extremely challenging and interlinked with valuation issues, e. g. deducting intangibles like for the value of trade names (included in goodwill) reduces the effect of reputational risk to zero in that respect. The likelihood of adverse event which compromise image or reputation cannot be easily assessed by historic data.	
Global Federation of Insurance Associations	International	Module 2 Element 5 generally permits an IAIG to continue to use the accounting regime it currently uses (e.g. Generally Accepted Accounting Principles, International Financial Reporting Standards, or Statutory Accounting Principles) without prescribing the use of	

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		one particular regime. However, certain components of Module 2, Element 5 implicitly assume a single valuation approach (e.g., definition of Qualifying Capital Resources) which may or may not be consistent with the final accounting or capital standards in different regulatory environments. ComFrame drafters should resist any urge to introduce a more prescriptive tone regarding the use of a particular accounting regime given that convergence of international accounting standards is already occurring via other channels under the auspices of the Financial Accounting Standards Board and the International Accounting Standards Board. This convergence will occur over time, and trying to develop such standards in the context of ComFrame will only further complicate an already complex convergence schedule. GFIA urges ComFrame drafters to maintain this deference to existing accounting regimes while the IAIS develops the so-called "best estimate" approach to liabilities. The development of this approach should not create a new regulatory layer but rather build upon existing jurisdictional approaches without favoring one approach over another. M2E5-3 should not contain specific definitions as to which capital resources qualify in the context of the capital adequacy assessment. Rather, principles should be articulated that permit the flexibility needed for the various accounting regimes. Without this flexibility, the cornerstone of "proportionality" fails to exist and all IAIGs become treated similarly regardless of size or complexity. GFIA agrees that capital resources should be assessed on the basis of the valuation methodology used by the IAIG. M2E5-4: In evaluating whether an IAIG is adequately capitalized from a regulatory perspective, the regulator's capital objective must be clear. In the context of an insurance capital or minimum regulatory capital standard, GFIA believes that the focus should be to protect policyholders in the event of insolvency. From this perspective, any financial instrument that is available over the forecast horizon, not subject to guarantees or security arrangements and explicitly subordinated (e.g., by security design) or subordinated by structure (e.g., holding company debt) or by law (e.g., jurisdictions where policyholders rank before debt holders by law) can be viewed as loss absorbing capital in protecting	

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		policyholders. In this context, any bifurcation between "core" and "additional" capital only serves to create an arbitrary limit on the percentage that can be derived from one form of capital. It is not clear that ComFrame needs to stipulate this bifurcation in order to achieve regulatory equivalence. However, if ComFrame does stipulate a split between "core" and "additional" capital, the definition of loss absorbing "additional" capital needs to be broadened to reflect a regulatory capital objective of protecting policyholders (see M2E5-5). M2E5-11-5-1: Guideline explicitly recognizes diversification benefits for groups. As such, both the emphasis and the wording seem to put inadequate relevance on the issue. We would therefore propose to delete the guideline and include reference to diversification effects in Parameter M2E5-11-1 as follows: "The Group capital benchmark is based on the potential adverse changes in capital resources resulting from unexpected changes in material risks under due consideration of group wide diversification effects"	
Insurance Europe	International	M2E5-2-1: Insurance Europe strongly supports the use of a total balance sheet approach. We also welcome the flexibility given to groups to either base their capital adequacy assessment on a consolidated approach or on an aggregation of the individual entities. M2E5-2-1-4: This guideline lists additional considerations (risks) for an IAIG originating from being part of a group structure; however, there are also advantages to being part of a group, such as diversification benefits or the ability to pass capital from one entity to the other, which are not referred to. We therefore believe additional language should be added referring to positive aspects of a group structure that should also be considered. M2E5-3: We believe ComFrame should not contain specific definitions as to which capital resources qualify in the context of the capital adequacy assessment. Rather, principles should be	

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		articulated that permit the flexibility needed for the various accounting regimes. Each accounting regime contains rules that help to determine whether specific capital can be considered for capital adequacy purposes. As noted in the guidelines the capital resources should be assessed on the basis of the valuation methodology used. The valuation methodology for the ICS is something that will be field tested next year , therefore it is premature to conclude on any aspects of capital resources at this time. M2E5-4: We believe that the definitions of core capital and additional capital are far too strict. In evaluating whether an IAIG is adequately capitalised from a regulatory perspective, the regulator's capital objective must be clear. In the context of an insurance capital or minimum regulatory capital standard, Insurance Europe believes that the focus should be to protect policyholders in the event of insolvency. From this perspective, any financial instrument that is available over the forecast horizon, not subject to guarantees or security arrangements and explicitly subordinated (e.g., by security design) or subordinated by structure (e.g., holding company debt) can be viewed as loss absorbing capital in protecting policyholders. We believe the valuation of the difference between the value of the assets less the sum of the best estimate liabilities and non-subordinated liabilities should be valued as core capital. In addition, the definition of loss absorbing "additional" capital needs to be broadened to reflect a regulatory capital objective of protecting policyholders. As previously noted, without clarity on the valuation basis for ComFrame the detailed development of the section on capital resources is premature. As ComFrame itself states (M2E5-3-1-1) "capital resources should be assessed based on the valuation methodology used". Our comments, below should, therefore, be viewed in the context of the upcoming field test.. M2E5-4-1: We are concerned by the reference that only "permanent' capital can qualify as core capital. In the event that capital has duration of 30 years or more we believe that this should also be able to qualify as core capital.	

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		M2E5-4-2: Subordinated financial instruments and hybrids should be included in core capital where they are available to absorb losses on a going concern basis and as additional capital. Regarding the maturity aspect, we believe a first call at 5 years should be allowed in order for hybrids to be able to qualify as core capital. We believe that the first contractual opportunity to repay or redeem the basic own-fund item does not set the maturity date of the own fund. This ignores industry common practices where hybrid securities, particularly in the retail market, are expected to incorporate a first call date at around 5 years after the initial offering. Investors generally consider such first call provisions as a formality and genuinely treat the hybrid as a perpetual security. This is further evidenced by the fact that the issuers incur no adverse reaction for not exercising the call option. M2E5-5-2: In line with comments above we believe that assets that do not have a fixed maturity but duration of 30 years or more should also be able to qualify as core capital. M2E5-5-3: We believe an initial maturity of 5 years is too high and that instead a minimum initial duration of 3 years would be more appropriate. M2E5-5-5: We are very concerned by the use of "the first occurrence of an incentive to redeem the instrument" to fix the maturity date of a financial instrument. A first call option does not mean that you indeed redeem the instrument and it is therefore not suitable to be used in order to define the maturity. Such a requirement ignores industry common practice where hybrid securities, particularly in the retail market, are expected to incorporate a first call date at around 5 years after the initial offering, often without a coupon step-up, and the fact that these first call dates demonstrably do not create "synthetic maturities". For first call dates without a step-up, particularly in retail-targeted instruments, it is accepted by both the holders and the market in general that the first call is a completely discretionary option of the issuer, which can be exercised or not solely at the discretion of the issuer. There are numerous bank and insurance retail hybrids (fixed coupon, no step-up) which had their first call date in 2008, 2009 and 2010, but have not been called by the issuer. On the	

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		other hand, not allowing 5-year first calls would unfairly disadvantage insurers vs. banks, by denying them access to the retail markets, which are a good source of high quality non-equity capital. (Re)insurers typically represent only a small part of these markets which are largely dominated by banks which can still issue qualifying hybrid securities with only a 5 year non call period. We, therefore, suggest that the bullet point referring to 'first occurrence of an incentive to redeem the instrument' for the maturity date is deleted. M2E5-5-10: The IAIG's eligible non-paid up financial instruments are limited to an amount not greater than 10% of its capital benchmark, we believe this percentage is too low and believe instead it should be set at 50%. Non-paid up financial instruments are important as they can quickly be made available to an insurer in order for it to recover its solvency position. Examples of such instruments include unpaid and uncalled ordinary share capital callable on demand, or letters of credit and guarantees. M2E5-5-15 and M2E5-5-17: These parameters require that the issuer has full flexibility over the payment of interest on hybrids. Dividend pushers, which are customary in hybrid bonds, conflict with this requirement. Dividend pushers require an interest payment on the hybrid bond in case that a dividend is being paid to equity investors. Dividend pushers are important, since hybrid investors want to be certain that they are not treated worse than equity investors. We therefore believe the text should be redrafted to allow these characteristics, except if the payment of dividends would result in or worsen a regulatory capital breach or would lead to the insolvency of the insurer. In any case, in case of breach of regulatory capital, dialogue should be done with the supervisor in order to see which measures are the best to be taken in order to recover the solvency of the undertaking. It might be the cancellation of dividends or something else. M2E5-6: Present value of future profits, including expected profit from future premiums, should be able to qualify as core capital. M2E5-7-1: Good will and intangibles should be included within core capital if they have value under stress or there is an active market	

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		with quoted market prices available for the same asset, indicating it is saleable in the market place and it is possible to measure fair value reliably. (Otherwise intangible assets should be excluded). It is unclear why the IAIS only focus on realisable value in a winding up of computer software in this respect. M2E5-7-3: Where deferred tax assets (DTAs) exist due to future profit, consideration should be given to their inclusion within core capital. Classification criteria should not apply to the excess of assets over liabilities as this would result in double counting the risks covered by the regulatory capital. As such net deferred taxes should be classified as core capital. M2E5-7-7: This parameter excludes non-qualifying/non-collateralised reinsurance assets from the core capital. We strongly oppose this; reinsurance assets should be included in core capital at their market value. Collateral should only be taken into account in regard to determining default exposure in respect to counterparty risk. M2E5-9-2: Non-insurance financial institutions that the insurer controls are excluded from its qualifying capital resources. We believe that sectoral rules should be applied to non-insurance financial entities and their capital resources should then be consolidated at the group level. M2E5-10: With the development of the ICS within ComFrame more detail will need to be provided around the target criteria. However, it is vitally important that ComFrame allows for the use of internal models in calculating target capital. We recognise that certain requirements for internal model use will also need to be included. ME5-11-2: The list of insurance risks to be considered for calculating the capital benchmark is far too detailed and extensive. M2E5-11-2-2: What is a mass tort? We are not familiar with "mass torts"; therefore, we believe reference to mass torts needs further explanation or deletion. The separation of catastrophe risks from other insurance risks should also be clarified.	

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		M2E5-11-3-1: Liquidity risk, as the guideline states, is considered as part of a group ORSA; and given the nature of the insurance business model and low liquidity risk of the sector, we question the need for it to be explicitly included in the calculation of the capital benchmark. M2E5-11-5: Group risk" is not of the same nature as others risks. Intra-group transactions, fungibility and transferability of the capital should duly be taken into account; however, these should be assessed as part of the consideration of the established key risk categories through Enterprise Risk Management. In additionThe list of key group risks to be considered here contains many risks which should be looked at qualitatively as part of a group ORSA not quantitatively. For example, reputational risk, cross-jurisdictional risk and contagion/reputational risk should all be removed from this parameter. M2E5-12: This parameter requires for the purposes of calculating its group capital benchmark, the use of scenario-based approaches. This standard should be understood together with the proportionality principle. Accordingly, internal models should be allowed especially where a group has chosen to use them in order to deal with its risk profile. At the same time simpler factor based approaches should be allowed where they are appropriate for analysing risks, notably certain types of risks where information at the level of the group could be limited. This could for instance be the case for catastrophe risk and premium and reserve risks for non-life business. M2E5-12-3: The event based scenario analysis envisaged under this parameter should form part of an IAIG's ORSA not its capital benchmark calculation. Also, through requiring that the consequences of a scenario are assessed, as is being done here, in addition to many of the consequences already being named in another risk category it seems likely that risk will be double counted. The inter-relationship between the different risk categories can already be captured through correlations. We, therefore, suggest this parameter is deleted. M2E5-12-4: In line with comment above, through requiring that the	

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		consequences of a scenario be assessed in addition to many of the consequences already being named in another risk category it seems likely that risk will be double counted. The inter-relationship between the different risk categories can already be captured through correlations. We, therefore, suggest this parameter is deleted. M2E5-12-5: It should be clarified that terrorist attacks should only be considered in the catastrophe scenario if they are covered in the IAIG's insurance contracts. M2E5-12-7: We are concerned by the introduction of 'group risk' in ComFrame as a new category of risk. Whilst we agree that group factors can influence other key risks and that this influence should be assessed. The influence of such factors will be assessed as part of the consideration of the established key risk categories through Enterprise Risk Management. We are also concerned that risks are being double counted here. For example, non-insurance group entities are considered separately by using sector specific capital requirements (see M2E5-2-1-3); therefore, an additional consideration of risk of those entities within the group risk category is not appropriate. M2E5-12-7-1: For undertakings applying an individual stresses approach, implied volatility of interest rates and equity prices are included in market risk. This risk is likely immaterial and in addition very difficult to evaluate; therefore reference to implied volatility should be deleted from this guideline. M2E5-13-2-1: It is unclear why this guideline explicitly states that no diversification benefit is assumed between the different scenarios. It is true to say that each event can occur independently, but having all of them occurring is unrealistic. M2E5-13-5: It should be made clear that internal models can be used, as long as they look at the risks specified.	
International Actuarial Association (IAA)	International	- M2E5-1; This assumes a single capital benchmark. The danger here is that	

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		it implies a group capital assessment can be represented by a comparison to a single number. Group capital assessment should be more involved than that. We expect further work and discussion in the field testing process may lead to the inclusion of stress testing into this capital assessment process (The issue of group capital assessment via a single numeric benchmark is a recurring issue in this Standard and of other already developed capital regimes.) Will the capital benchmark also compare or consider fungibility? - M2E5-3; Wording similar to M2E4-8-2 would be helpful here to identify who owns the determination role Presumably the Board will obtain an opinion from someone. Is it the, CFO, CRO, Actuary, or someone else? May need more details about the review. And whether it can be up to company to decide who owns this. - M2E5-5-2; Surplus notes should be a component of core capital even though they have a fixed maturity. For example, in the US, payments on surplus notes require regulatory approval. For this reason, they are available as capital in the event of a problem. Some words capturing that point might help the argument. Perhaps "...particularly for those jurisdictions, such as in the US, where regulatory approval is needed before payments of interest or capital can be made." - Consistency between M2E5-5-3 and M2E5-5-5; The minimum of five years mentioned in M2E5-5-3 seems to apply to M2E5-5-5, so suggest merging these two parameters. - M2E5-5-5-1 Pointing this out here seems redundant, since the instrument of fixed maturity date is meant as additional capital, and this parameter serves to define the acceptable fixed maturity date. - M2E5-10-1-1; "Expert judgment" should be supported by standards, or the required capital benchmark may not be reliable or useful. Where no data exists for an item it is frequently possible to find a lack of	

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		consensus and widely varying expert opinions. Hence the result is likely to be somewhat arbitrary. This argues for the use and inclusion of qualitative scenario analysis. - M2E5-10-1-2; This is frequently impossible in practice. A reliable quantification of risk at a 1-in-200 level requires many more than 200 years of data under a sufficiently similar environment as is envisioned for the future risk period. This will rarely exist. The ComFrame development process should be designed for this practical reality, as opposed to a theoretical ideal that does not exist. - M2E5-11; How does the IAIG demonstrate that these items have been addressed? Is it meant to require that operational risk (and other similar risks) need capital? - M2E5-11-1: The statement about the "benchmark is based on the potential adverse changes in capital resources resulting from unexpected changes in material risks" seems a bit confusing since actual future outcomes that are consistent with an estimated distribution of possible outcomes could be described as "expected" and entirely consistent with the process of calculating the benchmark. This could be improved by drawing a distinction between "measurable" outcomes which are those that can be readily estimated based on prior data and experience [these could also be described as "estimable" or "expected"] and "unmeasurable" which are those that need to be estimated based on informed judgment to account for possible outcomes which have not been observed (either not at all or with very low frequency) yet imaginable (e.g., contagion between lines from a new 9/11 event) [these could also be described as inestimable" or "unexpected"]. - M2E5-11-1-1; If these risks can be foreseen for purpose of setting a benchmark, why can they not be equally foreseen in the valuation of assets/liabilities? - M2E5-11-2:	

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		In the sixth bullet point the phrase "due to changes in expected future payments" would be more clear if written as "due to fluctuations in timing and amount in future payments". - M2E5-11-2-2; Note that attempts to quantify such mass tort risks for future mass torts are of questionable reliability to-date. Hence such a risk may be more akin to speculation than estimation, and more appropriately included in other "claim reserve risk/revision risk" (This issue also applies to M2E5-12-5.). This item notes that catastrophe risk "should be dealt with separately and should not be included with other insurance risk when calculating the capital benchmark". Does this include past catastrophic events that could be included in the risk for other unpaid claims? - M2E5-11-5; Where is agency risk? (Also, does the list include the risk of ill-advised acquisitions? Several groups have gone insolvent in the past partly due to such acquisitions.) - M2E5-12; More definition of what kind of a scenario based approach is contemplated would be helpful. How is it defined? Is it a company's own capital benchmark or a regulator defined benchmark? Depending upon how this is defined by the IAIS, an actuarial standard might be useful in providing principles-based considerations. - M2E5-12-1: This parameter could be improved by adding a companion guideline which describes the difference between using a "set of scenarios" defined as a "small" set of pre-defined economic situations and/or extreme outcomes that would affect the entire IAIG or large parts of the IAIG, and a "distribution of possible outcomes" defined as a "large" set of simulated outcomes based on models and assumptions [which could also be described as a large number of scenarios]. Both of these approaches have value. - M2E5-12-3;	

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		None of the items in this list include the risk of major court decisions (that can change how contracts are interpreted) or changes in societal views on fair compensation (which can significantly impact jury awards). - M2E5-12-5-2 Doing this work "for each peril in each region" may not be feasible, although the following example is reasonable. Hence the wording "each peril", "each region" may need to be changed. - M2E5-13-3-1; The IAIS ComFrame drafters should be aware that these approaches, while scientific in nature, cannot avoid the highly judgmental nature of such approaches applied to the tail. It is generally highly unlikely that such correlations can be reliably parameterized based on observation. Any dependency structure chosen will be highly judgmental. As such, they cannot be calibrated as that term may be commonly used. They can be set for a target risk metric given the assumptions made, but they cannot be compared (calibrated) to observations as part of their verification. Calibrating the correlation of outcomes means prescribing the correlation structure to be used which is itself a subjective interpretation, and will be a trade-off between the expertise of the regulator versus that of the company. - M2E5-13-5 second bullet point; Scenario testing does not require the assignment of probabilities. In addition, the assignment or estimation of such probabilities is not necessarily required in order to benefit from such scenario testing. As such, this parameter may be misinterpreting the role of scenario testing or may be assuming too much from that tool.	
Financial Services Agency	Japan	(Valuation) JFSA acknowledge that some elements in M2E5 (Capital adequacy assessment) are quite significant progress in the third consultation documents especially in the area of capital resources. However, we are concerned that no progress are made in the area of valuation only stating the application of total balance sheet approach which has been conventionally stated in the ICP.	

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		If we assume the development of BCRs and ICS, the valuation in insurance liability is core item which should be firstly addressed to be resolved among the diverse variation regimes in jurisdictions. In this context, JFSA believe that the CABS adjustment, which attempted to narrow down the valuation difference, is one of the better solutions for enhancing comparability. The CABS is able to capture the insurance specificity embedded in jurisdictional regulatory regime for reserves such as regulatory reserve system in Japan for enhancing loss absorption capacity. In any case when we develop the international standard in insurance liability, JFSA believes that it is quite important to take into account (1) the insurance specificity of business and (2) its specificity of profile embedded in the various products available in the insurance market. The two elements should be properly addressed in the course of development especially in ICS. (Risk Measurement) JFSA believe that scenario based approach is not suitable to the ICS which is expected to establish the regulatory or supervisory framework while we recognise that this approach is model driven approach and would be suitable especially to the economic capital assessment by the individual insurers. When we consider the framework envisaging regulatory purpose, it is important for us to recognise the level of data availability and practicality of validation skills. If two elements are not sufficiently established in industry practice, the internal model should not be used. Otherwise, more simplified risk quantification such as factor base approach should be pursued. We believe that what is the problem for us is that we have not recognised the level of practice in the industry. We propose that the proper deliberation on the level of practice in these two elements should be surveyed in the process of field testing first.	
The General Insurance Association of Japan	Japan	(General comments) - We suppose that the texts regarding capital resources, with consideration to individual jurisdictional accounting systems and the like, have been improved, and they will be effectively utilized in the coming ICS discussions. (M2E5-2-1-4)	

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		- Since it is hard to assume that consistency within the group would be achieved as to the valuation basis being applied to each entity, the second bullet point should be deleted. (M2E5-4), (M2E5-6) - It is unnecessary to calculate and assess figures on a winding-up basis, because the measures and procedures related to winding-up situations will be discussed in the development of M3E3 (Crisis management and resolution). (M2E5-7-7), (M2E5-7-7-1) - Definitions and supervisory treatment (e.g. whether or not collateral is required, etc.) of "non-qualifying reinsurance" vary by jurisdiction. There should be no standards stipulated in ComFrame that are premised on the requirement of reinsurance collateral for cessions to reinsurers. (M2E5-9), (M2E5-9-1) - Definitions of "multiple gearing", "intra-group creation of capital" and "fungibility and transferability" should be made clear. - Since it is difficult to eliminate and adjust all of intra-group transactions, the principle of proportionality should apply. (M2E5-12-3-1) - Since there may be situations where it is difficult to comprehensively assess all of the "secondary effects", the phrase should be changed to read "significant secondary effects". (M2E5-12-5) - Since catastrophe scenarios should be set up depending on significance, the reference to industrial incidents, terrorist attacks and "mass torts" should be moved from this Parameter to a Guideline as an example. Although this Parameter reads "employs catastrophe models", since there may be cases where no models exist for certain catastrophes, the phrase should be changed to read "considers employing catastrophe models". (M2E5-12-5-1) - As there is a limitation regarding securing the accuracy and completeness of exposure data used for catastrophe modelling, it	

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		may be difficult in some cases to actually establish models. Therefore, the phrase "It should develop catastrophe risk models and scenarios by peril..." should be changed to read "It should develop catastrophe risk models and scenarios by peril where appropriate..." (M2E5-13-5) - There are cases, such as scenarios adopted to supplement measurement by VaR, where it is difficult to calculate the event probability uniformly. Therefore, "Where appropriate" should be added to the beginning of this Parameter. (Development of ICS) - In light of the goal of enhancing comparability, the possibility of ICS replacing BCR in the future, and the time constraints of its development, ICS should be developed to be clear, reasonable and easy to explain. We suppose the IAIS does not necessarily need to continue with the past discussion on capital adequacy assessment in ComFrame, and it is desirable to develop formula-based assessment at the outset, with the intention of risk-based assessment in the end. - However, as for risks that vary significantly by region or individual IAIG portfolios, such as natural catastrophe risk, individual IAIG's actual risks should be reflected. Additionally, sufficient and appropriate discussion should take place with regard to risk aggregation/diversifying effects, so that there will be no strict requirements applicable only to specific regions or IAIGs. - If various capital standards are produced in and across different jurisdictions, additional management and unnecessary cost burdens will be imposed on insurance companies. Such a situation should be avoided.	
The Life Insurance Association of Japan	Japan	M2E5: Basel III: A global regulatory framework for more resilient banks and banking system, noted that 'the transitional arrangements for implementing the new standards will help to ensure that the banking sector can meet the higher capital standards through reasonable earnings retention and capital raising, while still supporting lending to the economy'. Considering this, as it is also true for insurance sector, we think that appropriate transitional	

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		arrangements should be needed in implementing ComFrame requirements. M2E5-5-2: We understand that ICP 17.11.22 states guidance for assessing the extent of permanence of a capital element in the ICP (17.11.22). Therefore, we would like to propose that Parameter M2E5-5-2 of this ComFrame draft sets out that 'When assessing the extent of permanence of a IAIG's financial instruments, IAIGs should have regard to the guidance set out in ICP 17.11.22, including to identify whether the financial instruments have a fixed maturity or not.' M2E5-7-3 and M2E5-7-3-1: We understand that DTAs have the characteristic that may vary depending on the taxation system and accounting practice of each jurisdiction, as well as the situation of entities (groups) that are subject to those requirements. Therefore we believe that the DTAs should be recognised in accordance with the principle based requirements, rather than uniformly requiring the IAIG to exclude all DATs which rely on the future profit from its core capital. Thus, we think it's appropriate to describe as, for example, 'The group-wide supervisors can approve the eligibility of DTAs as core capital at their discretion.' M2E5-12-6-1: The Guideline M2E5-12-6-1 includes some areas that do not necessarily require the pandemic scenario to assess the impact on the IAIG depending on the risk profile of each entity. Therefore, we suggest that the first sentence of this Guideline be amended to clarify that the listed areas are just as illustrative examples, by adding 'for example', namely, 'In the pandemic scenario, IAIGs should assess the impact on their own balance sheet, for example, in respect of the following areas:'.	
Komisja Nadzoru Finansowego - KNF (Polish Financial Supervisory Authority)	Poland	In our opinion it is important that the proposed draft of ComFrame does not determine the use of market valuation of assets and liabilities in all circumstances. Since market valuation is not adequate to value all types of assets and liabilities, the present solution incorporated in the document seems to be appropriate.	

