Insurance Capital Standard

2023 public consultation

Resolution of comments

(December 2024)

About the IAIS

The International Association of Insurance Supervisors (IAIS) is a voluntary membership organisation of insurance supervisors and regulators from more than 200 jurisdictions. The mission of the IAIS is to promote effective and globally consistent supervision of the insurance industry in order to develop and maintain fair, safe and stable insurance markets for the benefit and protection of policyholders and to contribute to global financial stability.

Established in 1994, the IAIS is the international standard-setting body responsible for developing principles, standards and other supporting material for the supervision of the insurance sector and assisting in their implementation. The IAIS also provides a forum for Members to share their experiences and understanding of insurance supervision and insurance markets.

The IAIS coordinates its work with other international financial policymakers and associations of supervisors or regulators, and assists in shaping financial systems globally. In particular, the IAIS is a member of the Financial Stability Board (FSB), member of the Standards Advisory Council of the International Accounting Standards Board (IASB), and partner in the Access to Insurance Initiative (A2ii). In recognition of its collective expertise, the IAIS also is routinely called upon by the G20 leaders and other international standard-setting bodies for input on insurance issues as well as on issues related to the regulation and supervision of the global financial sector.

For more information, please visit www.iaisweb.org and follow us on LinkedIn: IAIS – International Association of Insurance Supervisors.

International Association of Insurance Supervisors
c/o Bank for International Settlements
CH-4002 Basel
Switzerland
Tel: +41 61 280 8090

Question	Respondent	Comment received	IAIS response
1. Do you have comments regarding the general guiding principles of the ICS?	Actuarial Association of Europe	The ICS as a Standard and the corresponding Implementation Assessment must be considered and decided at the same point in time - The AAE appreciates the effort of the IAIS and its collaborators to develop and agree a complete modern, economic, risk-based solvency Standard. - Without the process and criteria that will be used to assess implementations of the Standard, it is impossible to form a view if the lack of rigor and consistency that are currently part of the candidate ICS standard will be harmfully constrain reasonable implementations of the ICS, like Solvency II, Solvency UK, or the Swiss Solvency Test SST. - We ask the IAIS to allow reassessing of the ICS Standard in light of the to-be-defined implementation Assessment. The current candidate ICS is materially lacking rigor and consistency The AAE appreciates the effort of the IAIS and its collaborators to develop and agree a complete modern, economic, risk-based solvency Standard. We note that a bespoke market-adjusted valuation standard has been defined. It only partly follows the only known consistent extension of the market valuation to insurance liabilities, i.e., replicate the insurance cash-flows to the extent possible by existing investment instruments with reliable market prices, cover the residual risky cashflow on a company	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

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		level by capital resources to reach a desired safety level, and allocate the costs for the capital resources needed to secure the fulfilment of the liabilities during their lifetime back to the corresponding liabilities. However, - The cost of holding capital is not appropriately reflected in the MOCE. The MOCE is entirely ill-defined to an extent that it cannot even be rightsized by any calibration measure. - The duration of the liabilities is naturally an important determinant of the aggregated cost of capital – and it is not even among the parameters of the MOCE. - The definition of the MOCE tends to systematically underestimate the cost to produce long term commitments. This leads to premature transfer of policyholder funds to shareholders. It may lead to significant problems in winding-up - We note that the proposed MAV allows discounting at a rate above the risk-free market rate, i.e., at a spread. We note that the actuarial community is divided over the question, of whether it is possible to earn a risk-free return above the risk-free market rate, or if the so-called liquidity premium is a charge for the lack of diversification of credit defaults in a structural crisis. The latter implies that this choice of discounting exposes the sector to systematic risk in structural crisis. While there is some evidence for this view in the previous crisis situations, there is no final decisive proof. - We insist that reviewability clauses in life insurance contracts are a contractual right of the insurer and therefore increase the value of the contract on the insurers balance sheet (in case the	