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Monetary Authority of Singapore	Singapore	Standard M2E5-5: In relation to Guideline M2E5-5-5-1, we propose to require that additional capital should also not contain step ups or other provisions that mandate or create an incentive for the IAIG to redeem early, other than a call option. This will be similar to Basel III requirements. In relation to Parameter M2E5-5-7, we are of the view that there may be circumstances where it may be appropriate to allow redemption within the first 5 years after issuance. Hence, we propose to redraft Parameter M2E5-5-7 to "The IAIG's financial instruments that qualify as core capital are not redeemable within the first five years after issuance, unless where there has been: (a) a change in tax status of the capital instrument due to changes in applicable tax laws of the country or territory; or (b) a change relating to the recognition of the capital instrument as an additional capital instrument. For Parameter M2E5-5-10, we propose to remove the recognition of non paid-up financial instruments as additional capital (even though this is capped at 10% of capital benchmark), as this may affect the availability of capital on a timely basis. Non paid-up financial instruments would also not qualify as capital resources under Basel III. For Parameter M2E5-5-11, we propose that this be deleted as non-paid-up financial instruments and "in-kind" payments should not be recognised as additional capital. For Parameter M2E5-5-16, given that additional capital is a gone concern capital, there is no need to still require the need to defer distributions of the financial instrument. This is similar to Basel III requirements. Suggest deleting this parameter. Standard M2E5-7: Parameter M2E5-7-2 states that the realizable portion of the value of computer software intangibles during winding-up should be included in additional capital. We are of the view that all intangibles should not be allowed to be recognised as additional capital. Suggest to delete this parameter.	

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		Parameter M2E5-7-7 states that the value of reinsurance arrangements that do not comprise an executed and legally binding written contract, subject to a six month grace period from the effective date of reinsurance coverage, are excluded from core capital. This requirement is currently not practised widely by jurisdictions and also seems to go beyond the standards under ICP 17. As such, we propose to remove this requirement. Standard M2E5-11: For Parameter M2E5-11-2, we propose that expense risk be included as part of the key insurance risks to be considered. For avoidance of doubt, expense risk refers to the risk of adverse changes in the value of capital resources due to unexpected changes in the level of expenses incurred in administering the policies.	
The Geneva Association	Switzerland	The principle based approach in determining the capital benchmark allows IAIGs to make appropriate use of scenario-based economic frameworks tailored to their own strategies and risk profiles. This approach should allow the use of group-specific internal models, which should be fully recognised under ComFrame. With regard to valuation, the details are still lacking. Before taking a final decision on the chosen valuation basis, practical consequences for IAIG operations in local markets should be considered thoroughly. Should a global valuation regime not exist in the near future, the IAIGs should not have to adapt their group-wide capital and risk management to a valuation basis chosen for ComFrame purposes in addition to the valuation basis used for statutory purposes. Since the chosen valuation basis is going to determine the elements of "qualifying capital resources", the finalisation of the parameters/guidelines referring to "qualifying capital resources" should await the outcome of field testing. - M2E5-2-1-1 The allowance for a deduction and aggregation approach and use	

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		of sectoral rules for non-insurance business aligns perfectly with the choice for a partly harmonised approach. This approach should also be considered in case local regimes do not adopt ComFrame standards and parameters; in this context, guideline M2E5-2-1-4 requesting the use of a consistent valuation basis should be revisited. - M2E5-4 Overall, The Geneva Association does not agree that the classification of capital resources into (at least) two categories (core and additional capital) is necessary in the case of insurance operations. This would put substantial pressure on IAIGs by narrowing the range of instruments for complying with capital requirements. For example, for mutual companies, very limited options would be available for strengthening their core capital position and other companies would also have to use mainly equity for this purpose. Furthermore, The Geneva Association sees a disconnection between the tiering system in ComFrame and systems in existing local regimes, which either have (or may have) 1 tier or 3 tiers. In our view it would be sufficient to introduce one concept of "capital" (i.e. no tiering) into international capital standards for insurance. Nevertheless, in the subsequent comments we refer to the terms "core" and "additional" capital as currently used in the ComFrame draft. - M2E5-4-1 Risk margins: in some jurisdictions risk margins are meant to be an additional loss-absorbing prudence incorporated into the technical provisions. Such risk margins should therefore be part of "core" capital. Equalisation reserves should similarly count as "core" capital. They represent a specific reserve allocation of retained income owned by the equity shareholders. Their function has the attributes of capital in that they provide a stabilising and counter-cyclical buffer to company performance, especially in periods of stress.	

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		- M2E5-4-2 Long-term (subordinated) debt: according to the logic of absorbing losses and contributing to the financial strength of an insurer through periods of stress, we note that long-term debt should qualify as "core" capital even if the security itself is not legally stated as "subordinated". This is due to the general laws in effect in most jurisdictions under which policyholders rank before debt holders irrespective of whether the latter are subordinated or not. Accordingly, in those jurisdictions any long-term debt should qualify as capital, provided that either the distributions can be suspended or, alternatively, the instrument, for regulatory purposes, amortises on a straight-line basis in the final five years to maturity (see Guideline M2E5-5-4-1). In line with IAIS Insurance Core Principle 17 (11.22 regarding the assessment of the permanence of capital elements), subordinated financial instruments with an initial maturity of 5 years or less should also qualify as "core" capital in the case where the provisions of ICP 17.11.22 are met. - M2E5-7-7 Reinsurance assets: reinsurance is a facility "readily available to absorb losses when the insurer is under stress" and therefore qualifies as "core" capital. The introduction of the term "non-qualifying reinsurance" only reflects a special issue of very few jurisdictions that put additional hurdles to the international business model of reinsurers. Collateral, if any, should only be taken into account for the assessment of the counterparty default risk. - M2E5-7-8 / M2E5-7-8-1 In some reinsurance transactions, collateral is provided even in excess of the relevant reinsurance liabilities in line with local regulatory requirements or client demands. In the case where the full collateral posted has to be deducted from the reinsurer's capital, the transaction costs would increase and could even	

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		become prohibitive. Similarly, in derivatives transactions, often a margin is required or the collateral posted exceeds the liability. In a wind-up, such excess collateral is released back to the company. Accordingly, this rule is not warranted and its application will increase costs of risk mitigation tools, both reinsurance and derivative hedging. For these reasons, Parameter M2E5-7-8 is inappropriate and should be removed. The wording in M2E5-11-4 should correspondingly be expanded to include "Appropriate account should be taken of collateral or other security held by or for the account of the insurer and their associated risks". - M2E5-7-1 Intangibles should be able to be included within "available" capital where the value of these assets can be reasonably measured on an ongoing basis. In our opinion it is not justified to exclude a priori all intangibles from core capital. For example, "trade names" or "distribution channels" might have a positive impact on the operation for continuing its activities during stressful periods and their value could be monetised in a winding-up situation. We therefore believe that, along with computer software intangibles, the value of these assets should be recognised through capital resources. Similarly, deferred tax assets (DTA) should be part of the "core" capital. Insurers have the capacity to realise the value of DTAs both as "going concern" and even in stress situations—rigorous valuation reviews conducted regularly ensure that DTAs meet the asset recognition criteria. As an example: in a stress situation, a life insurer moderates its new business sales. As a consequence, the expected decrease of capital strain (from first year financing of acquisition costs) would lead to a higher taxable income improving the DTA recoverability. The Geneva Association remains available to discuss and elaborate on the comments and suggestions contained within this	

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		response and would welcome the opportunity to do so.	
Lloyd's of London	UK	Standard M2E5-5 We understand that this section is likely to change radically, to incorporate the new risk-based Insurance Capital Standard. Parameters and guidelines referring to qualifying capital resources should not be finalised until field testing has been completed. In its existing form, this section reads as a detailed and prescriptive list of requirements which, if applied globally, could require significant changes in local and regional rules on capital categorisation and therefore on the ability of IAIGs to raise capital. We fear that it has been drafted on theoretical grounds, rather than with an eye to real-life experiences of insurance undertakings worldwide. ComFrame should not operate in this way, to proscribe categories of asset which are acceptable under existing or prospective regulatory capital regimes, unless there is clear evidence that the assets concerned constitutes real risks to the solvency and financial standing of IAIGs. Otherwise ComFrame, instead of strengthening the security of the international insurance industry, could be a destabilising factor for it. Parameter M2E5-5-2 This Parameter is too strict and could unnecessarily disqualify financial instruments from counting as core capital. We suggest that, in line with Solvency II, it is re-worded to permit financial instruments to qualify as core capital if they are of "sufficient duration". Parameter M2E5-5-10 This limits non-paid-up financial instruments to no more than 10% of an IAIG's capital benchmark. This could apply to letters of credit (LoC), including LoC with additional protections. In reality, LoC have proved a reliable source of capital. As an unconditional	

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		obligation on a bank to pay (and therefore not contingent) they are fully and immediately available and able to absorb losses. We are not aware of any instances of banks being unable to perform their obligations on demand, or any challenges of undertakings' ability to draw down. ComFrame should follow a more pragmatic approach. We suggest that it recognises "letters of credit and guarantees which are held in trust for the benefit of insurance creditors by an independent trustee and provided by authorised credit institutions" as capital and that, if a limit is considered necessary, it should not be less than 50%. Parameter M2E5-7-7 It is entirely inappropriate for reinsurance to be classified as "qualifying" only if collateral has been posted to cover liabilities. This will endorse the restrictive regulatory approaches of a small number of jurisdictions. There is no evidence that requiring collateral to be posted in relation to reinsurance contracts is a necessary safeguard for the payment of claims under those contracts. There is evidence that regulatory requirements for reinsurance collateral, particularly when applied in discriminatory fashion, act as barriers to the activities of those engaged in the transaction of reinsurance internationally and can therefore be construed as protectionist measures. Reinsurance assets should be included in core capital at their market value, without classification as "qualifying" and "non-qualifying".	
RSA Group	UK	M2E5-10 to 13 - These standards amount to a complex standard formula. Unlike Solvency II, there does not appear to be provision for entities to apply specific parameters, let alone to use a bespoke internal model. In Europe, IAIGs are all likely to be developing internal capital models. The specification of a complex standard formula will be of negligible business benefit and will represent an unnecessary burden and distraction of management time. We require clarification of whether the ICS will be using this benchmark or whether this will be an additional requirement. As mentioned	

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		earlier, ComFrame should focus on a calibration tool that can use existing capital standards rather than focus on creating a new one. Parameter M2E5-5-2 - The exclusion from core capital of any instruments with fixed maturity is excessive and goes beyond Solvency II which permits instruments with an original maturity of 30 years to be tier 1 and which recognises the important concept of "sufficient duration. It is important that all definitions of what constitutes acceptable capital resources is consistent with current accepted practice and developments.	
Association of British Insurers (ABI)	United Kingdom	We note the IAIS' assertion that, in relation to M2E5, the impending field testing work to be carried out by the IAIS will further inform the capital elements of ComFrame. That notwithstanding, we have a number of comments on the draft as currently written and these are presented below. We have an overarching concern that there is a danger of this draft unduly influencing the field testing work and continued efforts to develop a BCR and ICS; this is clearly undesirable and to be avoided at all costs. Capital We have significant concerns with the way in which the draft contains specific definitions in relation to which capital resources would qualify as "core' or "additional' capital in the context of the capital adequacy assessment. We agree that capital resources should be assessed on the basis of the valuation methodology used by the IAIG; however, the valuation methodology for the ICS is something that will be considered during field testing and it would therefore be premature and inappropriate to conclude any aspects of the drafting related to capital resources at this time. In relation to M2E5-5, we believe that the criteria for assessment of capital is much too restrictive and goes further than other regimes either already in existence or in development (for example, in M2E5-5-2, the requirement for "core' capital to be irredeemable is stronger than the Solvency II requirement for maturities of at least 30 years - we believe such duration to be restrictive enough).	

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		Currently, the provisions in M2E5 are far too restrictive. The cumulative effect of the restrictions described in the text would be arbitrary and damaging; IAIGs would be limited to the use of equity and retained earnings in 'core' capital. Such a situation is not necessary in order to fulfil regulatory objectives in an insurance context, where the long-term nature of many liabilities means that capital instruments that would otherwise be ineffective in the short-term context of a bank failure are a prudentially sound method of dealing with a wind-up of insurance business. Each accounting regime contains rules that help to determine whether - and how - specific capital can be considered for capital adequacy purposes. We do not, therefore, believe that 'hybrids and subordinated debt' should be explicitly excluded from being classified as 'core' capital within ComFrame. Without flexibility in this regard, we do not believe that the Framework's cornerstone of 'proportionality' is being properly applied. Also, given that IAIGs should be recognised as economic entities with shared risks and capital resources, it should be made clear that the value of in-force business (i.e. the present value of future profits) forms a component part of 'core' capital. Similarly, the role of diversification in risk management should also be recognised. In any case, the development of the capital component should include provisions for the grandfathering of existing capital instruments that have been issued under existing rules. In evaluating whether an IAIG is adequately capitalised from a regulatory perspective, the regulator's capital objective must be clear. This is clearly not yet the case as the development of an ICS is work that remains very much on-going. In this context, any distinction made between 'core' and 'additional' capital only serves to create an arbitrary limit on the percentage that can be derived from one form of capital and we stress the importance of not allowing current drafting to unduly influence or prejudge the outcome of field testing. Field testing We have a number of comments in relation to field testing, whilst recognising that the IAIS is currently engaging with interested stakeholders on this through a different consultation process; we	

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		therefore reserve the right to our opinion depending on the outcome of those discussions. That notwithstanding, we believe that (consistent with our views above): - the development of ComFrame should recognise that a large number of insurers are long-term investors with long-term liabilities. Therefore, they are not exposed to the material risk of being forced to sell assets at a loss as some other market participants would be. Capital resources and required capital should reflect the degree to which this risk is mitigated. A failure to do this would carry the risk of introducing pro-cyclicality. - the valuation of the difference between the value of assets less the sum of the best estimate liabilities and non-subordinated liabilities should be valued as core capital. - subordinated financial instruments should be included in core capital where available to absorb losses on a going concern basis and as additional capital otherwise. - other items that can be called up to absorb losses should also be recognised. - goodwill and intangibles should be included within available capital if they have value under stress or there is an active market with quoted market prices available for the same asset, indicating it is saleable in the market place and it is possible to measure fair value reliably (if this is not the case then we agree that intangible assets should be excluded). It is unclear why the IAIS only focus on realisable value in a winding-up of computer software in this respect. - where deferred tax assets exist due to future profit, consideration should be given to their inclusion within core capital (as is the case, for example, with Solvency II). - reinsurance assets should be included in core capital at their market value. Collateral should only be taken into account in regard to determining default exposure in respect to counterparty risk. Assessment of risks Currently, M2E5 contains a mix of high-level views on the types of risk to be assessed (for example, in relation to revision risk) yet in some places (for example, in relation to catastrophe risk) appears to have considered issues in quite some detail. Again, we caution	

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		against current drafting unduly influencing the outcome of field testing and the development of an ICS. With the development of the ICS within ComFrame, more detail will need to be provided in relation to the target criteria and explicitly allow for the use of internal models in calculating this. As currently drafted, ComFrame introduces 'group risk' as a key risk category that should be measured and included within the ORSA. Whilst we agree that group factors can influence other key risks and that this influence should be assessed, the influence of such factors will be assessed as part of the consideration of the established key risk categories through ERM. Therefore, we do not consider that 'group risk' should be regarded as a discrete type of risk in the same way as other key risk categories. In the event-based approach (M2E5-13-2-1), diversification between individual scenarios should be implicit in the size of the scenarios and also take account of the number of scenarios (i.e. the event-based approach is a true multivariate approach where the sizes of the individual scenarios depend on the other scenarios).	
International Underwriting Association of London	United Kingdom	We note that the emphasis is very much on the need for groups to hold more capital, yet we believe that there are many arguments that support the opposite idea that groups are more robust than solo undertakings, because the risks are more diversified and resources can be shared in times of crisis. We would suggest that reference should be made to credit being given for diversification of risk. M2 E5-7-7 suggests that reinsurance should only be treated as equivalent to qualifying core capital, when collateral has been posted to cover the liabilities. In our view that is inappropriate. Reinsurance from a reputable, financially sound and well-regulated company is, however, recognised by most cedants and regulators to be a very reliable form of protection and it should not require regulatory collateralisation. M2 E5-12-4 requires the IAIG to evaluate the impact on its global financial situation of a financial crisis scenario. We fear there may	

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		be a risk of double counting of financial impact in cases where scenario evaluations may duplicate assessments already made under other risk categories.	
Prudential Regulatory Authority	United Kingdom	M2E5-3-1-2 We recommend that the FTF is made aware that an increased capital benchmark approach, as described in bullet point three, could result in requirements being met by lower quality capital. M2E5-5-2 This appears to be contradictory with M2E5-5-7, when definition of fixed maturity (in M2E5-5-5) is taken into consideration. It is not clear how a perpetual instrument with a call date at 5 years would be treated. Some clarification needed. M2E5-5-5-1 Definitions/approach to incentives to redeem appear confused and incomplete. Perhaps: "A financial instrument with an incentive to redeem effectively sets the maturity date. Such instruments therefore do not qualify as core capital, as qualifying instruments are not allowed to have a fixed maturity date. Incentives to redeem include, but are not limited to: a call option, a call option with a step up, and a call option with a mechanism to convert to ordinary shares if the call is not accepted'. M2E5-5-5-4 It is not clear why retraction rights fix a maturity and are permitted for additional capital when not for core - this needs clarifying. M2E5-5-10 Non paid-up financial instruments in additional capital are limited to 10% of capital benchmark but no rationale for this is given and this precision is inconsistent with the rest of the ComFrame standards. M2E5-7-5 Should be expanded to cover other capital instruments issued by the IAIG that the IAIG holds itself.	
American Council of Life Insurers	United States	We are concerned about the opaque nature and lack of formal process surrounding the selection of the valuation methodologies and basis for the ComFrame capital adequacy assessment. As late as September 2013, the IAIS was considering four valuation methods .The ComFrame consultation draft included just three methods, and in November the IAIS announced that only two valuation methods remained under consideration. We understand that the IAIS is under pressure to select a valuation method and capital adequacy metrics, but we are concerned that the process has moved at such a rapid pace and at the expense of public	

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		consultation. Guideline M2E5-2-1-2 and Guideline M2E5-2-1-3. ACLI seeks additional clarity surrounding the treatment of non-insurance financial institutions. Guidelines M2E5-2-1-2 and Guideline M2E5-2-1-3 suggest a contradictory treatment of regulated financial entities. It's unclear if the IAIG should aggregate the non-insurance Financial Institution sector-specific qualifying capital resources and requirements with the qualifying capital resources and benchmark of Element 5 (as suggested by Guideline M2E5-2-1-2) or exclude the non-bank FI and follow the functional regulator's approach and consider the resources in a "proportionate" manner (Guideline M2E5-2-1-3)? ACLI requests that conflicting guidance be removed or streamlined to improve consistency. Guideline M2E5-12-1-3: The fourth bullet point states that non-regulated entities are included in the group capital adequacy assessment if their capital resources are material to the insurance operations. ACLI seeks clarity on what is deemed material. Guideline M2E5-2-1-4 adds two "considerations" that IAIGs must consider if they use a legal entity approach, including that "the valuation basis...applied to each entity is consistent within the group." This section appears to either preclude, outright, the use of the legal entity aggregation approach or imposes a very steep burden on IAIGs seeking to use statutory accounting or the legal entity aggregation approach. We suggest that the IAIS preserve the flexibility to allow companies to use and aggregate their existing legal entity valuation approaches. Standard M2E5-4: ACLI is concerned about that the capital tiers in ComFrame are overly conservative for the long-term insurance business model. Unlike institutions with short-term or on-demand liabilities, life insurers cannot be forced into accelerated liquidation scenarios, which makes the concept of "core capital" (going concern capital) and "additional capital" (i.e., wind-up capital) redundant. The distinction also places undue pressure on equity (core) capital, particularly for mutual insurers who are unable to raise equity in the capital markets.	

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		The range of instruments that qualify as core capital are very narrow, which obstructs the efficient management of core capital requirements. We are concerned that the current concept of qualified capital does not adequately account for the long-term nature of liabilities and is premature in light of the uncertainty over the outstanding valuation questions. Depending on the chosen valuation method, the tiering (into core or additional capital) or discounting of certain capital resources may be redundant because many valuation methods are designed to "haircut" certain kinds of capital in the stress condition being measured in a risk management context. Depending on the valuation method, an IAIG may have already appropriately discounted the "additional capital" instruments - and ComFrame's tier system would impose a second, redundant hair cut on those same assets. Standard M2E5-5: This standard would exclude surplus notes from inclusion in core capital and we feel that this exclusion occurs at the detriment of comparability. ComFrame (and the Backstop Capital Requirement and ultimately the Insurance Capital Standard) has a goal of creating a level playing field to assess groups and create consistency in that assessment. We believe that counting surplus notes as core capital is consistent with counting capital raised through stock issuance by stock companies as core capital. This element of consistency will be lost if capital backed by surplus notes are placed in the additional capital category. Less emphatically, and somewhat speculatively, we also have some concern that this unfavorable view of mutual capitalization may make a difference in the future should the BCR a) be made an insurance core principle or b) be applied in a local jurisdiction or rating agency that adopts parts of ComFrame, its ICS, or the BCR in the belief it is a leading or consistent practice. Including surplus notes in core capital will promote consistency in capital assessments across companies. Regardless of how well capitalized mutual companies are on internal, rating agency and regulatory bases, we want the calculation to be at least approximately accurate. If items are not appropriately addressed (e.g., the loss-absorbing capacity of discretionary dividends, consistency between projected dividends and discount rates, etc.) because a one-size fits all approach is adopted, or a view taken that companies "don't need the capital to pass" at this time, the	

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		group's perceived sensitivity to stresses may be under or over stated and its relative positioning, an aspect that has been discussed as recently as last year in IAIS meetings, may be misunderstood. The protection of policyholder claims should be the primary characteristics of "capital (vs. explicit legal subordination of the security, as required by ComFrame). Most jurisdictions rank policyholders before debt holders - unlike bank depositors, who rank pari passu with senior creditors. Accordingly, in jurisdictions where policyholders rank ahead of debt holders, any debt (inclusive of senior debt, not just subordinated debt) should qualify as additional capital, provided that distributions could be suspended or amortized within 5 years of ultimate maturity. This would align with Guideline M2E5-5-4-1, which should be modified so that distributions that require regulatory approval before distributions are made should count as core capital (i.e., surplus notes). In these jurisdictions (where policyholders rank ahead of debt holders) traditional debentures should qualify as capital since it meets the subordination requirement in form and substance (Parameter M2E5-5-1). Parameter M2E5-5-12. The ACLI seeks additional clarity on the statement that qualifying capital must be available, subordinated and "neither undermined nor rendered ineffective by encumbrances." This appears to exclude capital created from real estate encumbered with a mortgage. If so, the ACLI disagrees with this punitive treatment of investments in real estate or securitizations. Parameter M2E5-5-16 and Guideline M2E5-5-16 state that the IAIG should have the ability to "defer distributions of financial instruments that qualify as additional capital" without the risk of invoking default and triggering legal insolvency. The ACLI respectfully requests that the ComFrame specify that the deferred distribution requirement is met if a supervisor has the ability to defer or suspend distribution (without invoking default). Parameter M2E5-5-16 only mentions one of the two alternative features qualifying debt as additional capital. Guideline M2E5-5-4-1	

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		(p. 70-71) states that financial instruments that qualify as additional capital may need to be amortized in the final five years before maturity or the ability to suspend redemption or repayment. However, Parameter M2E5-5-16 emphasizes only the ability to suspend distribution to qualify as additional capital, and does not mention the alternative (amortization within 5 years). This exclusion of the amortization option would disqualify traditional debentures offered in North America from inclusion as additional capital and appears to be a typo, given its misalignment with Guideline M2E5-5-4-1. Parameter M2E5-7-3 excludes deferred tax-assets which rely on future profitability from core capital. The ACLI believes that these exclusions are overly punitive towards the long-term business model of life insurance. DTAs and certain intangibles maintain their value over a long-run and value can be crystallized even under stress conditions given the long-term run off periods or alternatively, can be monetized through purchase if the business be divested. We think that the exclusion of intangibles from additional capital is incongruous with Parameter M2E5-7-2, which allows credit for software intangibles in additional capital. The exclusion disregards the realizable value of distribution channels, trade names, and clients lists. Similarly, the exclusion of DTAs from core capital with limited add-backs is not satisfactory due to the enhanced pressures on core capital that such deductions introduced. This exclusion contributes to the overall instability of the core capital position. Furthermore, if conceptually core capital is understood as "going concern" capital, and DTAs certainly maintain value that benefits the company under going concern assumption, which supports the case for including them as core capital - not deducting them. The ACLI respectfully requests additional clarity on Parameter M2E5-7-7, which disallows core capital credit for the "value of reinsurance assets arising from arrangements deemed to constitute non-qualifying reinsurance to the extent that collateral has not been posted to cover the liabilities. Some jurisdictions permit authorized or certified reinsurance that does not have collateral backing the liabilities. The associated Guideline M2E5-7-7-1 says that "non-qualifying reinsurance" includes a non-	

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		exhaustive list of reinsurance credit that is excluded from core, which includes reinsurance that is "not licensed, certified, authorized or registered in a jurisdiction[.]" Does ComFrame disqualify reinsurance credit from core capital if the credit is obtained from a licensed or authorized reinsurer that is permitted to reinsure in the jurisdiction without posting collateral to cover the associated liabilities? If so, we do not believe such a punitive treatment is warranted to authorized or certified reinsurance. Parameter M2E5-7-8 excludes the value of secured assets in excess of the value of the relevant liabilities. We believe that the exclusion of secured assets in excess of the value of the relevant liabilities is overly severe and does not properly reflect the risk mitigation value provided by reinsurance and other risk mitigation strategies. We believe that disallowance of the excess value isn't justified. Additionally, the exclusion will cause serious implications for a number of strategies insurers use to mitigate risk, including reinsurance, derivatives and secured funding transactions. - Implications for reinsurance - In some reinsurance structures, collateral is provided in support of capital requirements or as an additional credit protection. The proposed ComFrame rules would require a deduction of this collateral from core capital as there are no "relevant liabilities" present. Divestitures of insurance blocks are often transacted using reinsurance, with collateral provided by the buyer. Any conservatism required by the seller will have a direct impact on the transaction if the additional collateral triggers a deduction from buyer's core capital. Finally, differences in local reserving and regulatory requirements could create further complexity. - Implications for derivatives and secured funding type transactions- For over the counter (OTC) derivatives, collateral posting is typically subject to a haircut (or over-collateralization) based on the type of assets, credit and/or tenor. The ComFrame wording would result in the over-collateralization amount being excluded from core capital. The exclusion appears to disregard the fact that the pledged assets could be sold to settle the derivative liability and the excess will be freely available to the insurer in a wind-up or liquidation situation. The value should be assessed properly. For cleared derivatives, there is an initial margin (IM) that needs to	

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		be posted with the clearing house which is not supporting any specific derivative liabilities. This would be excluded from core capital which we believe is severe, because the IM would be released to the insurer once the derivative is unwound. As insurers typically use derivatives for risk management purposes, having these capital charges would increase costs of these risk-mitigating activities. - Implications for secured funding - In addition to derivative usages, secured funding programs (such as repos and similar) typically require haircut (or over-collateralization) as well. The ComFrame wording would imply that the over-collateralization amount (i.e. assets in excess of the debt balance) would be excluded from core capital. As per the argument above, in a wind-up or liquidation situation, the secured borrowing could be repaid/settled and any excess collateral returned to the insurer and available for other claims. - Implications for collateralized line/letter of credit facilities-- Another situation of concern would relate to collateralized line/letter of credit facilities. Since these would be off-balance sheet, any assets used to collateralize them would be deducted from capital. This could indirectly impact reinsurance transactions as well. Guideline M2E5-9-1 implies that after aggregation or consolidation, all capital resources at the Head of the IAIG must be "financial instruments" that have been issued and held by third parties. Retained earnings and similar forms of equity clearly constitute capital resources, yet they are not held by third parties. The Guideline should be modified to clarify that retained earnings and similar forms of equity held by the Head of the IAIG are capital resources. Parameter M2E5-9-2. If the capital resources of an IAIG controlled financial institutions are excluded, then the risk associated with that entity should be excluded as well. It is unfair to count the non-insurance financial institution's risk against the IAIG without also including the risk-based capital the non-insurance financial institutions retains to mitigate that risk. Guideline M2E5-9-4-1. The diversification limit for IAIGs using a legal entity aggregation approach unfairly penalizes firms using a	

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		legal entity approach. An IAIG using a legal entity aggregation approach must limit the group diversification benefits for subsidiaries to "legally binding contracts between group entities" but there is not a similar deduction for IAIGs using a consolidated basis approach. This distinction seems unbalanced because it penalizes the IAIG using a legal entity approach in anticipation of a fungibility or transfer problem that may also exist for IAIGs using a consolidated approach. The IAIG using a consolidation approach must only "consider" fungibility or transferability restrictions, but the IAIG using a legal entity approach must actually limit their diversification benefit. Standard M2E5-10: The time horizon is critical for insurers who issue long-term guaranties. ACLI welcomes additional information on how the target criteria harmonize with the event-based scenario approach. Parameter M2E5-11-2 ComFrame uses the term "premium risk." We think that the term "other insurance risk" is more precise because "premium risk" implies that the risk involves the existence or amount of funding by the policyholder.	
American Insurance Association	United States of America	Accounting Regimes Module 2 Element 5 generally permits an IAIG to continue to use the accounting regime it currently uses (e.g. Generally Accepted Accounting Principles, International Financial Reporting Standards, or Statutory Accounting Principles) without prescribing the use of one particular regime. However, as discussed more fully below, several components of Module 2, Element 5 implicitly assume a single valuation approach (e.g., definition of Qualifying Capital Resources) which may or may not be consistent with the final accounting or capital standards in different regulatory environments. ComFrame should resist any urge to introduce a more prescriptive tone regarding the use of a particular accounting regime given that convergence of international accounting standards is already occurring via other channels under the auspices of the Financial Accounting Standards Board and the International Accounting Standards Board. This convergence will	

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		occur over time and trying to develop such standards in the context of ComFrame will only further complicate an already complex convergence schedule. AIA urges ComFrame to maintain this deference to existing accounting regimes while the IAIS develops the so-called "best estimate" approach to assets and liabilities. The development of this approach should not create a new regulatory layer but rather build upon existing jurisdictional approaches without favoring one approach over another. Capital Adequacy Standards Apart from the important issue of valuation, it has to be ensured that any standards for capital adequacy assessment in ComFrame are aligned with local jurisdictional requirements in a sense that no additional calculation efforts or regulatory requirements arise if local requirements are deemed to be equivalent to ComFrame. As discussed in greater detail below, this would need to be true with respect to the definition and classification of qualifying capital resources as core and additional capital or the limitation of capital items, as well as for the calculation methodology for the capital benchmark. ComFrame Standard M2E5-2: ComFrame permits the capital adequacy of an IAIG to be "based on a consolidated basis or on the aggregation of the legal entities," which would allow the IAIG to determine the appropriate elimination entries to apply to the intra-group creation of capital and other group considerations, as appropriate. The proportionality cornerstone should work to permit an IAIG to determine what, if any, elimination entries are required to adequately represent the group's available capital when determining capital adequacy. ComFrame Standard M2E5-3: ComFrame should not contain specific definitions as to which capital resources qualify in the context of the capital adequacy assessment. Rather, principles should be incorporated that permit the flexibility needed for the various regulatory regimes. Without this flexibility, the proportionality cornerstone is violated and all	

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		IAIGs will be treated similarly regardless of size or complexity. AIA agrees that capital resources should be assessed on the basis of the valuation methodology used by the IAIG. Each regime contains rules that help to determine whether specific capital can be considered for capital adequacy purposes. ComFrame Standard M2E5-4: In evaluating whether an IAIG is adequately capitalized from a regulatory perspective, the regulator's capital objective must be clear. In the context of an insurance capital or minimum regulatory capital standard, AIA believes that the focus should be to protect policyholders in the event of insolvency. From this perspective, any financial instrument that is available over the forecast or risk horizon, not subject to guarantees or security arrangements and explicitly subordinated (e.g., by security design) or subordinated by structure (e.g., holding company debt) can be viewed as loss absorbing capital in protecting policyholders. As an example, in the U.S., regulators have long pursued a total capital (i.e., surplus) standard for protecting policyholders. In this context, both equity and holding company debt are loss absorbing prior to policyholders in any wind-down process. In this context, any bifurcation between "core" and "additional" capital only serves to create an arbitrary limit on the percentage that can be derived from one form of capital. It is not clear that ComFrame needs to stipulate this bifurcation in order to achieve regulatory equivalence. However, if ComFrame does stipulate a split between "core" and "additional" capital, the definition of loss absorbing "additional" capital needs to be broadened to reflect a regulatory capital objective of protecting policyholders (See M2E5-5). ComFrame Standard M2E5-5: Consistent with our comments on Standard M2E5-4, Standard M2E5-5 appears overly prescriptive in setting the financial terms for core vs. additional capital. For example, the use of a 5-year maturity threshold creates an artificial cliff that could be highly disruptive depending on how firms elect to finance their balance	

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		sheets between equity, hybrid equity, debt and hybrid debt instruments. Moreover, the 5-year cliff may not be equally applicable to companies with varying policyholder liability maturity structures. Finally, the current proposal is for an initial maturity of 5 years. We believe that "available" over the forecast or risk horizon would actually be a more robust standard (e.g., year 4 following an issuance of 6-year debt) and is consistent with the comments in Parameter M2E5-5-4. Moreover, many of the parameters listed under M2E5-5 are more appropriately characterized as guidelines that can be used by the supervisors in reviewing the specific composition of the balance sheet of the IAIG. ComFrame Standard M2E5-7: The current proposal under Standard M2E5-7 reflects a determination of the Qualifying Capital Resources according to adjustments to some capital elements that reflects the interpretation of one specific regulatory capital regime. Consistent with the group-wide supervision cornerstone, adjustments will need to reflect the capital and accounting provisions in the IAIG's supervisory domicile. A specific example is the reference to "pension fund assets that cannot be accessed easily or quickly." Under U.S. law (ERISA), fiduciary obligations clearly state that pension fund assets are be invested for the benefit of the pension beneficiaries and are not the assets of the sponsoring firm. Pension asset reversions are subject to very strict rules and procedures to protect beneficiaries against asset stripping. The technicalities of pension assets serve to illustrate the dangers of establishing overly prescriptive guidelines. ComFrame Standard M2E5-11: Standard M2E5-11 charges the IAIG with accounting for key risk categories when determining its capital benchmark. AIA respectfully suggests that the current list of key risk categories is too prescriptive and may both limit an IAIG's methodological approach (e.g., preventing a definition of credit that includes both default and credit spread risk) and may result in certain risks being excluded (e.g., inflation). Instead, AIA recommends that this standard be based on all of the material risks as defined within the	

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		group's ORSA submission and the guidelines list the current list of risk definitions as non-exhaustive examples, while providing sufficient latitude for individual company implementation provided that the approach is comprehensive of all material risks.	
National Association of Mutual Insurance Companies	United States of America	GENERAL CAPITAL ADEQUACY ASSESSMENT PROPOSAL. We propose that IAIS reconsider its approach to capital adequacy assessment and instead consider a proposal that incorporates the use of Supervisory Colleges to conduct a capital adequacy assessment and evaluation of an insurance group's capital requirements using the group's own internal capital model within an ORSA-based approach. Since the role of supervisory colleges and the adoption of an ORSA-style requirement are both consistent with the ICPs, this seems to be an approach that would work well in an international context. This general concept could include a technical assessment including: 1) model construction; 2) model parameterization, validation and controls and 3) a robust Supervisory College review process. We urge the consideration of this approach to ComFrame capital adequacy assessment. STATUTORY ACCOUNTING PRINCIPLES. All insurers in the United States file financial statements with state regulators consistent with the U.S. Statutory Accounting Principles. Mutual insurance groups that do not have a stock company affiliate publically traded, file only statutory financial statements. Requirements under ComFrame prescribing a valuation approach that is inconsistent with the Statutory Accounting Principles would create an undue burden, and competitive disadvantage for U.S. mutual insurers found subject to the IAIG requirements. We strongly urge IAIS to resist any urge to introduce a more prescriptive tone regarding the use of a particular accounting regime. It is important to note that the insurance contract standards under both U.S. GAAP and IFRS have not yet been finalized and IAIS efforts to anticipate the direction the Boards will go would be premature. CORE CAPITAL. The definition of core capital in this Element is overly prescriptive and will create disparate impacts on companies with different organizational structures. The requirement that core capital must be permanent, available, subordinated, and free of	

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		both encumbrances and mandatory distributions that reduce shareholders' equity or members' surplus is a good example of this concern. There are two types of permanence in ComFrame: permanence with respect to maturity and permanence with respect to redemption. Our concern is that the proposed maturity threshold for core capital requires the instrument to exist in perpetuity, in order to qualify as core capital. Mutual insurers have limited sources of capital and they often use surplus notes with average maturity periods of 25 to 30 years. Surplus notes have unique, equity-like features: they are deeply subordinated to all policyholders and non-regulatory capital creditors and require regulatory approval prior to issuance. Supervisory approval is also required before a note is redeemed (payment of principal) or a distribution (payment of interest) is made. The requirement that core capital have no fixed maturity date seems to diverge from Insurance Core Principle 17's criteria for "permanence" in a way that unintentionally places U.S. mutual insurers at a competitive disadvantage to their stock company counterparts. This will create an unlevel playing field for insurers with different corporate structures that is inconsistent with the ComFrame cornerstone of "proportionality."	
Property Casualty Insurers Association of America (PCI)	United States of America	Regarding the IAIS' decision to develop a global insurance capital standard (ICS), we believe that existing insurance regulatory systems have helped create a healthy and highly competitive and diverse global industry notwithstanding severe challenges such as the financial crisis, unprecedented natural catastrophes and years of economic slowdown. We have seen no analysis that shows clear gaps in regulation or applies any kind of rigorous cost/benefit comparison to imposition of a group capital requirement on IAIGs. A largely political process has now resulted in an FSB direction to the IAIS to develop a global insurance capital standard (ICS) not just for global systemically important insurers but for large insurers doing business internationally. The FSB directive was issued from behind closed doors with little or no stakeholder involvement. Because of the absence of necessity for this project, because it will	

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		cost significant public and private resources to accomplish and because the project could have dire consequences both for insurers and consumers, we make the following recommendations: - Full participation by all elements of the industry is essential to insure a workable, effective outcome in this highly complex area. - The outcome should reflect the realities of insurance marketplaces, the totality of insurance regulation and diverse insurance business models, which in many cases will be quite different from any other sector, including banking. - A capital standard that is higher than necessary will hurt rather than harm consumers through less affordability and/or availability of insurance and will make insurers less able to attract capital or force them to pay a higher than necessary price for it. - The wrong one-size-fits-all standard could actually create systemic risk in the insurance sector, which today does not exist because it is highly diverse, competitive and financially strong. - There should be rigorous cost/benefit analyses all along the way to assure that the benefits of a global capital standard far outweigh its costs to companies and consumers. - Any resulting standard should be a minimum solvency standard with allowance for the companies to choose their risk appetite and level of operating capital. - Any resulting standard should not create unfair economic advantages or disadvantages in the market. If the ICS results in a higher capital standard for IAIGs than for other insurance groups, it is very likely that jurisdictional capital standards that have worked quite well will be subject to strong pressure to change to avoid competitive distortions. This could disturb well-operating insurance markets and increase costs and limit availability of insurance products for policyholders. The IAIS should keep in mind that its decisions here affect not only IAIGs but the global insurance marketplace as a whole. With respect to field testing of IAIG valuation approaches to which stress scenarios are to be applied, we agree that one option should be for IAIGs to use the asset and liability valuations in their own economic capital models, subject to appropriate, high-level principles concerning the models' development and use. We also agree with the basic concept of Option 3, which starts with an	

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		IAIG's national GAAP (or supervisory accounting method for mutuals or other groups to which GAAP does not apply). We disagree, however, with the subsequent market valuation of material assets and technical provisions when such valuation is not appropriate to the business model of the IAIG, particularly in the case of non-life insurers in the U.S. M2E5-4: With this standard and the related parameters and guidelines, ComFrame would restrict the range of capital raising tools available at the holding company level, potentially driving up the cost of capital and, accordingly, premiums for insurance coverage. The proposal would significantly diminish the traditional ability of insurance holding companies to efficiently finance and capitalize their insurance subsidiaries using forms of capital (e.g., senior debt or preferred shares) unattractive or not permitted to insurers themselves. Excluding instruments that have "mandatory fixed charges" would seem to disallow senior debt and many types of preferred stock from treatment as "core capital". This will result in a higher proportion of capital being in common stock or equivalents, with higher return requirements. Thus, by altering the mix of capital towards more expensive forms, the cost of insurance may need to rise to generate competitive returns on and thereby attract such capital. We generally oppose the concept of splitting core and additional capital into separate components of capital. If this concept is maintained, however, long-term senior debt should be included as core capital. M2E5-4-1: The "permanence" requirement here, in particular permanence with respect to maturity, appears to require a capital instrument to exist in perpetuity in order to count as core capital. Mutual insurers in the U.S. have limited sources of capital and often use surplus notes with average maturity periods of 25 to 30 years to raise additional capital. Surplus notes have unique, equity-like features: they are deeply subordinated to all policyholders and non-regulatory capital creditors, require regulatory approval before to issuance, and also require regulatory approval before any payments of interest or principal are made. The permanence criterion for core capital seems to diverge from Insurance Core	

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		Principle 17's criteria for "permanence" in a way that unintentionally places U.S. mutual insurers at a competitive disadvantage, in violation of the cornerstone of "proportionality." This standard and guidelines should be revised so that surplus notes that are replaceable on similar terms should be considered to have the permanence necessary to be considered to be core capital. M2E5-5-13: This would seem to require IAIG parent-level equity and capital resources to be subordinated to insurer subsidiary-level policyholders claims. Normally, this subordination would occur only when capital is actually invested in the subsidiaries. IAIG parent companies should be free to hold capital at the parent level that counts as core or additional capital at group level without a policyholder subordination requirement. M2E5-7-7-1: If the core/additional capital concepts are retained, reinsurance assets should be acceptable as core capital if the reinsurer qualifies for reduced collateral under procedures that assess both a reinsurer's credit quality and the supervisory arrangements of a reinsurer's home supervisor.	
ACE Group	USA	M2E5-Introductory Comments The proposed approach of using scenarios against a base level of capital to assess various outcomes is sensible, pragmatic and useful to supervisors assessing risks to policyholder interests. This process should be allowed to mature through the College process. However, it is not clear whether the benchmark approach remains alongside the BCR and ICS or if this approach will be replaced once ICS is developed. As such we have not provided detailed comments on the scenario process at this stage but can provide those at a later stage if the benchmark process remains. M2E5-4-1 Core capital should exclude specified assets that are subject to write-down during periods when the IAIG is under stress. Providing examples of the type of assets that this provision is designed to impact would be helpful. M2E5-5	

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		We are concerned that many of the details set forth in M2 E5 seem to be designed to protect creditors, bondholders and other stakeholders such as employees. Protecting policyholders should be the principal focus of ComFrame and Element 5. Consequently, qualifying capital resource elements should include senior debt obligations in situations where policyholders have priority over the debt holders (e.g. debt raised by a holding company that is downstreamed into an insurance subsidiary). US holding company debt is considered loss absorbing capital by regulators and rating agencies and this should not be changed under ComFrame. M2E5-7-3 The IAIG's core capital excludes the value of those deferred tax assets (DTAs), net of deferred tax liabilities (DTLs), which rely on the IAIG being profitable in the future. Application of this provision introduces an additional valuation standard that will only serve to increase confusion without furthering the principal purpose of this Element. For example, US GAAP already requires companies to record a Valuation Allowance (i.e. an offset to the asset) against the DTA if it is determined that the DTA will not be realized (based on a "more likely than not" standard). This determination is based on a number of factors, including the forecast of future taxable income. Consequently, ComFrame should not establish a new and additional valuation standard. M2E5-7-7 The IAIG's core capital excludes the value of reinsurance assets arising from arrangements deemed to constitute non-qualifying reinsurance to the extent that collateral has not been posted to cover the liabilities... Non-qualifying reinsurance includes agreements with reinsurers which are, for example, not licensed, certified, authorized or registered in a jurisdiction and agreements which do not include a sufficient transfer of risk. The term non-qualifying reinsurance should be clarified to better understand what type of reinsurers would be impacted by this provision. Many common and traditional reinsurance arrangements do not provide for collateral.	

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		M2E5-7-8 The IAIG's core capital excludes the value of secured assets in excess of the value of the relevant liabilities. This provision should be reconsidered in light of the potential impact it may have on traditional reinsurance, derivative and secured funding arrangements. For example, it is common for a reinsurer to collateralize reinsured obligations based on the accounting convention utilized by the reinsured in its local financials. Such accounting convention may require the reinsured to compute its respective obligations based on overly conservative assumptions. In turn, this could result in the reinsurer maintaining collateral balances higher than what the reinsurer records on its financials (i.e. effectively, the reinsurer is collateralizing a non-economic liability). Eliminating this "excess collateral" from the reinsurer's core capital could dramatically impact the cost of such reinsured transactions. Also, it's important to consider that in derivative and secured funding arrangements, "excess collateral" positions would revert back to the company posting the collateral in a "wind up" or liquidation. M2E5-9-1-1 Capital resources at the Head of the IAIG, after consolidation or aggregation, should consist of financial instruments that have been issued and that are held by third parties It should be made clear that "Capital resources at the Head of the IAIG" would include financial instruments issued by non-insurance entities within the IAIG. For example, third party debt issued by a holding company that is wholly owned by the IAIG's ultimate holding company should qualify as a capital resource.	
Association of Financial Guaranty Insurers	USA	The IAIS has announced plans to develop an ICS by 2016. The ICS is expected to be tested beginning in 2015 as part of the ComFrame field testing. In addition, a capitalbackstop is under development for G-SIIs with an expected implementation date in late 2014. The IAIS is considering applying the capital backstop to IAIGs as well as G-SIIs. G-SIIs will also be subject to higher loss absorbency requirements as part of the three pillar approach to	

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		systemically important financial institutions adopted by the Financial Stability Board. The Association believes that the ICS is an integral part of ComFrame and that the testing phase of Modules 2 and 3 of ComFrame should wait until the ICS is more fully developed. The testing of ComFrame Modules 2 and 3 should also reflect the review of ICP 23 on group supervision that is underway in light of the Joint Forum principles. Rushing to field test ComFrame before these important elements are more fully developed runs the risk that ComFrame will not achieve the goal of being an integrated, coordinated approach to the supervision of IAIGs. The decision as to whether to apply the capital backstop to IAIGs is premature and should not be taken until (at a minimum) the ICS is developed and tested so that IAIS members may make an informed decision as to whether an additional capital requirement is needed for IAIGs. The ICS should be directed to national supervisors who then are responsible for implementing regulations or working with national legislatures to translate the standard into regulatory capital requirements for insurers licensed in the jurisdiction. The ICS should not be confused with, or based upon, companies' own assessments of their capital position, through the ORSA process or otherwise, as this may disincite companies from conducting a robust risk management and self-assessment process. For example, Standard M2E5-12 proposes to use a scenario-based approach for calculating a group capital benchmark. This is certainly appropriate as part of a company's ORSA process, but it should not be the basis for calculating a minimum regulatory requirement. ComFrame would benefit from greater clarity as to the standards that apply to companies' assessments of capital for risk management purposes and standards that apply to the development of regulatory minimum capital requirements. ComFrame should also allow for sufficient flexibility in scenario-based approaches and stress testing in order to reflect the range of insurance business models and risk profiles and continuously evolving risk management techniques. The internal risk management approaches used by Association members are very	

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		different from those utilized by property and casualty or life insurers and approaches also differ among Association members, reflecting different business composition and risk management philosophies. ComFrame should foster the continued evolution of risk management best practices through a flexible approach. ComFrame allows capital adequacy to be assessed on both a consolidated basis and an aggregated legal entity basis with valuations based on economic capital models or adjusted generally accepted accounting principles (GAAP). As some companies do not report financial statements under GAAP, ComFrame should permit the use of statutory financial statements for assessing capital adequacy. The flexibility of these different approaches should be retained and adjustments to GAAP and statutory financial statements should be kept to a minimum in order to maximize consistency with regulatory reporting and public disclosures and to reduce the potential for investor confusion. With respect to the quality of capital, as reflected in ComFrame Standard M2E5-5, the IAIS should consider carefully the impact of the parameters and guidelines under this Standard on outstanding capital instruments in order to avoid a situation in which IAIGs would need to conduct significant balance sheet restructurings. For example, the inclusion of all step-up provisions in the definition of an "incentive to redeem" could impact a large number of outstanding issuances. Creating a situation in which IAIGs would have to restructure their balance sheets at the same time could have destabilizing impacts on companies and markets.	
CNA	USA	CNA is concerned with the proposed criteria for core capital that does not contemplate a scenario that is common in the U.S. Approximately 20% of U.S. stock companies' economic capital is derived from senior debt issued by the holding company and invested as a capital contribution into a downstream insurance affiliate. The rationale for inclusion in the group's economic capital is that the capital cannot be removed from the affiliate to repay debt holders without supervisory approval making it indirectly subordinated to policyholder claims in the event of insolvency or winding up which is consistent with Insurance Core Principle (ICP) 17 criteria. Specifically ICP 17.11.1 states that:	

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		In view of the two objectives of capital resources set out in Guidance 17.2.6, the following questions need to be considered when establishing criteria to determine the suitability of capital resources for regulatory purposes: - To what extent can the capital element be used to absorb losses on a going-concern basis or in run-off? - To what extent can the capital element be used to reduce the loss to policyholders in the event of insolvency or winding-up? Since the scenario outlined meets both of these criteria CNA respectfully requests that the IAIS reconsider instruments which are indirectly subordinated as core capital and also consider this form of capital during field testing. Regarding valuation, CNA suggests that the IAIS limit the number of valuation approaches currently being considered in the first round of field testing and start with the valuation basis for technical provisions currently used in most groups' consolidated general purpose financial statements which is management's best estimate, excluding any prudential margin. A discount rate should be determined by the group based on the nature and duration of the liabilities and applied to the technical provisions. In addition to this information, the group should also provide a detailed description of the valuation basis used and an explanation as to how the values were derived. This would allow the IAIS to determine if comparability could be achieved under existing regimes without requiring groups to prepare pro-forma financial information on a basis of accounting which is vague and unfamiliar to potential IAIG's. While CNA continues to support a group capital assessment over a more rigid capital requirement, we do understand the pressure the IAIS is receiving to develop a Group International Capital Standard (ICS). Therefore, CNA recommends that the ICS be developed as a factor based approach derived from publicly available information. The factors should be calibrated with public data from the entire potential IAIG population, not just volunteers, to ensure an accurate representation of the entire population. This would allow for simplified verification by the group supervisor while	