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		net position is a liability: decrease the liability amount). Moreover, the risk reducing quality of this contractual right must be fully recognizable when determining the capital requirement. - We are missing clarity regarding going-concern versus winding-up valuation. We are missing an assessment if a winding-up gap could occur that is not covered by Tier 2 instruments. We applaud the total consolidated MAV balance sheet approach. In our view this is a valid complement to legal entity and branch supervision. However - While down-streaming of senior bond proceeds from holding company parent entities in the form of equity or structurally subordinated loans contributes to the insurance subsidiary's capital resources, it does not benefit the entire group, as the group internal equity contribution cancels out on a group basis. The externally raised funding (senior bond) is unable to absorb losses for purposes of the group. - While we recognize the importance of fungibility constraints for liquidity risk management, such constraints do not affect the consolidated group balance sheet. We therefore request to delete the exclusion of encumbered assets from T1 capital resources (L-1-60 lit b)). The distinguishing feature of T1 and T2 capital resources is its loss absorbency in a going-concern (T1) and the additional absorbency in winding up (T2). Encumbered assets are clearly loss absorbing in going concern. There may be a timing issue when they will become available. However, this is a liquidity restriction and not a	

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		capital restriction. It must be addressed in liquidity regulation – not in capital regulation. The current draft might not be implementable in many countries as it lacks inner logic and appropriateness. We are unable to comment in any detail on the calculation of capital requirements according to the standard method, as the calibration data and processes are not transparent to us. Moreover, we note the challenge that the risk profiles of IAIGs are intrinsically complex and bespoke, so that a general approach seems overly ambitious. However, - We have the impression that some calibrations, e.g., mortality and lapse, are on the conservative side, while others (market and credit) seem optimistic. - We see inconsistencies for equities and infrastructure investments that are valued at market prices, but that are not entering fully into the calculation of the capital requirement. This seems an instance of financial repression, which might lead to investment herding and destruction of diversification by sector wide asset concentration - We ask to consider that an IAIGs' Currency Risk must be measured against the basket of currencies in which the extreme loss is expected to occur. This is the only definition that incentivizes the IAIG to invest its capital resources in those currencies that are going to be needed to cover extreme losses, i.e., the use they are held for. The current method (measuring against the IAIG's reportion currency) incentivizes IAIGs to hold all capital resources in reporting currency. This	

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		jeopardizes policyholder protection systematically. - The Actuarial Association of Europe encourages the IAIS to provide greater transparency on the calibration of diversification in the candidate ICS and to seek comments on key aspects of the calibration prior to finalizing the ICS. There has been insufficient detail provided on the calibration of several risk factors, most notably the interest rate risk charge. The ICS was calibrated in a 'low for long' interest rate environment that has now radically changed in nearly all of the markets in which insurers conduct their activities. Generally, we believe that there has been insufficient consultation, discussion, and transparency into the ICS calibration process. We urge the IAIS to offer opportunities for stakeholder discussion and feedback on the IAIS's calibration methods. - The Actuarial Association of Europe refers to the results of the International Association of Actuaries "Working Party on Risk Aggregation with Correlation Matrices". They show clearly that dependent on marginal distributions and copulas involved, the linear correlations to be put into the standard methods' correlation matrix may differ by a factor 2. - More specifically, 25% correlation for normal margins and copula produces the same effect as 12% correlation for more extreme (skewed) margins and copulas (more tail dependence). This indicates that applying a one size fits all correlation approach is materially inappropriate in the context of insurers risk absorbing the tail risks on this planet. - The Actuarial Association of Europe urges the IAIS to fully	

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		consider the result of the International Association of Actuaries "Working Party on Risk Aggregation with Correlation Matrices". Internal Models (full and partial) must be an integral part of the ISC Standard - We welcome the proposal to allow firms to use internal models to identify their capital requirement subject to suitable controls. - Internal models are indispensable to realistically reflect the risk profile of many IAIGs. Generally, insurance undertakings or groups applying for an internal model must prove that their risk profile cannot be realistically covered using the standard method, at least partly. In allowing and providing approval for using internal models, supervisory authorities implicitly confirm the inadequacy of the standard method for the undertaking/group. Therefore, the option to use internal models must be an integral part of ICS as it is indispensable to realistically reflect the IAIG's risk profile. - To the extent they are used to determine the capital requirement, internal models must be eligible for valuation purposes, too. It is important to maintain consistency between valuation and risk measurement. - Moreover, group wide supervisors should not "benchmark" internal model results against standard method results. Such comparisons are misleading, as the standard method does not realistically reflect the risk profile of the IAIG. Especially, corresponding capital floors must not apply as the standard	