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		making it efficient for groups to implement and monitor going forward. . This approach would also ensure consistency in measures across IAIGs, improving comparability across IAIGs and allow regulators to stress factors consistently across the industry should they so desire. Parameter M2E5-7-3 excludes net deferred tax assets from core capital which rely on an IAIG being profitable in the future. This parameter implies that deferred taxes on loss carry forwards are indeterminable and provide no economic value to an insurer. We respectfully disagree with this premise, although we understand the supervisory concern that there is significant judgment involved in the determination of a company's deferred tax position and corresponding valuation allowance. We believe this concern with judgment can be addressed with the same checks and balances used for other line items of the statutory balance sheet. As you are aware, a significant portion of an insurer's balance sheet is derived from management estimates that require professional judgment. Examples of these individual judgments include unpaid losses, reinsurance recoverable and bad debt and are based on standards, guidelines and professional experience. These judgments are then validated for reasonableness by an insurer's external auditors and insurance supervisor. In our opinion, deferred taxes is a determinable asset that helps provide a balanced view of an insurers true economic situation and its impacts on its financial and capital position. For example, it is problematic to have an accounting standard that requires fair value presentation for many invested asset categories and technical provisions while ignoring the tax ramifications of this fair value treatment. Unfortunately, this provides the financial statement users an unrealistic view of the true economics as of the balance sheet would create which is the purpose of fair value accounting. We would recommend that ComFrame include a realizability analysis similar to those mandated under IFRS, Japanese GAAP and U.S. GAAP. These standards allow benefit from loss carryforwards if it can be demonstrated the asset is realizable based on the facts and circumstances available as of the reporting date. Finally, until such time as a valuation standard exists, we believe it to be premature to make a determination on the treatment of deferred tax assets. Valuation issues such as the rate at which	

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		liabilities are discounted (if at all) may have a material non-economic impact on deferred tax assets.	
Institute of International Finance - IIF	USA	Module 2, Element 5 M2E5 should be principles-based. It should allow flexibility in how the standards are met and not be too prescriptive to prevent conflict with, and unnecessary changes to, current and developing frameworks that meet the principles. ComFrame should also encourage companies to draw from their internal valuation and capital models. The basis for the valuation of assets and liabilities is missing. It would be premature to conclude on any of the aspects covered in this section without any indication as to the basis on which assets and liabilities will be valued under ComFrame. This is because the balance sheet constitutes the basis on which both qualifying and benchmark capital are calculated. IIF members' views in this section should therefore be considered as work in progress. The long-term nature of insurance should be reflected. It is vital that the long-term nature of insurance business is appropriately recognized both on the balance sheet and in how the capital benchmark is calculated. Because of the nature of insurance products insurers' exposure to short term market volatility is reduced. Typically insurers can hold assets over longer periods of time without running a material risk of being forced to sell them at a loss. Both capital resources and capital benchmark should reflect the degree to which insurers are protected from the risk of losses on forced sales: - With regards to qualifying (available) capital, it is vital that ComFrame includes mechanisms to prevent changes in the value of assets (unrealized losses or gains) from fully flowing through to companies' balance sheets (and as such qualifying resources) for portfolios where companies have fully or partially the flexibility to decide whether or not and when to crystalize these unrealized losses or gains given the long-term nature of their business or where market risks have been fully or partially transferred to policyholders. - With regards to (required) capital benchmark, it is vital that	

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		ComFrame requires companies to hold capital for market risk only if there is also a risk that the company should realize assets losses to make payments that may fall due at the same time. For example, the risk of a drop in the market value of an asset should only result in a capital charge if there is also a risk that at the same time the company may be forced to liquidate the assets under stress to pay policyholders or other creditors. Insurers are not exposed to the risk of losses from forced sales either because of the illiquid nature of insurers' liabilities or where part or all of the exposure to market volatility has been transferred to policyholders through market value adjustment mechanisms or, for example, in the case of unit-linked type products. Failing to appropriately recognize the long-term nature of insurance risks would drive insurers out of their long-term products and corresponding investments, and would introduce pro-cyclicality. Typically insurers are only exposed to default risk rather than to entire spreads' volatility on bonds they can hold to maturity. Increases in spreads in stress conditions are often driven by increased illiquidity, rather than default, expectations. This should be reflected in both qualifying and benchmark capital under ComFrame. Qualifying (available) financial resources are unduly restricted. The text in M2E5 related to how the ComFrame capital benchmark is to be calculated is in general in line with IIF's members' expectations. However, the parts of M2E5 that relate to how much capital can be considered as qualifying capital remain a very strong concern. If the currently proposed capital criteria and deductions remain unchanged, a significant number of capital resources would not be considered as qualifying for ComFrame's capital benchmark. Deductions from capital are not needed. A priori deductions should not be prescribed by ComFrame. Elements of capital such as those known as retained earnings or reconciliation reserves, prudential margins, the value in force, goodwill, intangible assets and deferred taxes and others should not be a priori subject to tiering or deducted from qualifying capital resources when the risk that they may not be fully available in times of stress or during winding-up is	

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		already captured through the capital benchmark. The appropriateness of tiering for insurers needs to be re-considered. It is a concept that is inspired from banking regulation and it may therefore not be appropriate for insurers given the distinct features of their business model. Unlike banks, insurers cannot be forced into an accelerated liquidation of their balance sheet. Insurance liabilities are long-term, and are matched with assets of similar duration to the extent feasible. As such, the distinction between the "core capital" and "additional capital" is redundant for insurers as for insurers "going concern" and "liquidation" scenarios evolve differently than for banks, with the latter taking place over many years. The criteria for qualifying capital are far too restrictive. In particular, the requirements proposed for core capital would mean that investors in hybrid debt will have to take the full downside-risk as equity holders but without the chance of upside-benefits. Such instruments are not marketable. A number of criteria are likely to lead to many currently eligible instruments not qualifying as capital under ComFrame In addition, while developing the global insurance capital standard (ICS) as part of ComFrame, appropriate provisions for grandfathering of existing capital instruments should be made to avoid any unintended market distortions. Risk mitigation techniques should be recognized appropriately. - Diversification, be it geographical or between risk types , sits at the core of insurers' business model and as such needs to be fully reflected thus providing the right risk management incentives to firms. - A group should be viewed as single economic entity within which risks and capital resources can be shared. In practice, this is done through internal risk transfer arrangements. As such it would be inappropriate to a priori assume that some of the capital elements may not be considered as fungible or transferable or that some of the risks are not diversifiable within the group. - Reinsurance and other risk mitigation mechanisms should be taken into account according to the extent to which they mitigate risks. Excluding the value of secured assets in excess of the value of the relevant liabilities is unduly conservative and penalizing.	

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		Specific comments on Module 2, Element 5 M2E5-6&7: Deductions are inappropriate for capital elements for which the risk of drop in value has already been captured through the capital benchmark. The value of many of the elements that constitute available capital is by construction directly derived from the value of assets and the best estimate of insurance liabilities. This may be the case for balance sheet elements such as prudential margins, reconciliation reserves also known as retained earnings or surplus, value in force, intangibles assets, goodwill, deferred taxes etc. By requiring companies to capture the risk of a drop in value of assets or an increase in the value of liabilities in the capital benchmark, ComFrame implicitly captures the risk of such capital elements not being fully available in times of stress or in winding-up. Capital tiering and deductions from capital aim to capture the same risks. Therefore, any tiering or deduction of these capital elements would result in double counting. These capital elements, provided they are subordinated to policyholder liabilities (which we expect to be the case in most jurisdictions), should be considered fully as qualifying capital resources under ComFrame. It should also be made clear in the text that tiering criteria are not intended to apply to any of these capital elements. For example, it would be confusing if retained earnings had to meet capital criteria such as coupon cancellation. Reserves such as risk margins or equalization reserves which may be required under certain local regimes to cover losses from unexpected events should fully count as qualifying capital as they serve the same purpose and provide the same protection against unexpected risks as capital does. Tiering is a concept that is inspired from banking regulation and it may therefore not be appropriate for insurers given the distinct features of the business model. As an example, for insurers, intangibles and deferred tax assets maintain their value over a long run. This value can be crystalized even under stress conditions	

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		given the long-term run-off periods or, alternatively, it could be monetized through the purchase price should the business be divested. While Parameter M2E5-7-2 gives, as an example, credit for computer software intangibles, we believe that other intangibles mentioned such as trade names, distribution channels and client lists all have a "realizable value". Similarly, insurers have the capacity to realize the value of DTAs both on a going concern and in winding-up. Rigorous valuation reviews of DTAs are regularly conducted to ensure that they meet the asset recognition criteria. As such, if DTAs are considered as recoverable for the purposes of the balance sheet then they should also be considered as recoverable for the purpose of qualifying capital under going concern. In a stress situation a life insurer could limit its business sales, typically reducing strain and thus favorably impacting taxable income and improving DTA recoverability. It may also divest certain lines of business, structuring such sales in a tax efficient manner to realize DTAs associated with that business line. Furthermore, conceptually if the core capital is understood as "going concern" capital, intangibles and DTAs certainly maintain value that benefits the company under this "going concern" assumption, supporting the case for non-deducting them from core capital. M2E5-4 to E5-8: Many of the proposed capital criteria would make debt instruments highly unmarketable and would as such increase the cost of capital for insurers and ultimately policyholders too. Moving the insurance sector towards a much higher dependency on equity capital will substantially increase the cost of doing insurance business without delivering material economic benefits and will increase the cost of buying insurance for policyholders. In particular, fixed-income investors would be cut off. Such a reduction of the diversification of the investor base is not desirable in our view. M2E5-5-5: Step-ups should not be considered as maturity dates. If there is no legal obligation to repay the instrument, it would fully qualify to absorb losses in times of stress. Furthermore, in practice a call would only be exercised if market conditions allow	

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		undertakings to refinance at a lower cost than the new stepped-up coupon which under stressed conditions is very unlikely to be the case. As such step-ups do not represent material incentives to redeem in times of stress market conditions and should therefore be allowed. M2E5-7-6: The current text differs slightly from that of IAS 19. To avoid confusion, we would suggest rephrasing it in line with IAS 19 pension valuation. M2E5-7-7: Collateral requirements should be an exception and apply only for those reinsurers that are not subject to ComFrame or an equivalent regime. Anything else needs to qualify fully as reinsurance asset. M2E5-7-8: Excluding the value of secured assets in excess of the value of the relevant liabilities is excessively conservative. The risk of a collateralized asset not being available during winding-up to pay other claims with a priority ranking should be captured through a capital charge rather than through a blunt exclusion of the risk mitigating effects of such instruments. The proposed approach would be extremely punitive for various risk transfer techniques like reinsurance or risk mitigation techniques used within well-established risk management programs like OTC or cleared derivatives, etc. or beyond these risk mitigating techniques for secured funding programs (such as repos and similar) which typically require haircut (or over-collateralization). M2E5-9-2: IIF members disagree with the deduction of holdings in non-insurance financial institutions. They should be fully included in the IAIGs capital framework (both the available and required). Double gearing is eliminated at group level and we therefore do not see any reason for taking such a punitive approach. M2E5-10-1: IIF members recommend rephrasing the last sentence to "the approach is consistent with the determination of technical provisions and the assumptions used". M2E5-11-3: IIF members believe that "concentration risk" should not be a separate risk category but rather be captured by ensuring	

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		that the risk model used is sensitive to concentration risk. M2E5-11-5: The items given in the list as "key group risks" are not "risks".	
Liberty Mutual Group	USA	We have comments about both the current provisions of this Element as drafted as well as thoughts about the future development of a global quantitative capital standard, which we will address first. 1. The Development of a Global Capital Standard To have utility, a global insurance capital standard must be effective, workable, consistent among supervisors, and legally enforceable. Therefore, one must carefully examine and evaluate the following fundamental concepts during the proposed development of a global quantitative capital standard. First and foremost, is a capital standard needed? That is, does objective evidence indicate that the insurance industry or any IAIG is under-capitalized? Policymakers must acknowledge that insurance is not banking and capital is not always the solution. As noted in our introductory comments, international insurance operations, themselves, do not call for a special capital regime. Second, any insurance capital standard cannot be so complicated that it precludes simple practical implementation. There must be broad-based support for it and, to achieve that, it must be sufficiently flexible to evaluate company-specific characteristics and risks and other local regulatory differences. Third, one must consider unintended consequences. For example, inflexible capital standards could create disincentives for large insurers to expand their business activities into developing economies if such expansion were to impose burdensome increased capital requirements that do not appropriately reflect any actual potential risk related to such an expansion. Finally, in many jurisdictions insurance supervisors lack express authority over the legal entity that is the ultimate controlling person	

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		of an IAIG. Each jurisdiction's current laws pertaining to capital requirements of operating entities within an IAIG would, in all likelihood, need to be amended in order for a global capital standard to be enforced. It is by no means a foregone conclusion that local jurisdictions will amend their laws to meet a new standard or that an amended standard would be applied and enforced uniformly. The greater the number of new laws that are needed to provide supervisors with jurisdiction over an entire IAIG, the less likely such laws will be enacted. In light of these very practical factors, a group capital calculation should instead be part of a group capital assessment, not a strict regulatory requirement. Capital assessment must be flexible enough to accommodate different capital approaches, accounting standards, and related requirements and it must be fair to all insurance groups. Insurance groups' business models vary and thus are subject to different risks. For this reason, a number of challenges make implementation of a universal capital model for all insurers challenging. A model that assigns global risk factors or prescribes the inclusion/exclusion of certain assets/liabilities must rely on broad assumptions for the entire industry and inherently could not effectively evaluate the specific risks/assets that reside within a particular group. Allowing for diversification credit is also difficult but essential. An Insurer with a well-diversified portfolio - business mix, geographic footprint, distribution channels, etc. - benefits from lower risk due to this diversification and credit should be provided in a capital assessment. Capturing this appropriately in a standard model, however, is extremely difficult. A third concern is that a capital model should provide insurers with credit for the economic value of reserves. However, determining the discount rate to use in this calculation should be determined based on the company's portfolio and not be prescribed. These are just a few examples (certainly not an all-inclusive list) of significant issues that confront the development of a global capital	

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		standard and expose the inherent ineffectiveness of a "one-size-fits-all" capital model. Therefore, a group capital assessment must encompass more than simply comparing a calculated required capital number with an available capital number based on arbitrary industry assumptions. The assessment should include evaluation of profitability and trends, riskiness of the business and risk mitigation practices, and a prospective view of the capital position among other criteria. Management must also participate in this assessment. Given the concerns expressed above, the most effective way to engage management in the assessment of needed capital is to review use of the group's internal models and not to require all groups to use the same "one-size-fits-all" capital model. Supervisors might reasonably specify some of the factors in an insurer's model. A model might also be subject to supervisory review to allow supervisors to examine whether it contains the necessary components. If there must be a capital standard, it must allow for appropriate adjustments for each jurisdiction and be flexible enough to allow use of an insurer's own models. Take, for example, the following hypothetical: Company A: A German based insurer writing ?5bn of premium; 80% of which is personal lines - homeowners, motor, etc., and 20% of which is commercial lines. All the business is in Germany and France. Company B: An insurer that has the same premium volume and writes the same classes of business. However, it assumes business from Germany, France, the US, Japan, Thailand and Brazil. Sixty percent of the company's business, however, is written in Germany and France. We do not believe that these two companies, which are direct competitors for the majority of the business they write, should be subject to different capital requirements. What is needed is for the global supervisors of Company B to have a consistent basis for assessing the capital position (and hence solvency) of Company B. Finally, the concept that an IAIG's "group capital" is a fungible	

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		commodity, easily shared or redeployed as needed within a group, is flawed. Groups typically do not hold material amounts of assets at the group level for allocation to operating entities where and when needed. Rather, a group places its capital among each of the entities in a group. Once capital is allocated to a legal entity, a group generally cannot move that capital without supervisory approval. In addition, having capital available at the group level does not necessarily imply that the group should use "excess" capital to resurrect a failing legal entity. In fact, it may be prudent to let a single company wind down if it is not adding value to the group or if preserving that single entity would cause damage to the group. A key function of enterprise risk management is determining when an investment is no longer viable and then properly addressing those issues. 2. Element 5 as Currently Proposed Liberty Mutual is concerned that Element 5 dictates to all IAIGs how to calculate core capital in the same way. This type of "check the box" approach is not advisable. More specifically, the criteria for calculating core capital is unclear and the parameters need to be better organized and more explicit. To improve Element 5 supervisors should answer the following questions: 1. How does additional capital factor into the assessment? We are concerned about the distinction between "core" and "additional" capital. Although there is discussion in Element 5 that capital will be assessed using both core capital and additional capital, the specific instructions about how to calculate the assessment do not clearly distinguish between core capital compared to the benchmark. 2. What are the details for how to calculate the capital benchmark? Element 5 mentions stress scenarios and the risks that need to be modeled, among similar factors. As drafted, the stress scenarios described are very broad and application of these scenarios is not clear.	

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		3. How will groups be given a diversification credit? IAIGs should receive such a credit on a company-specific basis related to the countries in which a company is doing business. 4. How will Element 5, as drafted, be reflected in field testing, or said differently, how will field testing inform the development of an ICS? 5. How will subordinated debt be treated? Debt should be considered to be capital when it is subordinate to policyholder claims. The parameters in Element 5 currently make it nearly impossible for a company's debt instruments to be included as a component of capital. Supervisors should avoid this result because debt is a significant way to raise capital for all businesses operations and is particularly critical for mutual insurers, which are limited to using debt markets. 6. How will "available capital" be treated? 7. How will premium receivables be treated? The 2013 Draft ComFrame includes clarification on the treatment of reinsurance recoverables, but excludes any commentary on premium receivables. As this is a significant asset for insurers, premium receivables should receive the appropriate attention in ComFrame to ensure that they are not inadvertently excluded from the capital calculation. 8. What is the definition of "fully-paid-up"? This term is not commonly used in the U.S. and could be interpreted differently across jurisdictions. 9. How will the economic value of reserves be captured? 10. How will an IAIG's analysis of factors such as risk measure, basis measurement, and time horizon be reflected in the calculation of target capital?	

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NAIC	USA	The IAIS has committed to develop a risk based global insurance capital standard (ICS) within ComFrame and to build the ICS on the foundations set out in the current draft of Module 2 Element 5, Capital Adequacy Assessment. While U.S. state insurance regulators continue to have serious concerns about the timing, necessity, and complexity of developing a global capital standard, we believe that an ICS should be risk-based in substance and appropriately reflect the risk characteristics of the underlying business; it must not undermine the legal entity capital requirements as established by the individual jurisdiction's supervisors. While a global ICS should contain various components of a group capital requirement, its construction should not be overly detailed and prescriptive, and must allow for some flexibility in its implementation and overall monitoring. In the development of the ICS, the IAIS should consider the usefulness of stress and scenario-based testing (as originally intended in ComFrame), an assessment of intra-group transactions, and real-world considerations regarding the nature and fungibility of capital. As has been the case over the past three years of development of all of ComFrame, it is critically important that the development of an ICS include as many appropriate participants as practicable (e.g., supervisors, insurance groups, professional organizations) and meetings be conducted in an open and collegial manner, not in a closed process. Under M2E5-5, when determining what constitutes core versus additional capital, it is important to consider additional supervisory measures which may achieve the same outcome as one of the criteria. For example, while some surplus notes may not appear permanent, in the U.S. such instruments require prior approval from the supervisor before any payment of principal of interest can be made. Because of the strong supervisory approval process, such surplus notes are available during times of stress and are available for the payment of policyholder and creditor obligations, which is the same outcome expected of core capital.	
Northwestern Mutual	USA	Long-term insurance contracts offered by life insurance companies often have very predictable long-term cash flows arising from the pooling of insurance risk, often have provisions that discourage early surrender and have benefits that increase in value to the	

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		consumer as the contract remains in force. We believe it is critical that any methodology used for capital adequacy assessment: 1) utilizes a valuation approach that appropriately reflects the long-term nature of insurance contracts whereby a prudent investment strategy necessitates being a long-term investor through economic cycles to properly manage duration risk; 2) incorporates a discount rate (or other mechanism) that appropriately reflects the predictability of insurance cash outflows; 3) recognizes any contractual risk sharing provisions with the consumer such as participation features; especially participation features with payments to policyowners that are at the discretion of the company; 4) recognizes mechanisms which require of the consumer to bear a market value adjustment for surrender or hedging strategies that reduce such risk; and 5) ensures liabilities and their supporting assets are valued on as consistent a basis as practical to minimize false indicators of solvency or lack thereof due, in part, to short-term fluctuations that are inconsequential to the insurer's ability to meet policy obligations. Additionally, the selected valuation methods should not discourage capital providers from making investments in life insurers so that such insurers have capital to expand, increase competition, and recover from adverse events, all matters of import to regulators in order to maintain and expand the market place. We therefore broadly support the principles for a scenario based approach for determining targeted capital ("capital benchmark") included within M2E5 -10 through M2E5 - 13 as this is a common and appropriate methodology currently being employed by many insurance enterprises. Scenario based approaches are already commonly used but they are generally used to determine capital sufficiency in each scenario	

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		(i.e., capital is positive) and not as contemplated throughout the remainder of M2E5. We believe that until the valuation method is determined, much of the specificity within M2E5 - 1 through M2E5 - 9 is not relevant or is inappropriate for the capital adequacy assessment. We provide some notable examples below. - Parameter M2E5-8-1 - The IAIG's core capital, net of exclusions, must be at least 50% of its capital benchmark. Fundamentally, we believe focusing on such a ratio is inappropriate. Specifically, under a scenario-based approach to capital sufficiency, the relevant question is whether there is sufficient capital (i.e., whether capital is positive) under the applicable scenarios. Further, the 50% target strikes us as arbitrary. The appropriateness of any ratio could not reasonably be assessed until the methodologies for determining the numerator and denominator have been completed. - Standard M2E5-7 - The IAIG's amount of qualifying capital resources is determined after the application of inclusions and exclusions to reflect that some capital elements' basis of valuation or recognition may not be appropriate for capital adequacy assessment. Under a typical scenario-based approach, all assets and liabilities are revalued to reflect the stress of that scenario when determining capital sufficiency (i.e., that capital is positive). To exclude (or discount) certain assets, such as deferred tax assets (DTAs), from the capital assessment is inappropriate when these assets may have value under stress scenarios. Scenario testing reflects the long-term solvency (whether as a going concern or in a run-off) of the life insurance business and it is not reflective of an immediate "liquidation value", where such exclusion may be more appropriate. We also observe that, under the proposed "ratio" approach, the exclusion (or discounting) of assets such as DTAs essentially results in two haircuts: first in targeted capital where the value is reduced; and second in the exclusion (full or partial) from "core capital". - Standard M2E5-4 - The IAIG classifies its qualifying capital	

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		resources into at least two categories of capital (core capital and additional capital), based on their ability to absorb losses on a going-concern and in a winding up. Consistent with our previous comments, we do not believe there is a need to differentiate between classes of capital; either an entity has sufficient capital under the chosen scenario (i.e., capital is positive) or it does not. We believe the focus should be on ensuring a proper determination of capital under each scenario. See our next comment. - Standard M2E5-5 - The IAIG assesses the ability of its financial instruments to absorb losses, taking into consideration the following prudential quality and suitability criteria: permanence, availability, subordination and absence of both encumbrances and mandatory servicing costs. It appears that this element would exclude surplus notes from core capital. We believe the protection of policyholder claims should be the primary determinant of capital versus some theoretical notion of "permanence" of the security as contemplated in this Standard. Surplus notes are both legally and practically subordinated to claims of policyowners, since regulatory approval is required prior to the payment of either principal or interest. We believe surplus notes should be treated as capital (in full) so long as they are subordinated to policyholder claims and are both available and permanent to the extent they are required to meet those claims, up to and until they have been repaid, and then only with regulatory approval. - Guidelines M2E5-2-1-1, M2E5-2-1-4 and M2E5-9-4-1. Guideline M2E5-2-1-1 allows for "the aggregation of the legal entities" for the purposes of capital adequacy assessment while guideline M2E5-2-1-4 states, "the valuation basis being applied to each legal entity is consistent within the group." The latter would seem to preclude or, at a minimum, place a very big hurdle in the way of IAIGs seeking to use local regulatory accounting or the legal entity aggregation approach. We believe this is inappropriate where the applicable statutory regimes satisfy Insurance Core Principles,	

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		yet differ in their bases of valuation, and that it will impose unnecessary burdens for any IAIG that does not otherwise utilize a formal consolidated accounting or solvency regime across jurisdictions. Moreover, this preclusion runs at cross purposes with guideline M2E5-9-4-1 (and referred to elsewhere), which highlights "restrictions of fungibility and transferability should be carefully considered when determining qualifying capital resources". Legal entity aggregation has the advantage of providing both a legal entity-specific capital adequacy assessment and (with appropriate adjustments for intercompany obligations) a "consolidated view". Unlike a consolidated capital adequacy assessment, the legal entity aggregation approach does not have the weakness of potentially masking a capital shortfall in one legal entity, with implicit credit from another overcapitalized legal entity, when there are legal restrictions on the movement of capital. For this reason, we believe M2E5-14, which requires a legal entity capital adequacy assessment, should be reincorporated into ComFrame. We also suggest the IAIS carefully reconsider the exclusion of the legal entity aggregation approach given the potential real world limitations on the movement of capital.	
Prudential Financial, Inc.	USA	M2E5 - General Comments: Prudential Financial recognizes that ComFrame Module 2 Element 5 and its associated Parameters and Guidelines will become the basis for the development of a quantitative insurance capital standard (ICS) by 2016. First, it must be noted that the task of developing an ICS will be challenged by the lack of a global standard for the valuation of insurance assets and liabilities. Valuation is a cornerstone to many of the issues outlined in Module 2 Element 5, including the capital benchmark and capital resources, and it is difficult to fully assess these topics and their impact without an understanding of the valuation basis. As the IAIS moves to develop a common basis for insurance company required capital (ICS) the framework must:	

Organisation	Jurisdiction	Comments	Resolution of comments
		- Clarify the character of capital on the balance sheet - Recognize the risk exposures and their impact on capital - Define reasonable and economic risk-based metrics to assess capital adequacy These capital adequacy metrics should recognize: - risks to which insurance companies are exposed, - unique product designs and legal structures found in the insurance business, - the fundamental principle of matching long duration liabilities and - the unique insurance accounting applicable to the sector. More specifically, as ComFrame and the development of the ICS evolve, it is critical that they reflect the specific, long-term nature of the risks to which an insurer is exposed and the manner in which adverse events would impact an insurer. While the proposed framework appears to provide significant flexibility to supervisors, we are concerned that supervisors may apply the framework simplistically by determining: - available capital directly from "economic" balance sheets and - required capital by simply applying instantaneous stresses to market, insurance and other risk factors. In our view, available capital resources should not be driven directly by the market value of assets, without adjustment for liquidity and other factors that temporarily impact market prices, but which may have little bearing on an insurer's ability to meet claims as these become due, given the illiquid and long-term nature of the insurer's liabilities. It is critical that the framework incorporate appropriate measures to avoid the pro-cyclical nature of such a construct and the mis-aligned incentives created to hold only short-dated bonds (or Treasuries) against long-term liabilities in order to minimize the risk of a precipitous decline in available capital due to spread widening in periods of stressed liquidity. Similarly, we believe that the stress scenarios that will be the basis for the required capital calculation should reflect the nature of an insurer's risks, including both risk horizons consistent with those	

Organisation	Jurisdiction	Comments	Resolution of comments
		risks and reasonable management actions (including hedging). As an example, in our view the framework should distinguish between the impact of a shock to interest rates on the present value of cash-flows anticipated : - during the horizon over which hedging may be executed in the near term, since hedge instruments of the relevant maturity exist (in the case of the U.S. market, typically within the next 30 years) - beyond the horizon for which hedge instruments exist (in the U.S. market, typically cash flows anticipated more than 30 years hence) and which may not be hedged for many years to come. M2E5-4 & E5-5: These parameters seem to imply that an insurance group could not include owned real estate assets as core capital because they are encumbered and therefore not loss absorbing in nature. Company owned real estate is typically loss absorbing because firms do not expect to sell such assets in a stress scenario and therefore would not incur any loss on the value of the asset. M2E5-5-2: Long-term debt and hybrids with fixed maturities should not be excluded from core capital. Such instruments are clearly available and used to absorb losses and are generally rolled over since they are a permanent fixture of an insurance company's capital structure. Notwithstanding the fact that these instruments have fixed charges (i.e. interest or dividends) associated with them, their value in absorbing shocks is tangible and material. M2E5-5-3: Prudential would agree that the initial maturity of such instruments should be five years or greater as it is consistent with the long term nature of insurance. M2E5-5-5: Prudential disagrees with the proposal to exclude from core capital, financial instruments that either provide an issuer with a call option or an investor with an option to convert the instrument into common stock. Here again, the fact that these instruments are long dated, part of an insurer's capital structure and are available to absorb losses is the most important test for their identification as core capital.	

Organisation	Jurisdiction	Comments	Resolution of comments
		M2E5-5-5-3: ComFrame should not assume that because an insurer can redeem a financial instrument that they will eliminate it from the capital structure. In fact the redemption simply provides an insurer with flexibility to for example refinance at a lower rate in the future if such a scenario presents itself. M2E5-7-3: Deferred tax assets (DTA) should be included as "core" capital. The value of DTAs are realized by insurers in both going concern and stress situations. In fact, periodic, stringent valuation assessments and analysis are conducted to ensure that DTAs meet asset recognition criteria. For example, in a stressed situation, a life insurer may curtail its new business sales to decrease the potential capital strain. This adjustment would lead to a higher taxable income and thus improving the DTA recoverability. M2E5-7-8: We believe that excluding the value of secured assets in excess of the value of the relevant liabilities from core capital is overly cautious and could have significant negative/punitive impacts on widely accepted industry risk mitigation techniques. We would support the concept of assessing a capital charge against the collateralized asset to account for the risk that it would not be available during a wind-up to pay other priority claims. The broad brush exclusion of these risk transfer/mitigation techniques like reinsurance, OTC or cleared derivatives is mis-aligned with the goals the IAIS is attempting to achieve. In addition the exclusion should not apply to secured funding programs, including repos, that typically require haircuts or over-collateralization. M2E5-11-4: Add following to the section: "Increase in counterparty probability of default or expected losses given default."	
CRO Forum - CRO Council - CFO Forum	Worldwide	The current wording on M2E5 reflects the risk management tools and regulatory frameworks many companies have to comply with today or will need to comply with in the future. ComFrame should provide a standard that is sufficiently flexible to accommodate existing and future group regimes that follow similar economic and risk-based principles. ComFrame should provide for the flexibility for groups to use an internal model and / or define the quality of	

Organisation	Jurisdiction	Comments	Resolution of comments
		capital resources, in accordance with existing and future local regulation where it is aligned with ComFrame principles. The reference on reinsurance assets (M2E5-7) is overly prescriptive in light of risk-based regulatory developments in many jurisdictions to adequately assess reinsurance counter party credit risks. The solvency calculation for the group as a whole should treat the group as one economic unit recognizing diversification and allowing the use of excess capital of solo entities to meet the group-wide solvency calculation. However aggregated approach should be considered for non-insurance activities and in case local regimes do not adopt ComFrame standards and parameters. ComFrame should set valuation principles rather than detailed requirements allowing existing regimes that meet the principles to be used without amendment. This approach would minimize disruption whilst ensuring local level playing fields are not distorted, so that policyholders get the same level of protection throughout a specific jurisdiction. Some references are not sufficiently principles-based, for example prescribing approaches that do not reflect existing local approaches (e.g. reinsurance asset risk, M2E5-7). The requirements in ComFrame relating to capital resources need to be framed in the context of the valuation basis adopted. As the valuation basis has yet to be determined it would be premature to conclude any aspects of capital resources at this time (e.g. deferred tax asset, M2E5-7-3).	
EY	Worldwide	The absence hitherto of a global quantitative capital standard for insurance bears witness to the difficulties inherent in attempting to develop such a standard. We welcome the development of such a standard to provide a qualitative benchmark, and we note the existence already of capital standards that have developed along various lines (e.g. Solvency II). The global insurance capital standard should reflect the risk characteristics of the insurer in question and have limited opportunity for discretion. We believe that as the global standard develops, two key themes will be of importance: 1) A methodology that allows for diversification of risk, and how this is allowed for;	

Organisation	Jurisdiction	Comments	Resolution of comments
		2) Capital fungibility, and how this is allowed for.	
Comments on Module 2 Element 6 Public disclosure and group reporting			
Association of Bermuda Insurers and Reinsurers	Bermuda	There are multiple reporting mandates in Module 2 that could require inconsistent, duplicative and excessive reporting. We believe it would be easier to rationalize these requirements if they were regrouped in Element 6 and then re-examined.	
China Insurance Regulatory Commission	China	1. It is recommended to add a parameter "the Board should fully exercise authority of control, evaluation, supervision on financial reporting process to ensure the reliability and transparency of financial reports". 2. On submission period of information report. ComFrame requires IAIG to submit report information within 90 days after the annual end and within 60 days after semi-annual end, which is earlier than the report submission time required in various regions for annual reports and interim reports. It is recommended that the report submission time should be adjusted to four months after annual end and submission time of semi-annual interim report be adjusted to three months after semi-annual end.	
KPMG AG WPG	Germany	Please refer to our general comments	
University of applied sciences Coburg (Hochschule für angewandte Wissenschaften Coburg)	Germany	[missing standards?]	
World Bank (WB)	International	See comments elsewhere regarding minimum public disclosure of the IAIG status, identity of the group-wide supervisory authority, and any elements of the scope definition that would not be immediately obvious to the general public.	
Financial Services Agency	Japan	Element 6 "Public disclosure and group reporting" does not exist in this draft. Suggest to be deleted.	

Organisation	Jurisdiction	Comments	Resolution of comments
The General Insurance Association of Japan	Japan	(Please refer to the comments on Element 2)	
Great Eastern Holdings Ltd	Singapore	Module 2 Element 6 is not available in the document for comments.	
Monetary Authority of Singapore	Singapore	N.A.	
Association of British Insurers (ABI)	United Kingdom	Our previous comments in relation to reporting are relevant (in particular, M2E1 and M2E2). It is of great importance that duplication in the gathering and reporting of information should be kept to a minimum. Furthermore, information already in the possession of supervisors should be used for supervisory purposes and limit further requests for information from IAIGs.	
Prudential Regulatory Authority	United Kingdom	This was deleted and incorporated back into the earlier elements!	
Property Casualty Insurers Association of America (PCI)	United States of America	There are multiple reporting mandates in Module 2 that could require inconsistent, duplicative and excessive reporting. We believe it would be easier to rationalize these requirements if they are regrouped in Element 6 and examined there to root out duplication and excessive requirements.	
ACE Group	USA	We agree with the general approach regarding the IAIG's communications with the Group Supervisor, however, we do not think the form, timeframe or exact content should be specifically dictated by ComFrame. The group Supervisor should have on-going informal contact with the IAIG throughout the course of the year such that formally prescribed annual and interim reports may not be necessary.	
Association of Financial Guaranty Insurers	USA	This Element of Module 2 is not contained in the current draft of ComFrame dated 17 October 2013.	
Institute of International Finance - IIF	USA	Reporting duplications should be avoided as host regulators should rely on the information provided to the group-wide supervisor. Additional reporting requirements are onerous and ComFrame should be an efficient tool to respond adequately to growing reporting requests. Existing and future group supervisory regimes	

Organisation	Jurisdiction	Comments	Resolution of comments
		include strong reporting elements and these should not be duplicated. In terms of sensitive data and documents such as contingency plans, confidentiality has to be absolutely safeguarded. We recommend that further clarity is added on how confidential data and documents are treated. As an example, jurisdictions must ensure that in addition to confidentiality agreements, supervisors must be exempt from 'Access of Information' requests from third parties.	
Liberty Mutual Group	USA	New and multiple reporting requirements should be minimized and reconciled with reporting standards that exist as a matter of law in different jurisdictions. ComFrame should neither contradict nor duplicate existing reporting requirements. In addition, the reporting requirements in M2E6-2-4 are overly broad (i.e., there is no materiality threshold) and imply supervisory micro-management of the IAIG. Finally, this Element does not effectively address the confidentiality of reported information.	
Northwestern Mutual	USA	Please see the second paragraph of our comment to Q10, as this element of ComFrame now resides at M2E2-14.	
EY	Worldwide	It is difficult to comment on this Element as there is no material on it in the consultation paper (though there is some prescriptive material relating to other reporting requirements elsewhere in Module 2). Although a global capital standard will require global reporting templates, we recommend that the detail underlying these should remain proportionate and not excessive.	
General Comments on Module 3 The Supervisor			
Association of Bermuda Insurers and Reinsurers	Bermuda	Generally, this is the portion of ComFrame that may produce the improvements in supervisory coordination; cooperation and efficiency. M3E1-1-3 The expectation that the group-wide supervisor establishes a	

Organisation	Jurisdiction	Comments	Resolution of comments
		supervisory plan for the IAIG, in cooperation with other involved supervisors, appears reasonable. However, what is not clear is to what extent there is a dialogue with the IAIG of the plan and its intention. A supervisory plan should be transparent.	
China Insurance Regulatory Commission	China	It is recommended to add "promptly inform relevant regulatory agencies (if necessary) of any major discoveries or problems that impact relevant internationally active insurance group entities, and will affect entities in other jurisdictions".	
Federation Francaise des Societes d'Assurance (FFSA)	France	The FFSA welcomes the proposal of designating a group supervisor and the establishment of a college of supervisors. As said in introductory remarks, supervisors' actions should follow a clear and transparent system of governance. Consistency with existing supervisory group regimes should be ensured and we urge the IAIS for having only one group supervisor whose role is clearly defined compared to other involved supervisors.	
KPMG AG WPG	Germany	Please refer to our general comments	
Global Federation of Insurance Associations	International	Efficient and effective supervisory cooperation supported by robust supervisory colleges are key to the success of ComFrame, and in this respect GFIA would like to see the current text strengthened with mechanisms added to ensure the colleges prove effective and robust in both going concern and stress scenarios. In particular, we believe that colleges should have a robust decision making process, and there should be a post-hoc cost-benefit analysis of the colleges.	
Insurance Europe	International	Insurance Europe believes the key aim of Module 3 (and indeed ComFrame overall) should be to promote supervisory understanding and where appropriate foster and encourage reliance and recognition of the group-wide supervision conducted by others. We are, therefore, very disappointed that throughout Module 3 no reference is made to involved supervisors being required to rely on the group supervision carried out by the group-wide supervisor if their group supervision regime meets the ComFrame standard. In other words if the group-wide supervisor is located in a jurisdiction whose group-wide supervision meets the ComFrame standard its group supervision should be considered	

Organisation	Jurisdiction	Comments	Resolution of comments
		equivalent and as such additional verification at group or subgroup level should not need to be carried out. Insurance Europe welcomes the clear allocation of roles and responsibilities between the group wide supervisor and supervisory college members both in the cornerstones in ComFrame's introduction and further detailed in M3E2-1-5-1. However, what is lacking in both descriptions is clarity on which supervisor takes the final decision. In the vast majority of cases decisions are likely to be made by the group supervisor in consultation with other involved supervisors; however, it should be clarified that in the event of a dispute or disagreement between the involved supervisors it is the group supervisor who takes the final decision, unless clearly stated otherwise. To address this, we believe ComFrame should clarify the decision-making process where supervisors in making a decision will be required to: - Consider any views and reservations expressed by the other supervisors involved - State in the decision the full reasons and explanation of any significant deviation from the reservations of the other supervisors involved (and if applicable any non-binding mediation process) - Transmit the decision to the other supervisors involved and the IAIG Overall, a similar theme applies to most of Module 3; that is "it lacks teeth". There is little to ensure (no mechanisms in place) that supervisory colleges will continue to operate well when problems arise. For example, where a supervisor decides against cooperating with group decisions they are under no obligation to even explain their decision. Alternatively, if involved supervisors are unhappy with the decision of the group-wide supervisor there is no formal mechanism through which they can challenge this decision. To address this, we believe ComFrame should clarify the decision making process as above and include a "comply or explain mechanism" where supervisors will be required to at least explain why they have not complied with group decisions. In addition, we continue to believe that ComFrame should include some form of non-binding mediation process which can deal with differences of view and disputes within a college. Definition of involved supervisor should be included in the glossary.	

Organisation	Jurisdiction	Comments	Resolution of comments
		Important that only those supervisors located in jurisdictions where an IAIG has material operations or where the IAIG is material in their jurisdiction are involved in the group supervisory process as otherwise the process will be less efficient and effective.	
World Bank (WB)	International	We note that Module 3 is not currently available for consultation.	
The Life Insurance Association of Japan	Japan	We welcome the requirements in this module are re-organised compared to those in the 2012 ComFrame draft. We would like to make a proposal that would contribute to further enhance the reliability of the group-wide supervision.	
Dirección General de Seguros y Fondos de Pensiones	Spain	Please see EIOPA comments	
RSA Group	UK	There appear to be considerable reporting requirements from the group wide supervisor including a group wide supervisory process in co operation with the other involved supervisors. This would involve establishing a supervisory plan for the IAIG where the regulator will analyse information submitted to it. The introduction of 'The IAIG Annual and Interim Supervisory Reporting Package' has been proposed which includes information on Group Governance, Group ERM, Group Structure and Strategy and Group Financial Condition. Without further detail on the information required it is hard to say whether this will result in increased work/reporting and is proportionate. ComFrame should be implemented proportionately based on the size, scale and materiality of entities in a group. As a UK insurance group most of the requirements are currently in place however it will be overly onerous to implement some of the detail in countries where businesses are small and their local regulatory environment is not as advanced.	
Association of British Insurers (ABI)	United Kingdom	We consider Module 3 to be the part of the current ComFrame draft that would benefit most from further work. Given that ComFrame requires strong communication and cooperation between supervisors in order to be fit for purpose, the success of the package as a whole is predicated on Module 3 being effective at	

Organisation	Jurisdiction	Comments	Resolution of comments
		fostering robust, productive relationships between supervisors. At this stage, we question whether it is able to do so. Improvements to this module have not been as great as the progress made in other areas of the draft. At present, there is a risk that ComFrame simply produces an additional edifice of rules applicable to IAIGs with little apparent benefit arising from a more streamlined and consistent approach to international supervision. Our primary concern in Module 3 relates to the potential for the absence of discipline and lack of mediation when it comes to agreeing on a supervisory approach and/or settling disagreements between supervisors. We expand on these concerns in our comments below. There are also parts of Module 3 that appear to simply impose further requirements on the IAIG rather than furthering supervisory expediency.	
International Underwriting Association of London	United Kingdom	We welcome the important role given under the ComFrame to the group supervisor and the supervisory colleges. However, we believe that the Module needs to ensure that the group supervisor and the college have sufficient power to take the lead and direct the supervision. The key to their success will be effective co-ordination and co-operation between supervisors. That will require incentives for supervisors to comply with and participate in group supervisory and college decisions and activities. There also need to be procedures and processes for ironing out differences and disagreements.	
Prudential Regulatory Authority	United Kingdom	No specific comments on E1 and E2.	
American Insurance Association	United States of America	SUPERVISORY COLLEGES SHOULD BE ROBUST, ENCOURAGE REGULATORY EFFICIENCY, AND PROMOTE UNDERSTANDING OF THE IAIG. Supervisory colleges should be the principal forum through which group-wide supervision occurs. While the experience of AIA's	

Organisation	Jurisdiction	Comments	Resolution of comments
		member companies with the colleges is relatively recent, it has generally been positive. Module 3 of ComFrame should reflect the cooperative nature of the colleges, while ensuring that information provided during the colleges remains confidential and that they promote regulatory efficiency while recognizing that each IAIG is a unique organizational structure.	
Property Casualty Insurers Association of America (PCI)	United States of America	Generally, this is the portion of ComFrame that may produce the improvements in supervisory coordination, cooperation and efficiency that we believe are the chief justifications for the ComFrame project.	
Association of Financial Guaranty Insurers	USA	As noted above, the coordination and cooperation of supervisors in conducting group supervision across jurisdictional boundaries should be the primary focus of ComFrame. Given the continued development of ICP 23 and principles for group supervision, it is premature to consult and field test until these Standards and Parameters are more fully developed. One area that warrants further attention in Module 3 is the development of Standards, Parameters and Guidance on the resolution of differences of opinion among involved supervisors. The IAIS should consider developing specific dispute resolution protocols. The lack of guidance on dispute resolution protocols is a concern for both IAIGs and supervisors as it can impede the proper functioning of supervisory colleges. Another issue of critical importance is the grounds for the establishment of more than one group supervisor or subgroups. The Association is of the view that multiple group supervisors or subgroups should be the exception rather than the norm and should be established only when compelling reasons warrant the additional burden and cost. Supervisors may be less inclined to favor multiple group supervisors or subgroups if involved supervisors are given more of an active role in supervisory colleges and the dominant influence of the group supervisor is lessened. This could be accomplished by recognizing the expertise of a particular jurisdiction or supervisor and assigning responsibility for that area of supervision accordingly. ComFrame could facilitate broader participation in supervisory colleges by involved supervisors through encouraging more participatory college	

Organisation	Jurisdiction	Comments	Resolution of comments
		structures. This could also alleviate concerns of host supervisors regarding an inadequate voice in supervisory college deliberations.	
CNA	USA	Since horizontal comparability of IAIG's appears to be a key priority of the IAIS for ComFrame, we suggest that Module 3 be expanded to document how this comparability will be achieved in practice among the various group supervisors. Will the IAIS or another organization maintain IAIG financial information in a centralised database allowing it to be analysed by the IAIS Secretariat and insurance supervisors worldwide? We suggest the long term objective of ComFrame and how it is envisioned working in practice be documented since it will assist Observers in understanding how ComFrame will be implemented in practice, thus facilitating more timely and thoughtful recommendations.	
Institute of International Finance - IIF	USA	A key concern of IIF members is that, instead of facilitating the recognition of existing and future group supervisory regimes that meet the ComFrame standards, the current draft may introduce a two-tiered supervision based on different and additional prudential requirements. ComFrame should enable supervisors to coordinate and reconcile their efforts to supervise effectively insurers' group-wide activities. Therefore, ComFrame should include specific language (i.e. dedicated Standards, Elements and Guidelines) facilitating the mutual recognition between group supervisory regimes that meet the ComFrame standards and place much more emphasis on supervisory cooperation and coordination which is needed for insurance groups operating on a cross-border basis. In this context, supervisory colleges should figure more prominently in this framework. More emphasis should be given on the importance of joint working within a college to arrive at shared views of issues, avoid overlap and streamline the process for the group. Reporting duplications should be avoided as host regulators should rely on the information provided to the group-wide supervisor. Additional reporting requirements are onerous and ComFrame should be an efficient tool to respond adequately to growing reporting requests. Existing and future group supervisory regimes include strong reporting elements and these should not be duplicated. In terms of sensitive data and documents such as contingency	

Organisation	Jurisdiction	Comments	Resolution of comments
		plans, confidentiality has to be absolutely safeguarded. We recommend that further clarity is added on how confidential data and documents are treated. As an example, jurisdictions must ensure that in addition to confidentiality agreements, supervisors must be exempt from 'Access of Information' requests from third parties. IIF members acknowledge that the IAIS has not yet provided details regarding crisis management and resolution measures among supervisors in M3E3 while considering the FSB Key Attributes and in particular awaiting the final version of its Insurance Annex. The requirements set out in the FSB's consultative document should be clearly aimed at those limited circumstances in which systemic risk could potentially be originated by an insurer. ComFrame should recognize the crisis management measures to be introduced in local regimes and in the G-SII policy framework. ComFrame should facilitate the understanding and cooperation between supervisors in times of crisis which will be particularly important for cross-border cooperation. The insurance regulatory policy framework in this area needs to be tailored to the characteristics of the industry and the specific risk profile of insurers. In that regard, the nature of insurers' liabilities means that insurers do not have to wind up their insurance operations overnight. The inverted production cycle that characterizes insurance provides more time for early intervention. These factors (including asset liability matching) provide extended run-off profiles with a prolonged time period to react to developing stress situations. This is reflected in tools of existing prudential regulatory insurance frameworks. In addition, measures designed for G-SIIs should not be applied with undue considerations to IAIGs. Although there are enormous and ever-increasing demands on the resources and time of supervisory and international standard-setting bodies, care must be taken to consider the relevance of such requirements.	
Liberty Mutual Group	USA	As we have indicated in many of our previous comments, supervisors can accomplish much by building a framework to foster	

Organisation	Jurisdiction	Comments	Resolution of comments
		collaboration and coordination that focuses on improved processes and outcomes. Such an improved system will provide benefits to both supervisors and insurers on a day-to-day operating basis but, equally, it will foster coordinated supervisory responses to any future crisis. In enhancing group supervision, it is important to avoid overly prescriptive new substantive standards and requirements that are to be imposed on an insurance group simply because it is large and active in a number of countries. Instead, supervisors should respect differences in supervisory regimes among countries, each of which arguably achieves effective supervisory outcomes in light of local market conditions, political cultures, supervisory philosophies, and consumer needs. Group supervision should complement existing regulation of entities within a group, whether those entities transact insurance or other financial services activities. It should focus on risks arising at the group level and also assist involved supervisors in their understanding of the unique mix of risks posed by each group and how they are managed. Any attempts to replace existing supervisory structures or to homogenize requirements are destined to be opposed and fail in implementation without first ensuring true investment in their development by individual country governments. Liberty Mutual endorses the goal of promoting harmonization of regulation and supervision, but the goal should not be equivalence or uniformity. The goal should be a common understanding leading to a comfort level whereby supervisors rely on each other and do not duplicate regulation. We seek effective and efficient regulation. We recognize that is achievable through complementary, if different, supervisory models. Supervisors should seek to establish mutual recognition of different systems, identify where they are strong and where they can be improved, and share those findings. Over time, the way forward may tend to converge, but will do so based on open deliberation and shared experience.	
NAIC	USA	Insurance group supervision in the U.S. is a multi-jurisdictional	