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		method does not realistically reflect the risk profile of the IAIG. - Finally, IAIGs that use an internal model should not report standard method results. Such a reporting would be misleading for report users, because the standard method does not realistically reflect the IAIG's risk profile. IAIGs should be allowed to use their own risk reporting granularity and structure as these are best suited to foster a meaningful dialogue about their risk situation. An economically sound and actuarially rigid approach to the MOCE must be (re-) established - The cost of capital is the only known economically sound and actuarially rigid approach to value insurance liabilities that is not in contradiction to market values. - It accounts for the entire cost of the capital to be held during the lifetime of the liability ensuring that the liability is met with a defined and prescribed degree of certainty. - The definition "A margin that reflects the inherent uncertainty in the current estimate." (ICP14 Glossary) resembles a 1960's loading concept. This is an outdated, obsolete concept. For 50+ years, modern financial theory has taken a "cost to produce or transfer" approach, which leads to the cost of capital approach for insurance business. - The long-term commitment character of insurance, esp. life insurance, can only be properly reflected using a cost of capital approach that enables either solvent run-off or transfer to a solvent insurer. The currently proposed technical provisions	

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		with the ill-defined MOCE are insufficient to protect policy holders. - The MOCE definition might even incentivise to set up insurers as Ponzi schemes, as the definition my make insurers unable to go out of business without causing material harm to their policyholders.	
3. Do you have comments on the introduction of a term structure of credit spreads for discounting?	Actuarial Association of Europe	The Actuarial Association of Europe takes note of the introduction of a term structure of credit spreads for discounting. We refer to the various paper dealing with the consequences of discounting with a spread in market-based valuation systems, e.g., https://www.iaisweb.org/uploads/2022/01/171205-Market-Adjusted-Valuation-with-Cost-of-Capital-MOCE.pdf	- About *introducing a term structure of spreads providing benefits*: Your support for the term structure is noted. - About *assessing the complexity of the approach against its benefits*: The data collected over the monitoring period indicates that the current discounting approach in the ICS is appropriate.

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6. Do you have other comments regarding the Market-Adjusted Valuation?	Actuarial Association of Europe	An economically sound and actuarially rigid approach to the MOCE must be (re-) established - The cost of capital is the only known economically sound and actuarially rigid approach to value insurance liabilities that is not in contradiction to market values. - It accounts for the entire cost of the capital to be held during the lifetime of the liability ensuring that the liability is met with a defined and prescribed degree of certainty. - The definition "A margin that reflects the inherent uncertainty in the current estimate." (ICP14 Glossary) resembles a 1960's loading concept. This is an outdated, obsolete concept. For 50+ years, modern financial theory has taken a "cost to produce or transfer" approach, which leads to the cost of capital approach for insurance business. - The long-term commitment character of insurance, esp. life insurance, can only be properly reflected using a cost of capital approach that enables either solvent run-off or transfer to a solvent insurer. The currently proposed technical provisions with the ill-defined MOCE are insufficient to protect policy holders. - The MOCE definition might even incentivise to set up insurers as Ponzi schemes, as the definition my make insurers unable to go out of business without causing material harm to their policyholders.	- About *MOCE being based on cost of capital*: The data collected over the monitoring period supports the treatment provided in the ICS for MOCE. - About *MOCE calibration being too high*: The data collected over the monitoring period supports the treatment provided in the ICS for MOCE.