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		approach that leverages a group-wide perspective on risk with legal entity level application of regulation. Under such an approach, a single all-powerful group regulator that would usurp the authority of legal entity supervisors is neither advantageous nor necessary. ComFrame must respect different jurisdictional approaches to group supervision and focus on a common outcome of providing group-wide information and perspective to all relevant supervisors. The vast majority of Module 3 does a very good job of discussing the factors that are important when discussing group supervision. Specifically, the Module contemplates that an efficient and effective framework can only exist when one supervisor (the group-wide supervisor) has certain duties that are supplemental to what other involved supervisors are performing. However, equally important is that the Module contemplates that all supervisors have a role in group-wide supervision, as each of the other involved supervisors should be responsible for assessing the impact that the group could have on their respective company(ies) and should have an input into the process for monitoring the group. Otherwise, there will be too much reliance on the group-wide supervisor, which can weaken group supervision. This is why the supervisory colleges are so important, because they give all jurisdictions an opportunity to raise their concerns, and in turn for the college to agree upon the major risks faced by the group and how they should be addressed by the IAIG and the supervisors individually and collectively. Home and host supervisors should be proactive in their interaction and coordination of supervisory activities. Home and host supervisors cooperate on cross-border issues in an effort to effectively address issues that may adversely impact the group.	
Northwestern Mutual	USA	We support the continued evolution of the supervisory college process as the basis for enhanced coordination and cooperation in the supervision of internationally active insurers. We emphasize three points: - While the group-wide supervisor has a critical role in administering this process, ComFrame cannot usurp the statutory responsibilities of local regulators. Accordingly, the language of	

Organisation	Jurisdiction	Comments	Resolution of comments
		ComFrame must retain flexibility consistent with the obligations of local regulators of the legal entity. - It will be critical that IAIGs have assurance that the confidentiality of proprietary information they are expected to share in the context of ComFrame and supervisory colleges will be protected. We support the comments made by the American Council of Life Insurers regarding confidentiality under ComFrame. - We encourage supervisors to resist opportunities to intrude on management discretion or to compare IAIGs against one another, particularly when it comes to ERM practices, which should reflect the nature, scale, and complexity of the organization, rather than conforming to one another.	
CRO Forum - CRO Council - CFO Forum	Worldwide	The Forums are concerned that prescriptive parameters within ComFrame may create unnecessary conflict with existing and developing regimes that essentially embed the same economic and risk-based principles. The framework should go beyond cooperation and coordination under Module 3 and provide a basis for recognizing regimes and/or providing consistency recognizing that differing approaches can be used to achieve the standards. On reporting, ComFrame should be used as an efficient tool to efficiently address the growing reporting requirements at the group level to avoid undue time and effort on reporting. To avoid duplication, host regulators should rely on group risk information provided to the group supervisor with respect to the group. Existing and future group supervisory regimes include strong reporting elements and these should not be duplicated. The Forums consider that ComFrame will have to recognize the Crisis management measures introduced in local regimes (i.e. already envisaged or implemented in Europe and Dodd Frank in the US). ComFrame should facilitate the understanding and cooperation between supervisors in times of crisis. We acknowledge that the IAIS are considering the FSB Key Attributes prior to providing details of Module 3 Element 3 (crisis management and resolution measures), and that Element 2 currently includes requirements for contingency planning which may be similar to recovery planning requirements for G-SIFIs. As some insurers have been designated as G-SIFIs it would	

Organisation	Jurisdiction	Comments	Resolution of comments
		be helpful if the glossary could include a definition of contingency planning to make it clear where this meets the requirements of recovery planning for G-SIIs. Finally, ComFrame envisages sharing of highly confidential company information among regulators participating in colleges of supervisors. We trust high standards will be required for all supervisors having access to such information in order to protect its confidentiality. Such supervisors member of a College will have to be exempted from specific "Access to Information" requests from third party regulatory authorities.	
EY	Worldwide	Our concerns as to the potential for duplication of regulatory requirements are less with this Module than with others, as it should be more straightforward to assess existing group supervisory frameworks against the principles expressed and conclude on equivalence. We suggest that imposing ComFrame on top of existing group supervisory arrangements should be the exception rather than the rule, and would be hopeful, in view of the nature of this part of the Framework, that gaps arising could be met through consensus between the supervisors concerned. IAIS may wish to reconsider some aspects of Module 3 that suggest that the group-wide supervisor may have rights or responsibilities to intervene at entity level, on matters that are not specific to the group supervisor's role (e.g. joining local on-site visits).	
Comments on Module 3 Element 1 Group-wide supervisory process			
Association of Bermuda Insurers and Reinsurers	Bermuda	M3E1-1-2 Should the group-wide supervisor alone determine the level of supervisory intensity to be applied to the IAIG? Shouldn't the other involved supervisors also be included in this determination, with the group wide supervisor leading the way? M3E1-1-7-1 This language should suggest that on-site inspections by the group-wide supervisor should focus on group-wide activities, rather than merely "consider" them. On-site examinations by the group-	

Organisation	Jurisdiction	Comments	Resolution of comments
		wide supervisor should only be concerned with group-wide activities.	
Canadian Life & Health Insurance Association Inc.	Canada	- Parameter M3E1-2-1 and Guideline M3E1-2-1-1: In addition to confidentiality agreements, jurisdictions must ensure that supervisors must be exempt from Access to Information requests from third parties.	
Federation Francaise des Societes d'Assurance (FFSA)	France	Group-wide supervisory process should be aligned with requirements under module 2. Consistently with our previous remarks; no prescriptive view should be made mandatory on the own risk assessment.	
Allianz Group	Germany	M3E1-1 We believe that the term "other involved supervisors" needs to be more explicitly defined. In order to support an effective College operation we suggest to limit the involved supervisors to jurisdictions where an IAIG has material operations and that this decision rests with the group supervisor. M3E1-1-4 Additional (group relevant) information from the IAIG should only be requested by and channeled through the group supervisor. Notwithstanding this, other involved supervisors may obtain entity specific information from the entities which are subject to their supervision. Consistent with this view, any predominantly solo issues and information exchanges should be done between local supervisors and the local entities We suggest the following wording: "The group-wide supervisor analyses information submitted by the IAIG. Where the need for additional information is identified, the group-wide supervisor requires the IAIG to provide the necessary information. In addition, the involved supervisors may require the entities subject to their respective supervision to provide information relating to these entities." M3E1-2 It should be made clear, against which standard the group-wide	

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		risk assessment is carried out. In order to avoid duplication, it is important refer to existing risk management requirements for this assessment. M3E1-2-1-3 "Horizontal reviews" are introduced. It should be clarified that horizontal reviews are conducted amongst group-wide supervisors without foreign group-wide supervisors conducting on-site inspections of IAIGs for which they are not the group-wide supervisor. M3E1-2-2 We suggest to add wording to the effect that the risk assessment should start top-down with a risk based focus and only be complemented with more details and/or bottom-up information as an exception. M3E1-2-4-1 It is suggested that it is clarified what is meant by "how does the IAIG define the fatness of the risk tails for each of the risks". M3E1-3 The involved supervisors may not be involved in measures which have an impact at group level. In particular, the "preventive" measures imply that the involved supervisors could become involved in business decisions of the group. We suggest that parameter M3E1-3-1 be deleted.	
BaFin	Germany	Currently, M3E1-2-4 states: "The group-wide supervisor assesses the ERM Framework of the IAIG at the group level in order to [...] compare the results and methodology with other IAIGs under their supervision, [...]." This could be read as a general requirement for a horizontal review. Even though horizontal reviews can be a powerful tool, it is in practice often not possible to conduct them due to confidentiality reasons. Here it seems not clear who is meant by "their". Currently, M3E1-3-2-1 states: "The group-wide supervisor in cooperation with other involved	

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		supervisors should develop an appropriate communication strategy with regard to preventive and corrective measures, specifying the type of information to be shared by when and by whom." According to the agreement of the IAIS-IGSC in September, "according to their legal responsibilities" should be included after "communication strategy" to make clear that cross-communication is not intended.	
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	M3E1-1: The efficiency of the college of supervisor strongly depends on the competences assigned to the group-wide supervisor and the involved supervisors. We welcome that the group-wide supervisor has the leading role in the college and that the tasks between the group-wide supervisor and the involved supervisors are assigned clearly. We welcome that the group-wide supervisor is granted the leading role within the supervisory review process. This ensures that a) information is reported by the IAIG via a single channel to the group-wide supervisor and that b) the main counterparty of the IAIG within the group supervisory review process is the group-wide supervisor, whereas the involved supervisors provide a perspective on the solo entities of the IAIG and their possible impact on the IAIG.	
KPMG AG WPG	Germany	Please refer to our general comments	
University of applied sciences Coburg (Hochschule für angewandte Wissenschaften Coburg)	Germany	The group-wide supervisor's responsibility for supervising the IAIG on a group-wide basis could be stressed even more. It is a key lesson from the crisis that the different supervisors of entities of a group weren't able to ensure consistent and efficient supervision on a group level. The responsibilities of the group-wide supervisor should always include the task listed in Guideline M3E2-1-5-1. The resources allocated to a group-wide supervisor should be adequate in relation to the tasks of a group-wide supervisor. The supervisors of a group should take into account the resources of the supervisory authorities in the determination of a group-wide	

Organisation	Jurisdiction	Comments	Resolution of comments
		supervisor. It is important to note that the staff needed for the group-wide supervision of IAIGs might need a higher qualification than for non-IAIGs. The responsibility of the group-wide supervisor cannot be delegated among the solo supervisors. The supervisory college is a forum to share information but not to share responsibility. Group-wide supervisors of IAIG should exchange experiences and concepts to ensure a harmonised approach towards IAIGs across jurisdictions.	
Global Federation of Insurance Associations	International	One of the main benefits for IAIGs of ComFrame is the potential streamlining of group supervision and, in particular, supervisory requests for information as relates to the group as a whole. Parameter M3E1-1-4 notes that when additional information is needed the "group-wide supervisor in cooperation with other involved supervisors" requires the IAIG to provide the necessary information. This provides little clarity on who is responsible for communicating with which parts of the group. Therefore, to avoid multiple uncoordinated information requests, we suggest language be added to clarify that the group supervisor is responsible for contacting the Head of the IAIG to obtain additional information as relates to the group as a whole; and where additional information is required with respect to individual group entities, which cannot be obtained from the Head of the IAIG, their local supervisory authority is responsible for contacting the entity in their jurisdiction and then transmitting the information to the group-wide supervisor and where relevant to the college of supervisors. Information requests should be limited to material information or material changes that impact the group or the relevant supervised entity.	
Insurance Europe	International	M3E1-1-3: The text is currently silent on supervisory plan being shared with the IAIG. It is important that the IAIG is informed of the supervisory plan; for its own business planning purposes. M3E1-1-4: This parameter notes that when additional information is required the "group-wide supervisor in cooperation with other involved supervisors" requires the IAIG to provide the necessary information. This provides little clarity on who is responsible for communicating with which parts of the group. Therefore, to avoid	

Organisation	Jurisdiction	Comments	Resolution of comments
		multiple uncoordinated information requests we suggest language is added clarifying that the group supervisor is responsible for contacting the Head of the IAIG to obtain additional information as relates to the group as a whole; and where additional information is required with respect to individual group entities, which cannot be obtained from the Head of the IAIG, their local supervisory authority is responsible for contacting the entity in their jurisdiction and then transmitting the information to the group-wide supervisor and where relevant to the college of supervisors. M3E1-2: The parameters included in this standard helpfully set out the role of the group-wide supervisor vis a vi the role of involved supervisors in the supervisory process. However, the draft would benefit from additional language being added on sharing of information, exchange of views, co-ordinated action or mediation in case of difference. M3E1-2-1-1: We question the need for considerations relating to the 'resolvability of the IAIG' to form part of the standard supervisory assessment. Unless an IAIG is known to be conducting particular activities to a significant extent which are known to present a high liquidity risk this requirement would seem unnecessarily prudent. In the vast majority of cases time should be available should an insurer run into financial difficulty for discussions/decisions relating to its resolvability to be conducted in the real world context. M3E1-2-1-3: We welcome the fact that the conduct of horizontal reviews has been moved from a parameter into guidance. However, we still believe that carrying out such reviews does not seem to fit with the objectives of ComFrame (which is focused on individual entities) but rather a macro-prudential assessment of the system as a whole. In addition, we believe carrying out the reviews is likely to require additional supervisory resource and even if supervisors have adequate confidentiality procedures it might result in supervisors gaining access to strategic information about IAIGs which have no operations in their jurisdiction. In any event, through supervisors being involved as home or host supervisor in a number of	

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		supervisory colleges for different IAIGs the objectives of the horizontal review should already be achieved. Reference to 'market-wide risk' also needs clarification. What is a 'market-wide risk'? M3E1-2-4: We do not believe one of the main aims of the group-wide supervisor when assessing an IAIG's ERM framework should be to compare the results and methodology with other IAIGs under their supervision. Every IAIG's ERM framework should be unique and carefully tailored to its specific mix of business; we are therefore concerned that through supervisors trying to compare one IAIG with another it might result in inappropriate conclusions being drawn. We are also unsure what is meant by the 'results' of the ERM framework in this context. Some of the drafting in Module 3 appears simply to impose further requirements on IAIGs. For example, in M3E1-2-4, the group-wide supervisor is instructed to assess and/or judge business models, tail risks and capital allocations (amongst other things). Combined with the wording in Module 2, the requirements on IAIGs become quite onerous and more prescriptive; going beyond the scope of a high-level framework and raising the question of inconsistency with the 'cornerstone' principles.	
International Actuarial Association (IAA)	International	- M3E1-2-1-3; Not clear why the horizontal review concept is not part of a parameter or a standard. It probably should be. - M3E1-2-6; What criteria are used to "assess"? Is leverage based on total capital or free capital? Setting liabilities at central estimates will portray a less leveraged balance sheet even though the risks are unchanged.	
World Bank (WB)	International	We note that Module 3 is not currently available for consultation.	
Financial Services Agency	Japan	M3E1-1 We support the ideas of this standard which takes in to account the	

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		"proportionality" aspects. We believe that supervisors should carry out their process of supervisory review and reporting which takes into account the nature, scale and complexity of insurers.	
Komisja Nadzoru Finansowego - KNF (Polish Financial Supervisory Authority)	Poland	Standard M3E1-3 describes in a proper way a division of responsibilities between group wide supervisor and other involved supervisors as regards determining and undertaking corrective and preventive measures. However, in order to provide a complete picture, Parameter M3E1-3-2 should provide that the decision on whether it is necessary to take a preventive or corrective measures at the level of individual entities, as a result of the group-wide assessment, belongs to the local supervisor (i.e. there should not be an impression that the local supervisor is bound by the result of a group-wide assessment and that in any case the local supervisor is empowered to take a discretionary decision).	
Monetary Authority of Singapore	Singapore	Standard M3E-1-1: We suggest adding further guidance in Guideline M3E1-1-1-1 on how the autonomy of the entities will affect the supervisory process, such as: "If decision making is diffused to the different entities, the group-wide supervisor would require more cooperation from the involved supervisors". We suggest amending Parameter M3E1-1-2 to: "The group-wide supervisor, in consultation with other involved supervisors, determines the appropriate level of supervisory intensity for the IAIG overall and identifies specific risks or activities that may require heightened supervisory focus." Standard M3E-1-2: We suggest amending Parameter M3E1-2-1 to: "In assessing the possible impact of developments on an IAIG, the group-wide supervisor, in consultation with other involved supervisors, considers the potential consequences for policyholders and other involved stakeholders, and the overall stability of the markets in which the IAIG operates." In relation to Parameter M3E1-2-5, suggest to adding in "respective" before the term "entities". Standard M3E-1-3:	

Organisation	Jurisdiction	Comments	Resolution of comments
		In relation to Parameter M3E1-3-1, suggest to delete "and/or entity" as host supervisors should retain the power and flexibility to take actions at the local entity level. Suggest adding in a paragraph to state clearly that the other involved supervisors are responsible for taking the necessary actions on the entities operating in their jurisdictions. We propose to amend the 2nd sentence in Parameter M3E1-3-2 to: "The other involved supervisors are responsible for communicating to the entities they supervise, the preventive and corrective measures, regarding the entities they supervise, as a result of the group-wide assessment", to reflect the intent of communication in this Parameter.	
Lloyd's of London	UK	Standard M3E1-1 We agree with the statement that "the group-wide supervisor is responsible for the on-going supervisory process for the IAIG on a group-wide basis"	
RSA Group	UK	M3E1-1 The group-wide supervisor is responsible for the on-going supervisory process for the IAIG on a group-wide basis. The Group Supervisor should not conduct monitoring activity in any jurisdiction where it is not the supervisor determined by local regulation. Where the Group Supervisor believes monitoring in such a jurisdiction is required, it should agree this with the local regulator. M3E1-1-4 It is important that any additional information concerning specific entities relates to ad hoc requests for information to support a particular line of enquiry required by the Group supervisor. ComFrame should not contain reference to any regular provision of information from legal entities to the Group Supervisor as this would represent an additional level of reporting M3E1-1-8 Although it is implied in the text, we believe the wording should provide more clarity that the Group wide Supervisor should not conduct monitoring other than where it is the regulator. Where it believes monitoring would be beneficial in entities for which it is not	

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		responsible, the Group supervisor should contact the supervisors of those entities and request that they consider such monitoring activity. Additionally the Group Supervisor should only be in contact with legal entities in the broader group where it has received permission to do so from the local regulator and is acting under their control and authority. We feel that there should be clarification of the remit and powers of the lead supervisor should there be a disagreement between the lead supervisor and the other regulators. M3E1-2-1-3 Confidentiality remains a key concern with the proposal of horizontal reviews, conducted by the lead supervisor in co operation with other group wide supervisors of IAIG's. M3E1-2-2 This point suggests that the group supervisor would want to understand what business is done via unregulated entities, we would suggest that this should be proportionate to the risks posed by those entities M3E1-3-2 The text needs to include reference to the fact that local implementation of corrective measures determined as part of the group wide assessment will be dependent on powers available to the local regulator in its jurisdiction and the desired actions being consistent with those powers.	
Association of British Insurers (ABI)	United Kingdom	The main questions that we have in relation to M1E1 relate to the interaction between group-wide supervisors and involved supervisors. The principal question is what happens in the case of disagreements between supervisors? The current wording makes the case for the group-wide supervisor's opinion being definitive, but if other involved supervisors do not agree with the decision then they are not required to be bound by it. This may lead to a situation where the IAIG is left unsure as to the supervisory approach being taken in its college of supervisors, which would not be conducive to decisions being taken with confidence at a group level within the IAIG. Further exacerbating this problem, the more contentious a	

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		decision, the more likely it is to lead to supervisory disagreement across borders; it is also more likely to be the decision with a large supervisory impact. This would clearly be undesirable. There is currently no acknowledgement of this possibility (or potential solutions) in the draft. Some of the drafting in Module 3 appears simply to impose further requirements on IAIGs. For example, in M3E1-2-4, the group-wide supervisor is instructed to assess and/or judge business models, tail risks and capital allocations (amongst other things). Combined with the wording in Module 2, the requirements on IAIGs become quite onerous and more prescriptive; going beyond the scope of a high-level framework and raising the question of inconsistency with the 'cornerstone' principles.	
American Council of Life Insurers	United States	Parameter M3E1-1-4: We recommend adding the word "material" to the first clause of the second sentence, so it would read--"Where the need for additional material information is identified" Members are very concerned about the costs of complying with non-material requests. Guideline M3E1-1-4-1: We recommend adding a sentence to the effect that the supervisor should balance the costs of preparing any requested information with the projected benefits of using it. Standard M3E1-2: We are concerned that this Standard, as elaborated in the Parameters and Guidelines may in effect impose additional supervision on insurance groups, beyond that set out in M2. We suggest that the concept of materiality be incorporated throughout the Parameters and Guidelines. Adding that concept would bring ComFrame closer to its stated purposes. Parameter M3E1-2-4: We recommend that the last bullet be removed since, in our view, it is neither appropriate nor useful for a group-wide supervisor to judge the appropriateness of an insurance group's overall strategy and business model. Standard M3E1-3: We are concerned that this Standard, as elaborated in the Parameters and Guidelines may in effect impose additional supervision on insurance groups, beyond that set out in	

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		M2. Further, we note that any preventative or corrective actions would necessarily be subordinated to jurisdictional law.	
Property Casualty Insurers Association of America (PCI)	United States of America	M3E1-1-2: Should the group-wide supervisor alone determine the level of supervisory intensity to be applied to the IAIG? Shouldn't the other involved supervisors also be included in this determination, with the GWS leading the way? This comment also applies to M3E1-2-1. M3E1-1-7-1: This language should suggest that on-site inspections by the group-wide supervisor should focus on group-wide activities, rather than merely "consider" them. On-site examinations by the group-wide supervisor should only be concerned with group-wide activities - if they are concerned with other activities they will be excessively costly with no additional benefit.	
ACE Group	USA	We agree conceptually with most of module 3 regarding the role of the group supervisor and the supervisory college provided the parameters are not viewed as prescriptive requirements but rather are guidelines that can be applied based on the group supervisor's judgment and jurisdictional approach. For instance, we do not agree that an in-person college needs to be held annually. For global groups such as ACE, an in-person college is expensive for the firm and the involved supervisors. Once the initial college is held, the group supervisor should be able to provide updates to the college without convening an in-person meeting and other cost-effective methods to keep the college informed, such as video conferencing, should be permitted. The level and type of communication should be driven by the substance of issues to be discussed and developments impacting the IAIG more than by any set schedule or template.	
Association of Financial Guaranty Insurers	USA	See general comments on Module 3, above.	
Institute of International Finance - IIF	USA	A key concern of IIF members is that, instead of facilitating the recognition of existing and future group supervisory regimes that meet the ComFrame standards, the current draft may introduce a two-tiered supervision based on different and additional prudential requirements. ComFrame should enable supervisors to coordinate	

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		and reconcile their efforts to supervise effectively insurers' group-wide activities. Therefore, ComFrame should include specific language (i.e. dedicated Standards, Elements and Guidelines) facilitating the mutual recognition between group supervisory regimes that meet the ComFrame standards and place much more emphasis on supervisory cooperation and coordination which is needed for insurance groups operating on a cross-border basis.	
Liberty Mutual Group	USA	The 2013 Draft ComFrame should acknowledge that the administration of the supervisory process must be conformed to applicable law and to the supervisor's legal authority and jurisdiction. As noted elsewhere in our comments, the assumption that supervisors will obtain the legal authority to enforce ComFrame or key aspects of it is not realistic given the likely politics of these issues in each jurisdiction. Also, this Element does not adequately address concerns about costs and expenses of supervision and the importance of conducting supervision in a cost-effective manner.	
NAIC	USA	Module 3E1-2-1-3 discusses the concept of horizontal reviews. We are not opposed to comparing one IAIG with another with the understanding that risks are created in the markets when businesses compete against each other and therefore it is important for the supervisor to understand if material risks exist because of this fact. We also agree with the notion that supervisors naturally identify best practices when supervising a number of different groups. However, supervisors should also recognize that every group is unique and every group makes its own decisions for what they believe is appropriate for them commercially. We are concerned that this guideline could create an inappropriate mindset in that it suggests what is appropriate for one IAIG is appropriate for another. We suggest this and a similar concept in the second bullet of M3E1-2-4 be deleted. The purpose of the assessment in M3E1-2-5 seems to be missing - other parameters under this standard talk about assessing the risk, the adequacy, the appropriateness, etc. This should be adjusted to say the group wide supervisor "assesses the risks of the ERM policies of the IAIG." Without the addition of the words "the risks," it suggests that the supervisor will essentially be	

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		monitoring/modifying the policies, something that is up to the management to determine. The supervisors' role is to make sure that such policies do not create excessive risk.	
Northwestern Mutual	USA	While we recognize that there have been meaningful improvements since last year's consultation process, portions of M3E1 continue suggest a role for the group-wide supervisor that would intrude on decisions properly left for management and/or under local regulatory processes for regulated legal entities. In particular those Parameters (M3E1-2-3, M3E1-2-4 and M3E1-2-5) which call on the group-wide supervisor to "assess" the IAIG's governance and ERM framework and policies strike us as having the potential to interfere with decisions that are best left with management, subject to standards developed and administered by the regulators with authority for the local legal entities. Moreover, Parameter M3E1-2-4 tells the GWS to compare the results and methodology of an IAIG's ERM Framework with those of other IAIGs. We believe it is inappropriate for supervisors to pit company ERM Frameworks against one another for two reasons. First, ERM Frameworks should reflect the nature, scale and complexity of the particular organization rather than conforming to one another. Second, a company's ERM Framework is certainly proprietary and may well present a competitive advantage; such advantage would be compromised to the extent supervisors share elements with other companies. A similar concern arises in the language regarding "horizontal reviews" under Guideline M3E1-2-1-3.	
EY	Worldwide	We suggest that parameter M3E1-1-3 be expanded to encompass discussion of the supervisory plan with the IAIG. A number of parameters do not refer to consultation with the other involved supervisors, whereas such consultation would often be appropriate when the group supervisor is acting.	
Comments on Module 3 Element 2 Supervisory colleges, cooperation and coordination			
Association of Bermuda Insurers and Reinsurers	Bermuda	M3E2-2-1 We recognize that there needs to be information exchange (to	

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		avoid duplicate requests and we strongly believe there needs to be robust legal confidentiality agreements in place. We strongly recommend that the IAIG is involved in discussions around the sharing of information and the appropriate legal protections applicable to its information. An IAIG should be notified in advance of information being shared among its supervisors.	
Office of the Superintendent of Financial Institutions	Canada	M3E2-2-2: OSFI supports the principle expressed in the parameter. Ideally, a supervisor would take a position that works best for all concerned but in practice the supervisor's decisions must also be congruent with its mandate and/or other legal and fiduciary constraints and in consideration of its available powers. Therefore, OSFI suggests the following new guideline: M3E2-2-2-2 While most decisions should not be made in isolation, there may be some circumstances where supervisors must make decisions in isolation due to time and other legal or fiduciary constraints, possible conflicts of interest among jurisdictions with respect to their mandates and in consideration of their available powers. In such circumstances, the supervisor should inform other involved supervisors of the decision made or action taken and the supporting rationale as soon as possible thereafter."	
Superintendencia de Valores y Seguros	Chile	The Parameter M3E2-2-2 included in the Module 3 says: "Involved supervisors do not take decisions in isolation which would destabilize the IAIG, adversely impact another entity within the IAIG or weaken the position of its policyholder". We think that this parameter is very difficult to be implemented in practice for two reasons: I.- The capacity of a "host supervisor" to assess and evaluate if its decisions can destabilize an IAIG can be considerably limited when you take into account the complexity of the IAIGs and the lack of proper information. II.- The most important mandate of a "host supervisor" is to protect its policyholders. In that sense, a well-argued decision intended to protect national policyholder might always be a priority, independently of the impact of the decision over other national or foreign institutions that belong to an IAIG.	
European Insurance and Occupational	EU	Guideline M3E2-1-2-1: While confidential treatment of information is important, making the establishment of a confidentiality	

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Pensions Authority (EIOPA)		agreement a precondition for a first meeting of a new college could contradict the first part of the Guideline. The reference should be removed or substituted by "However, having a confidentiality agreement in place would be a prerequisite for confidential information to be exchanged."	
Federation Francaise des Societes d'Assurance (FFSA)	France	The FFSA welcomes the designation of a group supervisor having a leading role in supervisory college. We should avoid duplication of supervisory organization. If a group supervisory regime is already in place, the college of supervisors should take it into account in the supervision process. The allocation of tasks between involved supervisors should be clear enough and group supervisor should be the one taking the final decision. However if a disagreement were to occur, the decision process in ComFrame is missing any mediation between group supervisor and other involved supervisors.	
Allianz Group	Germany	M3E2-1 We would propose to include a clear delineation to the Crisis Management Group, which is required under the GSII regulation. We suggest that the Crisis Management Group needs to be clearly separated from the College due to the following considerations: - Going concern focus for College versus crisis/recovery/resolution focus of the Crisis Management Group - Different type of participants (CMG includes other institutions than insurance supervisors but supposedly with less jurisdictions represented) - Higher level of confidentiality requirements for CMG documentation and lower relevance for most supervisors involved in the College In order to satisfy any information requirements of the College regarding systemic risk regulation, the CMG may want to provide high level summary information to the College. We believe that Colleges should in principle remain a body for information exchange and co-ordination, with supervisory action and decision making typically being kept at the level of the group supervisor and the local supervisors respectively. Nevertheless in the context of the College, procedures to resolve disagreements between supervisors (e. g. on interpretation of requirements or risk	

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		assessments) should be developed. In addition, local supervisors should be required to explain decisions with potential group-wide relevance beforehand in the College.	
KPMG AG WPG	Germany	Please refer to our general comments	
Global Federation of Insurance Associations	International	While M3E2-1-4 directs the group-wide supervisor to convene a supervisory college meeting at least annually, we believe the timing of any meeting should be within the supervisor's discretion and not be directed by ComFrame. The method of meeting (e.g., by telephone or remote video link) should be a matter of supervisory discretion. We welcome the inclusion of a discussion on the 'coordination arrangements' at the initial supervisory college meeting (M3E2-1-2-2). We believe this coordination agreement should clarify who has the ultimate view on the different subjects. Furthermore, in order to assure that all the supervisors' concerns are properly addressed and aiming as far as possible to have agreement in the college, an implementation process should be established." Furthermore, while M3E2-2 recommends confidentiality within the supervisory college, it should remain the responsibility of the group-wide supervisor to verify the reliability and binding nature of each supervisor's confidentiality obligations, and that responsibility should be reflected in Element 2.	
Insurance Europe	International	M3E2: Element 2 is completely silent on interaction with the IAIG. We believe that at a minimum an IAIG should receive communication of the results of supervisory college meeting and be provided with an opportunity to participate in relevant parts of physical meetings. M3E2-1-1-1: We appreciate that decisions reached in the college will never be 'legally binding', however, in order to ensure that supervisors are compelled to abide by decisions made in supervisor college, we would also like to see a 'comply or explain mechanism' introduced. M3E2-1-1-2: Reference is made here to the establishment of sub	

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		groups of supervisors. It is unclear whether this refers to the establishment of smaller supervisory teams as part of the same supervisory college or whether it refers to the establishment of subgroup colleges. If the later Insurance Europe continues to oppose the establishment of subgroup colleges. Otherwise, additional complexity is introduced with the need to establish an organisational structure for the college (hierarchy, reporting, process, etc.) and the risk of duplicative or contradictory requests being made of an IAIG are likely to materially increase. M2E2-1-1-2: We welcome the inclusion of a discussion on the 'coordination arrangements' at the initial supervisory college meeting. Is this also supposed to include a discussion on how the mediation process would work in case of disputes/disagreements in the college? We believe that a clear mediation process is fundamental to the effective functioning of colleges and therefore important enough to be explicitly required. M3E2-1-3: The parameter states that it is the group-wide supervisor in cooperation with other involved supervisors who determines who participates in the supervisory college. Should supervisors disagree, again it is not clear how the disagreement is resolved. We suggest that the group supervisor should take the final decision on who should participate in the supervisory college. M3E2-1-5: Insurance Europe welcomes the clear allocation of roles between the group supervisor and involved supervisors. M3E2-1-5-1: Within the responsibilities of the group-wide supervisor it states 'decision making on group-wide issues in consultation with other involved supervisors'. It is not clear who is responsible for taking the final decision should supervisors disagree. We agree that in the vast majority of cases decisions will be taken based on consensus between supervisors; however, should supervisors disagree it is important that it is made clear that the final decision rests with the group-wide supervisor.	
International Actuarial Association (IAA)	International	- M3E2-1-5-2; In the second bullet point, the phrase "if necessary" should probably be changed to stronger wording in the direction of sharing	

Organisation	Jurisdiction	Comments	Resolution of comments
		more information among members of the supervisory college. The phrase "if necessary" may risk future conflicts among supervisors. - M3E2-1-6; Suggest deleting "and necessary". This phrase may risk future conflicts among supervisors and may prevent a sufficiently open discussion among supervisory college members.	
World Bank (WB)	International	We note that Module 3 is not currently available for consultation.	
The Life Insurance Association of Japan	Japan	M3E2-2-1-1: We believe that all supervisors involved in the group-wide supervision should sign the IAIS MMoU.	
Monetary Authority of Singapore	Singapore	Standard M3E2-1: We suggest to delete "achieve common agreements and" for Guideline M3E2-1-1-1. This may pose practical difficulties for the group-wide supervisor if he is expected to obtain common agreement before executing group-wide supervisory activities, as it may cause unnecessary supervisory delay. Furthermore, risk assessment is a subjective matter where common agreement may be difficult to achieve. We agree with the criteria described in Guideline M3E2-1-3-1 that provides the group-wide supervisor flexibility in determining the size of the supervisory college. However, this may be in contradiction to ICP 25 which states the need to involve other relevant supervisors in the supervisory college. As such, we would suggest that ICP 25 be amended to allow for the practical aspects. We propose not to prescribe the frequency of supervisory colleges set out in Parameter M3E2-1-4, so that the involved supervisors have the discretion to apply the principle of proportionality. Standard M3E2-2: We are of the view that Guideline M3E2-2-1-1 is setting a higher standard as compared to the ICPs. In particular, M3E2-2-1-1 states "...confidentiality regime is as robust and reliable as the IAIS MMoU" whereby ICP 25 does not require the confidentiality regime	

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		of involved supervisors to meet certain specific criteria. We suggest that this criteria of "as robust and reliable as the IAIS MMoU" be removed so as to align with ICP 25. The same line also suggests that a party needs to verify that all involved supervisors have either signed the IAIS MMoU or demonstrated that their regime is as reliable as the IAIS MMoU; but is not clear on who this party should be. We are of the view that it is impractical to expect all involved supervisors to verify the confidentiality regime of all other involved supervisors. This is because verifying the confidentiality regime of other jurisdictions requires extensive work. If this verification is absolutely necessary, we suggest that it should be the sole responsibility of the group-wide supervisor to carry out this verification; so as to avoid duplication of work by all involved supervisors.	
Association of British Insurers (ABI)	United Kingdom	As noted in our previous comments on this Module, the draft contains little consideration of the consequences and possible solutions to supervisory college decisions being non-binding. Some exploration of these issues would be useful; what steps could be taken to encourage the adoption of ComFrame and a common approach to supervision by all supervisors (both group-wide and involved)? Possible solutions considered could be a "comply or explain" requirement or local supervisory mandates containing an obligation to adhere to international agreements and decisions. By way of a number of examples, related issues that the draft might consider could include: - M3E2-1-3: what if a supervisor would like to be involved in the college but too many potentially "involved supervisors" apply? Presumably the group-wide supervisor would have the final say on whether or not this supervisor could be included, but how would this be binding? It does not seem logical to exclude a supervisor using "powers" derived from a non-binding framework. - M3E2-1-5: there is lots of wording here related to responsibility, determination and decisions on the part of the group-wide supervisor but, again, no binding power. Conversely, the wording implies that involved supervisors play a primarily supporting role across the supervision of the IAIG, despite the fact that they will still	

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		need to make significant decisions at the level of local entities. In the event of a disagreement between the roles of the group-wide supervisor versus involved supervisors, how would this be settled in the college without some form of mediation or credible deterrent to ignore the decisions of other supervisors? - M3E2-1-6: This parameter covers arguably one of the most important topics within ComFrame - the issue of challenge between supervisors - yet only 20 words are dedicated to it. "An involved supervisor, where appropriate and necessary, challenges the opinions and analysis of other involved supervisors, including the group-wide supervisor" This is not a statement with which we would disagree, of course, but we do not feel that it goes far enough. What decisions, views or actions might supervisors challenge each other on? How might disagreements be resolved? In the case of disagreement, how long should the mediation period between supervisors last before a decision must be taken? - M3E2-2-2: involved supervisors are not supposed to act in isolation but, again, the mechanisms and incentives to stop them from doing so are not evident. These are just some examples of relevant questions that we feel ComFrame is yet to address in relation to Module 3.	
International Underwriting Association of London	United Kingdom	We note that there could potentially be a contradiction between M1E3-1 and M3E2-1-5-1 in that the latter could leave open for discussion and potential dispute the roles of the group supervisor. We suggest that the wording could be reinforced in M3E2-1-5-1 to make it clear that the group supervisor should normally fulfil all the roles set out, unless special circumstances lead him/her to agree otherwise with the other supervisors.	
American Council of Life Insurers	United States	Our members will be following closely the work on the application paper on supervisory colleges, as we have many questions about which supervisors can participate, best practices for coordinating the college, notice to and interaction with the insurance group. Our members are also interested in how to assess the effectiveness of colleges, generally and specifically. We believe that will be critical to the effectiveness of colleges over the long-term. We hope that the application paper will address that important issue.	

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American Insurance Association	United States of America	While Guideline M3E2-1-4 directs the group-wide supervisor to convene a supervisory college meeting at least annually, we believe the timing of any meeting should be within the supervisor's discretion and not be directed by ComFrame. Alternatively, the manner of meeting (e.g., by telephone or remote video link) should be a matter of supervisory discretion. Furthermore, while Standard M3E2-2 covers the supervisory college with a cloak of confidentiality, it should remain the responsibility of the group-wide supervisor to verify the reliability and binding nature of all supervisors' confidentiality obligations, and that responsibility should be reflected in Element 2. We also believe that M3E2-2-1-1 should require all supervisors involved in the group-wide supervision to execute a binding confidentiality agreement.	
Association of Financial Guaranty Insurers	USA	See general comments on Module 3, above.	
Institute of International Finance - IIF	USA	ComFrame should enable supervisors to coordinate and reconcile their efforts to supervise effectively insurers' group-wide activities. Therefore, ComFrame should include specific language (i.e. dedicated Standards, Elements and Guidelines) facilitating the mutual recognition between group supervisory regimes that meet the ComFrame standards and place much more emphasis on supervisory cooperation and coordination which is needed for insurance groups operating on a cross-border basis. In this context, supervisory colleges should figure more prominently in this framework. More emphasis should be given on the importance of joint working within a college to arrive at shared views of issues, avoid overlap and streamline the process for the group.	
Liberty Mutual Group	USA	As noted throughout our comments, Liberty Mutual strongly supports the use of effective and comprehensive supervisory colleges. We endorse the general design and specific provisions contained in this Element.	
Northwestern Mutual	USA	While the group-wide supervisor has a critical role in administering this process, ComFrame cannot usurp the statutory responsibilities of local regulators. Accordingly, the language of ComFrame must retain flexibility consistent with the obligations of local regulators of	

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		the legal entity. We appreciate M3E2-2's acknowledgment of the importance of confidentiality. It will be critical that IAIGs have assurance that the confidentiality of proprietary information they are expected to share in the context of ComFrame and supervisory colleges will be protected. We support the comments made by the American Council of Life Insurers regarding confidentiality under ComFrame.	
CRO Forum - CRO Council - CFO Forum	Worldwide	Element 3 (crisis management and resolution measures), and that Element 2 currently includes requirements for contingency planning which may be similar to recovery planning requirements for G-SIFIs. As some insurers have been designated as G-SIFIs it would be helpful if the glossary could include a definition of contingency planning to make it clear where this meets the requirements of recovery planning for G-SIFIs.	
A question for supervisors: What plans do you currently have underway to implement the FSB Key Attributes in your jurisdiction with respect to IAIGs?			
Association of Bermuda Insurers and Reinsurers	Bermuda	Not applicable.	
Office of the Superintendent of Financial Institutions	Canada	As the financial condition of an insurer comes into question, OSFI would exercise its powers to intervene early with the aim of protecting the interests of policyholders and creditors pursuant to OSFI's mandate. In conjunction with these interventions, OSFI would work with Assuris or the Property and Casualty Insurance Compensation Corporation (PACCIC), two private policyholder protection and compensation mechanisms, to prepare for an orderly approach to resolution should early intervention efforts prove insufficient. OSFI, together with other key agencies in Canada, including Assuris, will be rolling out a pilot to one IAIG designated life insurance company over the next 18 months. All key attributes will be considered as part of this project; however OSFI has not yet finalized its views on the applicability of each attribute.	
Superintendencia de Valores y Seguros	Chile	No currents plans	

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European Insurance and Occupational Pensions Authority (EIOPA)	EU	EIOPA's main concern is that there should be a consistent and convergent approach across the EU.	
BaFin	Germany	Currently BaFin is considering whether to implement the FSB Key Attributes not only for G-SIIs, but also for at least some, e.g. systemically important IAIGs.	
Global Federation of Insurance Associations	International	Regarding crisis management and resolution, M3E3 warrants that the IAIS plans to "consider carefully whether and to what extent the FSB Key Attributes are appropriate for IAIGs." While we are hopeful that a contrary response is not a foregone conclusion, Q. 18 raises the troubling possibility that supervisors might be planning to act preemptively in this critical area, which would seriously undermine the value of ComFrame as a coordinated and cooperative effort among all supervisors.	
Financial Services Agency	Japan	No, we do not have a specific plan. We believe whether each IAIG implement the FSB Key Attribute including the development of Recovery and Resolution Plan and the creation of Crisis Management Group should be decided based on the business attribute of each IAIG, especially focusing on the complexity.	
Komisja Nadzoru Finansowego - KNF (Polish Financial Supervisory Authority)	Poland	In this regard, as a member of a number of supervisory colleges, we follow the initiative of group-wide supervisors.	
Monetary Authority of Singapore	Singapore	As an FSB jurisdiction, plans are underway for MAS to implement the FSB Key Attributes for all financial institutions, not specific to IAIGs.	
Dirección General de Seguros y Fondos de Pensiones	Spain	No information to be transmitted at this stage. As a first step the decisions in relation with the application of the KAs/ Insurance Annex should need to be adopted. Discussion underway yet.	
Prudential Regulatory Authority	United Kingdom	- The FSB key attributes introduce two main requirements: the requirement to introduce resolution powers constituting a suitable regime and the requirement to develop recovery and resolution	

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		plans. - As regards the former, this is a matter for National (or European) governments and supervisors' roles are limited to liaising with and responding to the requests of government concerning the nature, extent and timing of possible legislative changes. - As regards the latter, then we are focusing on implementing the IAIS's policy measures for G-SIIs which include enhanced supervision (something which we believe we already apply to G-SIIs), the establishment of Crisis Management Groups (where we are currently deciding who the appropriate members of such groups should be and when the first meetings should take place) and the development of recovery and resolution plans (where we have engaged with those G-SIIs based in the UK and the projects which they have established to prepare those plans and Systemic Risk Mitigation Plans).	
American Insurance Association	United States of America	Regarding crisis management and resolution, M3E3 warrants that the IAIS plans to "consider carefully whether and to what extent the FSB Key Attributes are appropriate for IAIGs." As more fully explained in our response to Q. 19, AIA does not believe the Key Attributes should be applied to IAIGs that are not also G-SIIs. While we hope that a contrary response is not a foregone conclusion, Q. 18 raises the troubling possibility that supervisors might be planning to act preemptively in this critical area, which would seriously undermine the value of ComFrame as a coordinated and cooperative effort among all supervisors.	
Liberty Mutual Group	USA	N/A	
Referring to the FSB Key Attributes (and Appendix II of the FSB consultative document), please explain whether you believe there should be any difference in the application of the FSB Key Attributes between IAIGs and G-SIIs. If you believe they should be treated the same way, please provide reasons for your view. If you believe there should be a difference between IAIGs and G-SIIs please explain that difference and your reasons. If you believe that some of the FSB Key Attributes should be applicable to IAIGs in certain circumstances, please state the relevant key attribute, the circumstances and your reasons.			
Canadian Life & Health Insurance Association Inc.	Canada	- If you believe they should be treated the same way, please provide reasons for your view. - If you believe there should be a difference between IAIGs and G-SIIs please explain that difference and your reasons. - If you believe that some of the FSB Key Attributes should be applicable to IAIGs in certain circumstances, please state the	

Organisation	Jurisdiction	Comments	Resolution of comments
		relevant key attribute, the circumstances and your reasons.	
Office of the Superintendent of Financial Institutions	Canada	In OSFI's view, the FSB Key Attributes are principles based and therefore should be applied to both IAIGs and G-SIIs given that both designations apply to internationally active insurance companies.	
European Insurance and Occupational Pensions Authority (EIOPA)	EU	EIOPA is in favour of general guidance that addresses the insurance sector specificities, as the Key Attribute include features that could usefully be used in relation to a wider range of firms than just G-SII. This does not preclude that specific references are made to particular types of firms (e.g. G-SIIs or IAIG) or business lines (e.g. non-traditional/non- insurance activities) when needed and reflecting in a proportional way the challenges related to resolving them. But EIOPA is of the view that unnecessary clustering should be avoided in order limit the development of an uneven playing field.	
BaFin	Germany	The scope of the FSB Key Attributes pertains to "any financial institution that could be systemically significant or critical if it fails" so that the decisive criterion for their application is the systemic relevance of an insurance group. Therefore in our view if G-SIIs and IAIGs have a different degree of systemic relevance this justifies or demands a different treatment with regard to the Key Attributes. An IAIG may either be - a G-SII at the same time - systemically relevant on a national level only or - not systemically relevant at all. For G-SIIs the Key Attributes will apply per se. IAIGs which are neither globally nor domestically systemically relevant do not fall under the regime of the Key Attributes. There may be merit in having them develop recovery plans at least. If a national supervisor deems that an IAIG is domestically systemically relevant, the IAIG falls under the KA regime as the rationale for the Key Attributes applies to it as well. However, we	

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		feel that there should be room for supervisory discretion as to the application of the Key Attributes, e.g. as to the intensity and the level of requirements to be fulfilled by the IAIG because it is the national supervisor (not the FSB) which determines systemic relevance and the criteria for it. As he can decide whether or not systemic relevance is given the supervisor should also have a certain flexibility as to the application of the Key Attributes and should be able to apply the principle of proportionality. In practice this could mean that the level of detail of recovery and resolution plans may be lower, cross-border aspects may be of less significance and may therefore be less elaborated.	
KPMG AG WPG	Germany	Please refer to our general comments	
Global Federation of Insurance Associations	International	GFIA agrees that it is legitimate to consider the question of resolution of insurers in the context of business continuity plans, but would emphasise that any solutions devised in response need to be proportionate to supervisory objectives and based on the unique characteristics of the insurance business model. Our associations have commented on the FSB consultative documents, and we hope that our concerns and suggestions will be incorporated. As regards the possibility to apply some elements of the FSB Key Attributes to IAIGs, we would point out that supervisory powers and tools would need to be considered and assessed for their suitability on a case-by-case basis. In many cases existing regimes are already in place at the local level and have proven to be adequate for the resolution of insurers in the past. An alignment of existing insolvency regimes with FSB guidance would raise a number of complex legal issues and constitutional constraints at national level, as this would require extensive legislative change across jurisdictions.	
Insurance Europe	International	Referring to the FSB Key Attributes (and Appendix II of the FSB consultative document), please explain whether you believe there should be any difference in the application of the FSB Key Attributes between IAIGs and G-SIIs. - If you believe they should be treated the same way, please provide reasons for your view.	

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		- If you believe there should be a difference between IAIGs and G-SIIs please explain that difference and your reasons. - If you believe that some of the FSB Key Attributes should be applicable to IAIGs in certain circumstances, please state the relevant key attribute, the circumstances and your reasons. Insurance Europe agrees that it is legitimate to consider the question of resolution of insurers but would emphasise that any solutions devised in response need to be proportionate to their objectives and based on the unique characteristics of the insurance business model. Our assessment is that the guidance provided in Annex II of the FSB consultative document fails to adequately adapt the Key Attributes to the specifics of insurance. The guidance rightly draws attention to the possibility of insurer failure, and to the possible systemic consequences but fails to point out that such failures are very rare, and the systemic consequences even less likely to materialise. As a result, the proposed regime is too general and thus disproportionate to actual risks. Its application could therefore impose unnecessary costs on both policyholders and insurers, while also contradicting level-playing field considerations. We are concerned by the fact that the scope of the draft guidance is unclear. The recommendations provided are in many respects not directly related to systemic risk. In particular, the fact that criticality is separated from the assessment of systemic risk and added as a separate consideration in the guidance is not helpful, as it potentially extends the scope of the recommendations to all insurance activities, irrespective of whether a systemic event could originate in their failure. Insurance Europe believes that the requirements set out in the FSB's consultative document should be clearly aimed at those rare cases where systemically relevant activities undertaken by an insurer might threaten its viability and the rest of the financial system. In fact, only insurers undertaking such activities should be considered systemically important and be subject to new guidance from the FSB.. Unlike banks, the larger insurance companies or groups are, the greater their geographic and risk diversification will be. This is precisely why Insurance Europe has been critical of	

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		IAIS' methodology for designating G-SIIs, which ended up producing a list of large insurers. The FSB should be very clear on this issue and avoid using ambiguous terms like "vital economic functions", "essential and systemically important functions" and "critical types of insurance policies", which shift away the focus from dealing with systemic risk to assessing the general viability and maintenance of insurers in recovery or resolution scenarios, which is a much broader concept. As regards the possibility to apply some elements of the FSB Key Attributes to IAIGs, we would point out that in many cases existing regimes which include a number of these requirements are already in place at local level and have proven to be adequate for the resolution of insurers in the past.. However, we would like to share the following views on some of the tools proposed in the paper: - Bridge institution - given the long-term nature of insurance liabilities, the same time impediments that exist in banking do not exist in insurance, so the use of a bridge institution as a quick or interim solution is not necessarily in the best interests of policyholders. This would be better served through a transfer to an existing, well-capitalised insurer able to exercise more freedom over its investment strategy. - Power to restructure liabilities - we do not believe that the power to restructure liabilities should fall to regulators alone, as this encroaches on ownership rights protected under almost all jurisdictions as fundamental rights; therefore, we believe court approval would be necessary. - Bail-in - applying the bail-in tool in an insurance context is unnecessary in our view. If authorities are looking to adjust creditor liabilities, as with writing down policy benefits, corporate restructuring arrangements already exist and they require creditor and Court agreement. Since insurers' resolution happens in an extended period of time, this allows for such an agreement to be arrived at. - Resolvability assessments - the FSB's Key Attributes does not make clear enough to us the difference between resolvability assessments, resolution plans and recovery plans. It is important that this is clarified so there is not overlap and confusion between the exercises. The resolvability assessment should consider how in	

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		the unlikely situation in which an unpredictable event has led and insurer to a point of non-viability that it cannot recover from, policyholders' interests can be best protected. Therefore in our view the resolvability assessment should be developed in line with the principle of proportionality and focus on: - Sources of support - Enforceability of intra group transactions; - Transferability of service agreements where services are provided by other parts of the group, or contracted by other parts of the group; - How ownership would be structured for the entity where it is recapitalised without group support, whilst maintaining respect for creditor hierarchy, so that they can be reimbursed for their losses from future gains - Recovery and resolution planning - important that the differences between recovery and resolution in an insurance and banking context are recognised. Currently we do not believe the FSB's key attributes achieves this. Clearer thought is needed on the purpose of recovery and resolution planning for insurers; given their different business models characterised by the extended time horizon of their liabilities. In particular, in the context of IAIGs, we question the value of a "standing recovery plan" for insurers whose solvency and ability to meet policyholder demands are not subject to the very sudden stresses that can arise in banking business, and where the need for "resolution weekend" does not arise. Provided a suitable ladder of supervisory intervention is observed, time is available should an insurer run into financial difficulty for recovery actions to be triggered	
Financial Services Agency	Japan	We believe that different treatment between IAIGs and G-SIIs should be required because the systemic importance of the firms would change according to the complexity of business attribute or profile. We believe " an IAIG" that could be systemically significant and or critical upon failure should be subject to requirement for RRP "especially taking into account the level of its interconnectedness and NTNI activities". (See M3E3-3) For other IAIGs the group-wide supervisor together with other involved supervisors and relevant bodies considers the need for a CMG "especially taking into account the level of its	

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		interconnectedness and NTNI activities". (See M3E3-4)	
The General Insurance Association of Japan	Japan	- "Key Attributes" are to deal with systemic risk, and as such, the IAIS should not advance discussion on the premise that they should be applied to IAIGs that are not G-SIIs. - Since systemic risk may exist within NTNI businesses and not within traditional insurance businesses, we believe the contents of resolvability assessment and RRP should be commensurate with the size and complexity of NTNI businesses. As for insurers with a small amount of NTNI businesses, approval should be given to simplify their resolvability assessment and RRP depending on the degree, frequency and scope of their NTNI businesses.	
The Life Insurance Association of Japan	Japan	The object of the FSB Key Attributes is to make feasible the resolution of financial institutions without severe systemic disruption and without exposing taxpayers to loss, while maintaining their vital economic function, and 'any financial institution that could be systemically significant or critical if it fails' is included within the scope of the Key Attributes. On the other hand, as set out in M1E1 of this ComFrame draft, supervisors identify IAIGs based on the international activity criterion and size criterion, and this ComFrame draft does not set out criterion which regard to their impact on financial systems (systemic importance). We believe that the IAIGs should not be treated the same way as the G-SIIs, which were selected in terms of systemic importance, because the IAIGs, which are designated based on the international activity and size criterion, are not necessarily considered to be 'systemically significant or critical'. This is because the traditional insurance business is not likely to generate or amplify systemic risk, and because their interconnectedness with financial systems is very limited, as specified in the 'Insurance and Financial Stability' published by the IAIS. In case where a system uniformly aimed at both G-SIIs and IAIGs is designed, we believe that a flexible system should be developed that accepts appropriate methods according to the level of systemic importance of the failed insurer, after analyzing the impact of the insurer on financial systems and its interconnectedness with financial systems respectively in the process of actual resolution.	