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7. Do you have comments on the changes regarding eligibility criteria for Tier 1 Limited and Tier 2 financial instruments? Please explain your response based on actual terms and conditions of instruments commonly issued by insurers.	Actuarial Association of Europe	The extensive and detailed ICS requirements in the area of capital resources can potentially lead to diverging impacts per jurisdiction – immediately after implementation as well as over time - keeping in mind that local rules around such instruments can differ significantly. For the established solvency standards in Europe, i.e. Solvency II, Solvency UK and SST specifically, the local valuation and eligibility rules for determination of available capital resources should apply and be used as an implementation of the ICS to preserve the coherence of these existing frameworks. The Actuarial Association of Europe has the following specific remarks regarding capital resources: - In comparison to ICS 2.0, the Candidate ICS criteria for Tier 1 Limited instruments relaxed the general prohibition of all event calls other than tax and regulatory calls during the first five years (articles L2-112.e and L2-114.e). We welcome this relaxation. - However, the Candidate ICS only allows such other event calls subject to prior "economic" (lower cost) replacement. In case of event calls, the requirement for the cost of replacement instruments to be lower than those of the instrument to be called is not prudentially justifiable because the occurrence of an event that gives rise to an event call means that the instrument has become inefficient for rating, accounting, or other purposes. Replacing the now inefficient instrument with a	- About *ICS requirements for capital resources potentially leading to diverging impacts across jurisdictions*: One of the aims of the ICS as a global PCR is to harmonise capital standards across jurisdictions. The IAIS is considering what material, such as examples or guidance, may be helpful to publish to support the implementation of the ICS. Regarding rating event calls, the intention is to limit extraordinary calls to events that are out of the control of the IAIG and cannot be anticipated. - About *inconsistency in the treatment of repurchases and event calls*: Although not identical, the ICS approach is similar to that of

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		new, efficient instrument may make perfect economic sense even if the replacement instrument is more costly than the now inefficient instrument. - The terms and conditions of the new (but efficient) instrument will likely have to differ from those of the old (but inefficient) instrument, and to the extent that efficiency requires terms that increase the economic risks borne by investors, the replacement instrument will be more costly than the old (but inefficient) instrument, all else equal. Nonetheless, an issuer may want to make use of its call right to pay a higher spread (accept higher costs) in return for increasing the efficiency of the instrument. Yet the new Tier 1 Limited criteria (Candidate ICS) would prohibit the replacement. - The concept of "economic replacement" is prudentially more meaningful in the context of ordinary calls, where the instrument to be called is typically fully efficient and thus better comparable with the potential replacement instrument. In case of event calls, the Candidate ICS do not require tax and regulatory calls to be "economic" (lower cost replacement). All other customary event calls including accounting, rating and clean up calls should also be exempt from the requirement of economic replacement. - We also point to the logical and prudential inconsistency of limiting event calls on the one hand but allowing repurchases at any time (L2-112) on the other hand. Event calls have the benefit of a contractually defined call (redemption) price (typically at par). Event calls define a maximum redemption	the Basel framework for banking supervision, whereby redemption is subject to more detailed limitations than repurchase. - About *recognition of Tier 2 non-paid-up capital resources not depending on an IAIG's legal form or ownership*: Contrary to public companies, mutual groups are typically unable to issue common equity. By including a limited recognition of non-paid-up capital, the ICS takes into account the specificities of mutual IAIGs. - About *10% limit for Tier 2 non-paid-up capital resources being overly restrictive*: The data analysis performed during the ICS monitoring period did not show any unintended effects

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		price. Limiting an issuer's ability to make use of event calls "forces" issuers to make a (more costly) repurchase instead. - The recognition of Tier 2 non-paid-up capital resources should not depend on an IAIGs legal form or ownership as various insurers have access to non-paid-up capital that is external to the group, such as letters of credit. Tier 2 non-paid-up capital resources should form part of the tier 2 capital resources and should be subject to the normal capital composition limits. - The current 10% limit for Tier 2 non-paid-up capital resources is overly restrictive and can clash with jurisdictional solvency frameworks, i.e., could create an unlevel playing field locally if IAIGs are subject to more restrictive limits than non-IAIGs and solo entities. - The restriction in tier 2 financial resources for residual maturities less than 5 years is very restrictive and could lead to uncertainty, so it should be removed. Specifically, regarding capital composition limits the following is noted: - There should be no distinction in capital composition limits for mutuals and non-mutuals, in order to avoid an unlevel-playing field. - Tier 1 limited capital composition limit of 10% of the ICS capital requirement is too onerous and clashes with jurisdictional solvency frameworks, i.e., it creates an unlevel playing field locally if IAIGs are subject to more restrictive limits	of applying a 10% limit for Tier 2 non-paid-up capital. - About *restriction in Tier 2 financial resources for residual maturities less than 5 years leading to uncertainty and should be removed*: The amortisation or lock-in requirement for instruments approaching maturity ensures some permanence of capital resources. As the requirements are transparent and predictable, no uncertainty is expected. - About *capital composition limits being the same for mutual and non-mutuals*: Contrary to public companies, mutual groups are typically unable to issue common equity. By including a limited recognition of non-paid-up

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		than non-IAIGs and solo entities. - We request to delete the exclusion of encumbered assets from T1 capital resources (L-1-60 lit b)). The distinguishing feature of T1 and T2 capital resources is its loss absorbency in a going-concern (T1) and the additional absorbency in liquidation or resolution (T2). Encumbered assets are clearly loss absorbing in going concern. There may be a timing issue when they will become available. However, this is a liquidity restriction and not a capital restriction. It must be addressed in liquidity regulation – not in capital regulation. The current draft might not be implementable in many countries as is lacks inner logic and appropriateness.	capital, the ICS takes into account the specificities of mutual IAIGs. - About *Tier 1 Limited limit of 10% being too restrictive and clashing with jurisdictional solvency frameworks*: The data analysis during the ICS monitoring period did not show any unintended effects of the limit for Tier 1 Limited instruments. It should also be noted that the limit is higher (up to 15%) when Tier 1 Limited instruments feature a Principal Loss Absorbency Mechanism (PLAM). - About *deleting the exclusion of encumbered assets from Tier 1 capital resources as they are clearly loss-absorbing in going concern*: According to

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			L1-68, encumbered assets that are excluded from Tier 1 capital are recognised as Tier 2. The downgrading of a portion of encumbered assets from Tier 1 to Tier 2 capital is a prudential measure to acknowledge the lack of immediate availability of some assets under stressed conditions.
9. Do you have other comments regarding capital resources?	Actuarial Association of Europe	Articles L2-116 and L2-117 allow holding companies to issue senior debt instruments to third parties and enables structural subordination by down streaming the proceeds to insurance subsidiaries. These structurally subordinated instruments may qualify as eligible Tier 2 own funds for purposes of the ICS capital requirement. - While the practice of down-streaming of senior bond proceeds in the form of equity contributes to the subsidiary's solo own funds), it does not benefit the entire group, as the group internal equity contribution cancels out on a group basis, and since the externally raised funding (senior bond) is unable to absorb losses for purposes of the group. - Considering senior debt as group own funds conflicts with the scope and perimeter of the ICS as a group capital standard. The concept of structural subordination of intragroup	- About *structural subordination assuming that debt proceeds are downstreamed to the subsidiary and effectively "locked" at the subsidiary level, thus senior debt should not be allowed as group own funds since they are not available to the wider group*: Jurisdictional rules impacting financial instruments that qualify as capital resources in the ICS are implementation issues

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		transactions relies on very stringent solo regulation (solo regulation that does not consider interest of the wider group). Therefore, the down-streamed capital cannot be considered available to the group, and thus it cannot be justified for an insurer to simultaneously benefit from the group consolidation and diversification benefit, while senior debt is considered to be eligible capital.	that can be considered by the local supervisor when assessing the impact of the ICS on their local capital frameworks.
10. Do you have comments regarding the ICS risks and calculation methods?	Actuarial Association of Europe	Internal Models (full and partial) must be an integral part of the ISC Standard. - We welcome the proposal to allow firms to use internal models to identify their capital requirement subject to suitable controls. - Internal models are indispensable to realistically reflect the risk profile of many IAIGs. Generally, insurance undertakings or groups applying for an internal model must prove that their risk profile cannot be realistically covered using the standard method, at least partly. In allowing and providing approval for using internal models, supervisory authorities implicitly confirm the inadequacy of the standard method for the undertaking/group. Therefore, the option to use internal models must be an integral part of ICS as it is indispensable to realistically reflect the IAIG's risk profile. - To the extent they are used to determine the capital	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