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Komisja Nadzoru Finansowego - KNF (Polish Financial Supervisory Authority)	Poland	The purpose of initiating two projects, which differ in nature, should be borne in mind. Therefore, FSB Key Attributes should be applied to institutions systematically important, regardless of whether they are IAIGs or not. Since the purpose of ComFrame is to enhance group-wide supervision and cooperation between supervisors, and not to deal with the issue of systemic importance, ComFrame should not be used as an implementation of FSB Key Attributes. However, in order to avoid overlapping of requirements in case of IAIGs which are G-SII at the same time, those two systems of requirements should be consistent to a certain extent and should use the same terminology in order to avoid misinterpretation and burden.	
Dirección General de Seguros y Fondos de Pensiones	Spain	Please see previous comments on Q. 18. On the other side it's our understanding that to carry out NTNI activities should show a series of differences (such as the time to act, measures to be adopted,...) that could not be necessary (or appropriate) in the case of traditional activity. A further analysis and discussion should be necessary in any case.	
RSA Group	UK	The work on recovery and resolution planning should increment contingency activity and not represent a separate workstream. Additionally as significant work on Recovery and Resolution plans is taking place elsewhere and includes consultation with market practitioners, we do not feel that additional input to these initiatives should be made via ComFrame. Overall, the IAIS should ensure that Recovery and Resolution proposals that are included within ComFrame are consistent with those being developed elsewhere.	
Association of British Insurers (ABI)	United Kingdom	The development of Module 3 Element 3 should take account of the contingency planning requirements in Module 2 and not introduce duplicative requirements (as an aside, we do not feel that Module 2 is the correct place in which to address such issues). We emphasise again the importance of appropriately applying the "cornerstones" of ComFrame across the whole Framework, including in this regard. Proportionality and an outcomes-focused approach are especially relevant here; the nature, scale and complexity of the IAIG should be taken into account.	

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		This current draft of ComFrame includes requirements for contingency planning that may be similar to recovery planning requirements for G-SIIs. Whilst we appreciate the need for a clear policy distinction between GSIs and IAIGs whilst the two regimes are under development, the IAIS will - in the longer term - need to ensure that the two regimes are consistent in the areas of group-wide supervision applicable to both G-SIIs and IAIGs. We suggest that it would be helpful if the glossary could include a definition of contingency planning.	
Prudential Regulatory Authority	United Kingdom	- The FSB key attributes are required to be applied to "any financial institution that could be systemically significant or critical if it fails" [Paragraph 1.1]. The scope of application therefore extends beyond G-SIIs to include any insurance group which may be systemically important whether internationally active or domestically important. For such groups there is no difference in approach once identified as systemically important. What is different is the person in whose judgment the group is systemically significant. In the case of G-SIIs the list is determined by the FSB and ISIA, in the case of other groups it is determined by national authorities. - The question then reduces to whether there should be any difference in approach between internationally active insurance groups which are systemically important and internationally active insurance groups which are not systemically important. - (There could be a difference in that groups may be systemically important to a national economy as distinct from important to the global economy. However, in both cases we consider that the Key Attributes should apply and apply in full. The nature of a cross-border cooperation agreement or the resolution plan may be different where a group is important nationally but not globally - in particular the extent to which a national authority should consider the effect on other national economies in deciding whether to exercise resolution powers may be less if the group is not important in other jurisdictions. But there should still be a cross-border cooperation agreement to ensure that all relevant authorities have a common understanding of how resolution would proceed.) - There should be a difference between the approach towards	

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		insurance groups which are not systemically important (in any country) and those which are, even if they both operate internationally. It would be unduly burdensome on insurance groups and a waste of supervisory resources to apply the same requirements and intensity of supervision to both. The level of requirements imposed should be sufficient to ensure policyholder protection but not financial stability. It is possible, even likely, that in order to ensure policyholder protection, insurance groups should develop recovery plans (not resolution plans) and that supervisors should engage in an appropriate degree of international dialogue with other supervisory authorities (for example to understand the extent of risks which could increase the probability of the group failing). But this is not part of implementing the Key Attributes. When the IAIS comes to drafting such requirements therefore it should attach these and justify these by reference to policyholder protection objectives and not to the Key Attributes (even if some of the actions are the same).	
American Council of Life Insurers	United States	The IAIS has long observed that G-SIIs and IAIGs are different and that the ComFrame should neither capture systemic risks nor be directly linked with the G-SII work stream. In IAIS's Frequently Asked Questions for the ComFrame, the IAIS answered the question "Is an IAIG the same as a G-SII?" as follows: "ComFrame does not directly address systemic risks. Separately from ComFrame, the IAIS has developed an initial methodology to identify global systemically important insurers (G-SIIs) and related policy measures. The criteria - and purposes - for identifying G-SIIs and IAIGs are distinct." This statement itself explains why there should be differences in the application of the FSB Key Attributes between IAIGs and G-SIIs. Indeed, the risk profiles of IAIGs and G-SIIs are very different. "Globally systemically important insurers" (G-SIIs) are insurers "whose distress or disorderly failure would cause significant disruption to the global financial system and economic activity." By contrast, the proposed parameters for "internationally active insurance groups" (IAIG) specify only that an insurer of a certain	

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		size be active internationally in several insurance markets. There is no requirement of a finding that an insurer must pose a systemic risk in order for it to be designated an IAIG. Accordingly, leaving aside the question of whether any traditional insurer is properly characterized as a G-SII, the FSB's "Key Attributes" - which were originally designed to address bank failures in the wake of a crisis originating in the banking sector - should not be applied to groups designated as IAIGs. ACLI understands there are enormous and ever-increasing demands on the resources and time of supervisory and international standard-setting bodies. In its 2011 progress report on implementing the recommendations on enhanced supervision, the Financial Stability Board noted that "While few countries indicated that resource constraints were currently compromising supervision, resource demands will likely increase in particular to meet supervision of new global initiatives." And the following year, "Supervisors are indeed taking on more responsibilities, and consequently face increasing likelihood of not being able to spend sufficient time on risk issues." In this context, care must be taken to ensure that such constraints not become the basis for adopting a one-size-fits-all approach for two quite distinct categories of insurance entity. The FSB's August 12, 2013 Consultation Document states that "Insurance companies...that could be systemically significant or critical if they fail should...be subject to resolution regimes that meet the standard set out in the Key Attributes." The conclusion that insurers "could" pose such a potential systemic risk lacks empirical basis. Recent work by the industry and the IAIS has demonstrated that even the failure of the world's largest traditional insurance groups would not result in significant spillovers affecting other financial institutions. Moreover, the recent financial crisis has underscored the fact that existing insurance industry resolution regimes are resilient and effective. Application of the Key Attributes should be limited to situations in which a substantial empirical inquiry has led to a conclusion of systemic risk. At a minimum, the language should be revised to read "Insurance companies...that have been determined, after investigation, to be systemically critical if they fail should be subject to resolution regimes that meet	

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		the standards set out in the Key Attributes." The FSB's "Key Attributes" proposes establishment of resolution powers that may well be desirable to address the disorderly failure of a bank, but which greatly exceed what is needed to resolve insurers, particularly those which are not "systemically significant." The Key Attributes should remain limited to what the FSB has itself defined as constituting systemic risk, "The risk of disruption to the flow of financial services that is (i) caused by an impairment of all or parts of the financial system; and (ii) has the potential to have serious negative consequences for the real economy." Since few, if any, insurance companies fit this definition, it would be inappropriate to apply the "Key Attributes" to non-G-SII IAIGs.	
American Insurance Association	United States of America	The FSB's Key Attributes of Effective Resolution Regimes for Financial Institutions should not be applied to IAIGs that are not also G-SIIs. Doing so would (i) result in the imposition of an unwarranted prescriptive layer of regulation; (ii) blur the distinctions between IAIGs and G-SIIs; and (iii) violate the proportionality cornerstone by not taking into account the "nature, scale and complexity of the IAIG...in applying ComFrame." Simply stated, procedures under traditional insolvency laws should be suitable for all insurance failures except for the rare instance where the insurer has been determined to be systemically significant. According to Appendix II of the FSB consultative document, insurers "that could be systemically significant or critical if they fail therefore should therefore be subject to resolution regimes that meet the standard set out in the Key Attributes." Assuming for the sake of argument that the G-SII designation methodology is appropriate, there is no valid reason for doubting that the list of G-SIIs represents all insurers that would be systematically significant or critical if they fail. Put another way, no IAIG other than a G-SII could possibly be categorized as the type of insurer Appendix II identifies as a candidate for application of the Key Attributes: "a larger, complex insurance group engaging in other non-traditional insurance and non-insurance activities that may involve some	

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		degree of bank-like leverage and maturity transformation, or where continuity of insurance cover is critical to the economy or confidence in the financial system and the business cannot be rapidly transferred or replaced." The Key Attributes should come into play only when the insolvency of a systemically significant financial institution (i.e., a G-SII) presents a real risk of contagion to the global financial system. Insurers other than G-SIIs, and particularly property-casualty insurers engaged in traditional insurance activities, will never present a significant risk to global financial stability. Property-casualty insurers do not present leverage to the economy and do not have an infrastructure maintenance function. Insurers operate under a different model than other financial firms, based on an inverted cycle of production whereby premiums are received up-front for claims that often occur well into the future and which are often paid over a period of years. The property-casualty industry model is premised upon collecting sufficient premium in advance to fund covered claims. There is less need to borrow, and consequently less likelihood of becoming highly leveraged. The insurance business model shields property-casualty insurers from the "run on the bank" scenario frequently used to describe the contagion effect of systemic risk. Unlike customer deposits held by banks, payment of claims under an insurance policy depends on the occurrence of a covered event. As a practical matter, consumers do not have "on demand" access to insurance assets of property-casualty insurers as they would with other financial institutions. In addition, there is a highly-developed and experienced state liquidation and guaranty fund system to handle the claims of an insolvent insurer in the United States. State laws set forth detailed receivership and liquidation procedures for U.S. insurance companies. When a state regulator concludes that an insurer is in serious financial difficulty, the regulator will usually place the insurer in receivership proceedings, where it continues as a going concern while the receiver, who is appointed by the state regulator, manages the insurer's existing business and is responsible for the payment of all claims.	

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		If receivership is successful, the insurer is removed from receivership and permitted to resume normal business operations. The insolvent company may be merged with another firm, or its assets and liabilities transferred to another company. In the event, however, the receiver determines that further rehabilitation efforts would be ineffective, the receiver will petition a court for an order of liquidation with a finding of insolvency. If the state court grants the order of liquidation, the insurer essentially ceases to do business and the liquidator begins proceedings to marshal all of the insurer's assets, selling them to raise funds to pay creditors. The obligation of a state guaranty fund to pay an insolvent insurer's policy obligations (subject to certain statutory limits and exclusions) is triggered by the state court's order of liquidation with a finding of insolvency. Once the order is filed and a finding of insolvency is made, a state guaranty fund steps into the shoes of the insolvent insurer and pays the insurer's policyholder and third-party claims as they arise. The receivership and liquidation proceedings, together with the guaranty fund system, have worked well to maintain the stability of the US insurance system while ensuring that policyholders and third-party claimants receive payments under an insolvent insurer's contracts in an appropriate and timely manner. As a result, the US system meets the FSB consultative document's mandate that resolution regimes for insurers protect policyholder interests, and therefore is not an appropriate forum for application of the Key Attributes.	
Property Casualty Insurers Association of America (PCI)	United States of America	PCI believes that significant portions of the Key Attributes should be applicable only to G-SIIs and not to IAIGs. As drafted the KAs would apply to any insurers "that could be systemically significant or critical if they fail" (emphasis added). The document provides little or no definition of the phrase "critical if they fail." Insurers, and in particular, property casualty insurers, are generally not systemically risky, much less "critical if they fail." We are concerned that the use of this undefined phrase could effectively broaden the scope of the document to apply to any insurer, and that even a more limited definition of the phrase would inevitably still be	

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		inappropriately broad. PCI recommends, at a minimum, that the recovery and resolution plan requirements of the KAs apply only to companies that have been designated as systemically important and not to other IAIGs. Many of the "key attributes" are designed with systemically important entities in mind and their application to entities that are not systemically important would increase costs for policyholders around the world with no effect on systemic risk. If failure of an IAIG would not produce systemic consequences, it is not appropriate to require the IAIG in normal circumstances to develop recovery and resolution plans. The Key Attributes for Resolution of Financial Institutions document was designed primarily with a banking regulatory regime in mind, and many aspects of it are inappropriate to the insurance industry. Care must therefore be taken that the implementation methodologies employed for applying these KAs to insurers do not result in appropriate and ineffective requirements being imposed on insurers. The following are responses to certain specific questions raised in the consultative document, Assessment Methodology for Key Attributes of Effective Resolution Regimes for Financial Institutions: 22. Are the general resolution powers specified in KA 3.2, as elaborated in this draft guidance together with the insurance-specific power of portfolio transfer and run-off, as specified in KA 3.7, sufficient for the effective resolution of all insurers that might be systemically important or crucial in failure, irrespective of size and the kind of insurance activities (traditional and "non-traditional, noninsurance" (NTNI)) that they carry out? What additional powers (if any) might be required? The question assumes that insurers can be systemically important or critical in failure even if they are small and regardless of whether they engage in non-traditional or non-insurance activities. In fact, it would be extraordinarily rare for a small insurer to be systemically important and equally rare for an insurer engaged only in traditional	

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		insurance activities to be systemically important. The FSB asks whether the powers set forth in the document are sufficient, but a better question might be whether they are all appropriate for insurers that are not systemically important. Many of them are not. 23. Should the draft guidance distinguish between traditional insurers and those that carry out NTNI activities? If yes, please explain where such a distinction would be appropriate (for example, in relation to powers, resolution planning and resolvability (assessments) and the implications of that distinction. The draft should indeed distinguish between traditional insurers and those that carry out NTNI. The implication of the distinction is that traditional insurers do not pose systemic risk and therefore any attempt to impose on traditional insurers a resolution regulatory regime designed for systemically important entities is, by definition, inappropriate. Moreover, the fact that an insurer does engage in NTNI activities does not necessarily make it systemically important. Therefore, resolution regimes designed for systemically important institutions should not be applied to any and every institution engaging in NTNI activities, but must be limited only to those institutions for which a determination of systemic importance has been made. 25. Is the scope of application to insurers appropriately defined (section 2), having regard to the recognition set out in the preamble to the draft guidance that procedures under ordinary insolvency law may be suitable in many insurance failures and resolution tools are likely to be required less frequently for insurers than for other kinds of financial institutions (such as banks)? As described above, the scope of application to insurers is inappropriate to the extent that it can be applied to insurers that are not systemically risky (i.e., "critical in failure"). While it is somewhat encouraging that the preamble acknowledges that existing resolution procedures will be adequate in many cases, this understanding is not always reflected in other parts of the document. 29. Are there any additional considerations or safeguards that are	

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		relevant to the treatment of reinsurers of a failing insurer or reinsurers, particular to: (i) the power to transfer reinsurance cover associated with a portfolio transfer (paragraphs 4.7 and 4.8); and (ii) the power to stay rights of reinsurers to terminate cover (paragraph 4.10)? PCI objects to 4.4(viii), which allows inwards reinsurance policies to be reduced in value or restructured so as to impose losses on ceding companies. This could have an inappropriate destabilizing effect not only on the ceding insurers affected, but also on the reinsurance industry as a whole as it undermines confidence in the value of reinsurance contracts. 33. Does this draft Annex meet the overall objective of providing sector-specific details for the implementation of the Key Attributes in relation to resolution regimes for insurers? Are there any other issues in relation to the resolution of insurers that it would be helpful for the FSB to clarify in this guidance? Many of the provisions of the Annex do reflect the state-based resolution regime now in place in the United States coupled with new federal requirements imposed on entities designated as systemically important. As previously noted, however, PCI is concerned that the broad wording of the scope of the document could result in requirements that are appropriate only to systemically important entities being imposed on non-systemically important entities. PCI's preference is that the document state clearly that it applies only to entities designated as systemically important. The document might also benefit from a requirement that regulators contemplating whether to apply the requirements of the KAs to a particular insurer should conduct a cost-benefit analysis to help ensure that the costs of any new regulatory requirements imposed do not exceed the risks posed. This would be especially important if the scope of the document is not narrowed in the way PCI recommends.	
ACE Group	USA	We have a concern that throughout ComFrame distinctions between and requirements for IAIGs and G-SIIs are blurring.	

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		Without conceding that traditional insurers are ever systemic or that the G-SII process has identified the appropriate firms, clearly resolution plan requirements for G-SIIs should not apply to IAIGs. As set forth in response to Q. 9, we question whether a detailed resolution plan will be of any value even for an IAIG because it is impossible to develop a recovery and resolution plan for all legal entities that is actionable because the response depends on the particular circumstances causing the stress not to mention the jurisdictional challenges such a plan will face in practice. The considerable cost involved to undertake such a limitless exercise is defended in the case of G-SIIs because such firms have gone through an extensive review where it was determined that the firm has a higher than normal likelihood of failure AND that such failure would cause damage to the broader financial system. An IAIG that has been determined not to be a G-SII or a domestic SIFI should not be subject to the costs and burden of detailed recovery and resolution plans because, by definition, their failure has been determined not to cause disruption to the global economy. This distinction is set forth in the U.S. in the Dodd Frank Act which contains criteria to designate non-bank systemically important financial institutions and provides clear guidance for the resolution requirements for the firms so designated. Of import, these requirements do not apply to IAIGs who have not been designated systemic. ComFrame should not attempt to override or contradict this clear policy decision regarding resolution that resulted from years of U.S Congressional review followed by public administrative rule making.	
Association of Financial Guaranty Insurers	USA	The scope of the FSB Key Attributes is "any financial institution that could be systemically significant or critical if it fails." The IAIS should recognize that many insurance groups that meet the criteria for inclusion as an IAIG subject to ComFrame may not pose any indicia of systemic significance and, thus, should not be subject to application of resolution regimes that reflect the Key Attributes or any other elements of G-SII regulation or supervision. Rather, existing schemes for the winding up of insurance companies have been shown to be effective for non-systemic groups and should continue to be utilized for most IAIGs. That said, there are elements of the Key Attributes that would	

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		improve existing resolution schemes for non-systemic insurance groups that could be adopted by IAIS Member jurisdictions. For example, Key Attributes 2 and 7 set forth helpful standards relating to the coordination of resolution authorities in different jurisdictions. Key Attribute 3 states that "there should be clear standards or suitable indicators of non-viability to help guide decisions on whether firms meet the conditions for entry into resolution." The elements of the Key Attributes that foster greater clarity, transparency and communication among resolution authorities should be considered by IAIS Members in developing further standards and guidance on the resolution of IAIGs. These standards and guidance could be translated into national legislation and regulation that govern the authority to resolve troubled insurers. Annex II of the FSB Key Attributes discusses resolvability assessments. The objectives of resolvability assessments include achieving greater resolvability without severe systemic disruption and taxpayer exposure to loss while protecting systemically important functions. Consistent with the comments above, these assessments (and the establishment of Crisis Management Groups to conduct these assessments) are needed only for insurers that are within the scope of the FSB Key Attributes. IAIGs that have not been designated	
Institute of International Finance - IIF	USA	General comments IIF members acknowledge that the IAIS has not yet provided details regarding crisis management and resolution measures among supervisors in M3E3 while considering the FSB Key Attributes and in particular awaiting the final version of its Insurance Annex. The requirements set out in the FSB's consultative document should be clearly aimed at those limited circumstances in which systemic risk could potentially be originated by an insurer. ComFrame should recognize the crisis management measures to be introduced in local regimes and in the G-SII policy framework. ComFrame should facilitate the understanding and cooperation between supervisors in times of crisis which will be particularly	

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		important for cross-border cooperation. The insurance regulatory policy framework in this area needs to be tailored to the characteristics of the industry and the specific risk profile of insurers. In that regard, the nature of insurers' liabilities means that insurers do not have to wind up their insurance operations overnight. The inverted production cycle that characterizes insurance provides more time for early intervention. These factors (including asset liability matching) provide extended run-off profiles with a prolonged time period to react to developing stress situations. This is reflected in tools of existing prudential regulatory insurance frameworks. In addition, measures designed for G-SIIs should not be applied with undue considerations to IAIGs. Although there are enormous and ever-increasing demands on the resources and time of supervisory and international standard-setting bodies, care must be taken to consider the relevance of such requirements.	
Liberty Mutual Group	USA	Liberty Mutual has two points to make here: 1) There should be a large difference in the application of the FSB Key Attributes between IAIGs and G-SIIs. Extraordinary measures such as resolution plans and special risk committees are unnecessary for IAIGs which are not also G-SIIs. Because they do not engage in systemically important activity, IAIGs do not present risks that make imposing such interventions on IAIGs advisable or reasonable. Moreover, doing so would unreasonably distinguish between large insurers which are IAIGs and equally large insurers which are not IAIGs. 2) We agree that resolution issues raise a host of challenges. These are mainly administrative matters that supervisors can resolve directly among themselves. This is precisely the kind of coordination and cooperation among supervisors we believe ComFrame is well suited to address.	
Northwestern Mutual	USA	The IAIS should resist any inclination to blend the ComFrame process with efforts to address systemic risk, such as the FSB's Key Attributes. In order to be identified as an IAIG, and subject to ComFrame, an	

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		insurance group need only meet the criteria for size and internationally activity; no assessment is made of systemic significance. The FSB's Key Attributes, on the other hand, are directed at concerns about systemic risk, and focus on an insurer that has been designated as a GSII or is otherwise considered "systemically significant or critical if it fails". And, while it may be true that all GSIIIs are expected to be IAIGs, the inverse is most certainly not true. The distinction is important, as the FSB's Key Attributes expect a resolution regime to include extraordinary tools that are not available (and not appropriate) in the absence of a systemic threat. These tools may have the potential to upset long-held expectations of policyholders, investors and other stakeholders under well-established insurance insolvency regulations and policyholder protection schemes. Consequently, these remedies should be available only in the most extraordinary circumstances and with maximum transparency so that all stakeholders can adjust their expectations and modify their business requirements accordingly. For this reason, we support suggestions that the FSB clarify the scope of their Key Attributes to limit their application to those organizations that have been designated as systemically significant. And, we urge the IAIS to keep the Key Attributes workstream separate from IAIGs and ComFrame.	