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		requirement, internal models must be eligible for valuation purposes, too. It is important to maintain consistency between valuation and risk measurement. - Moreover, group wide supervisors should not "benchmark" internal model results against standard method results. Such comparisons are misleading, as the standard method does not realistically reflect the risk profile of the IAIG. Especially, corresponding capital floors must not apply as the standard method does not realistically reflect the risk profile of the IAIG. - Finally, IAIGs that use an internal model should not report standard method results. Such a reporting would be misleading for report users, because the standard method does not realistically reflect the IAIG's risk profile. IAIGs should be allowed to use their own risk reporting granularity and structure as these are best suited to foster a meaningful dialogue about their risk situation. Transparency on calibration and expert judgement in calibration - We encourage the IAIS to provide greater transparency on the calibration of the ICS and to seek comment on key aspects of the calibration prior to finalizing the ICS. There has been insufficient detail provided on the calibration of several risk factors, most notably the interest rate risk charge. The ICS was calibrated in a ‘low for long’ interest rate environment that has radically changed in nearly all of the markets in which insurers conduct their activities. - Generally, we believe that there has been insufficient	

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		consultation, discussion, and transparency into the ICS calibration process. We urge the IAIS to offer opportunities for stakeholder discussion and feedback on the IAIS's calibration methods.	
12. Do you have comments regarding the calculation of the Life risk charges?	Actuarial Association of Europe	The Actuarial Association of Europe considers applying flat mortality shocks to all geographies and age groups simultaneously as an unrealistic approach to estimate the target confidence level. More appropriate would be an approach which allows for diversification across geographies and across age groups. - In addition, offsetting effects should be considered because it would be more appropriate if the shocks were also applied to policies where an increase in mortality rates would lead to an increase in the net asset value. - Furthermore, capital charges for mortality and longevity should not be cumulative as it is highly unlikely that both shocks would materialise together. Therefore, the Actuarial Association of Europe suggests adopting the maximum of mortality and longevity capital charges. Regarding morbidity/disability risk - the additional granularity	- About *mortality risk and longevity risk needing geographic and age groups diversification*: The comments have been taken into account when finalising the ICS. The design of the Mortality and Longevity risk modules is intended to strike a balance between complexity and risk sensitivity. The granularity of the segmentation has also considered the availability of data to produce a meaningful level of

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		within the ICS approach can result into complexity. Regarding lapse risk - The Actuarial Association of Europe believes that the current mass lapse stress factors are unnecessarily high. High surrenders at a certain moment or over a short period are very unlikely, particularly for life insurers, because policyholders usually buy life insurance products not only for investment purposes but also for protection against old-age poverty or of family members in case of their own death. Reviewability Clauses - We insist that reviewability clauses in life insurance contracts are a contractual right of the insurer and therefor increase the value of the contract on the insurers balance sheet (in case the net position is a liability: decrease the liability amount). Moreover, the risk reducing quality of this contractual right must be fully recognizable when determining the required capital.	calibration. When the standard method does not reflect the IAIG's actual risk profile, the ICS allows for the use of a (partial) internal model to capture diversification more adequately, subject to the GWS approval. - About *mortality risk and longevity risk needing recognition of offsetting effects*: Offsetting effects recognised in Life risks have been limited within HRGs since they encompass a collection of policies with similar characteristics. - About *mortality risk and longevity risk needing to be mutually exclusive:* Since mortality rates can be affected by intertwined factors (eg demographic, medical, technological,

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			social, or economic developments), both scenarios may occur simultaneously. The Life risks correlation matrix is introduced to recognise a certain diversification effect between Mortality and Longevity risks. - About *mortality risk and longevity risk needing opinion about calibration*: Please refer to the ICS calibration document for more details about the ICS calibration methodology. When the standard method does not reflect the IAIG's actual risk profile, the ICS allows for the use of a (partial) internal model to capture diversification more adequately, subject to the GWS approval. - About *lapse risk needing*

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			recalibration for mass lapse component: The stress factors were initially determined based on the various solvency frameworks of IAIS member jurisdictions along with expert judgment. Subsequently, during field testing and monitoring period of the ICS, additional data collections were carried out to review the appropriateness of the stress factors and update the stress factors where relevant credible data have been received. Please refer to the ICS calibration document for more details about the ICS calibration methodology. When the standard method does not reflect the IAIG's actual risk profile, the ICS allows for the use of a (partial) internal model to capture

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			diversification more adequately, subject to the GWS approval. Specifically, on mass lapse, this aspect has been investigated throughout public consultations and data collections. The differentiation of the stress factors by the specified geographical segmentation in the ICS standard method was chosen to strike a balance between complexity and risk sensitivity. The granularity of the segmentation has also considered the availability of data to produce a meaningful level of calibration. - About *lapse risk needing consideration of reviewability clauses*: Review clauses are considered in the

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			determination of the contract boundary, which takes into account the rights of the IAIG in terminating or changing premiums payable under its insurance contracts on policy anniversaries. Those review clauses are therefore indirectly reflected in the capital requirement. - About *morbidity/disability risk needing lower level of granularity*: The design of the Morbidity/disability risk module is intended to strike a balance between complexity and risk sensitivity.

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18. Do you have comments on the differentiated treatment for investments in infrastructure equity?	Actuarial Association of Europe	Care should be taken when including measures such as the differentiated treatment for investments as some designs create, rather than mitigate, additional solvency volatility for insurers by their impact on terms and conditions of available investments.	- About *the appropriateness of the approach*: The proposed treatment is based on the analysis of data series as well as former studies on the risk profile of infrastructure investments. - About *inconsistencies between valuation method and calculation of the capital requirement*: This aspect has been investigated throughout public consultations and data collections. The ICS treatment aims to strike a balance between complexity and risk sensitivity.

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19. Do you have comments on the inclusion of the Equity risk counter-cyclical measure (NAD)?	Actuarial Association of Europe	Care should be taken when including measures such as the counter-cyclical measure that basis risk inherent in some designs does not create, rather than mitigate, additional solvency volatility for insurers.	- About *basis risk*: This aspect has been investigated as part of the finalisation of the ICS. The treatment provided in the ICS has been deemed appropriate.
24. Do you have comments regarding Currency risk?	Actuarial Association of Europe	IAIGs' Currency Risk must be measured against the basket of currencies in which the extreme loss is expected to occur. Only this definition incentivizes the IAIG to invest its capital resources in those currencies that are going to be needed to cover extreme losses, i.e., the use they are held for. The current method (measuring against the IAIG's reportion currency) incentivizes IAIGs to hold all capital resources in reporting currency. This jeopardizes policyholder protection systematically.	- About *currency risk being measured against a currency basket instead of the reporting currency*: This aspect has been investigated as part of the finalisation of the ICS, but such a change was not deemed appropriate.

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25. Do you have comments regarding Asset Concentration risk?	Actuarial Association of Europe	The Actuarial Association of Europe highlights that the approach to asset concentration risk considers the contribution of individual counterparties to credit and equity risk charges, which is in contrast to the calculation of credit and equity risk modules, that operate on a more aggregated level. Thus, a certain level of assumptions and loops within the process are required.	- About *raising concerns of appropriateness*: The current approach was introduced in the 2019 field testing to address the observation that some Volunteer Groups had significant counterparty exposures. Specifically, Volunteer Groups owned assets that were highly concentrated in the form of short-term deposits at regulated banks. The current approach is intended to link the calculation of Asset Concentration risk (ACR) to the level of credit risk underlying the investments and to better capture the level of diversification for a given level of assets. The prior approach did not factor in all assets, only those that exceeded certain exposure

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			thresholds, and relied on an assumption of perfect diversification between Credit risk and ACR for each asset class, which was not realistic. Lastly, the current approach is intended to supplement and not overlap with the Credit risk or Equity risk charges.
27. Do you have other comments regarding Credit risk?	Actuarial Association of Europe	The Actuarial Association of Europe suggests the IAIS to reconsider its decision to treat internal ratings as non-rated, according to point (b) of L2-330, providing the internal rating process is well governed. This will serve to reduce reliance on external rating agencies, support the development of robust internal risk management processes, and promote investment in emerging economies and other where ECAI ratings are not available. The treatment of internal ratings in combination with the very conservative stresses for non-rated credit exposures does not reflect the economic reality and leads to an unjustified high credit risk charge. According to L1-131, there is no recognition of potential policyholder participation in the calibration of the credit risk charge which can exaggerate the capital requirement for credit risk. Article L2-304 prescribes that collateral does not offset the	- About *internal ratings*: The use of internal ratings is outside the SOCCA framework; however, internal ratings can be leveraged for use in a supervisor-approved internal model. - About *effect of the collateral for reinsurance exposure*: The approach taken under the ICS standard method aims to strike a balance between complexity and risk

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		reinsurance exposure but rather only allows the redistribution of the exposure to the credit rating of the collateral rather than the reinsurer. It would be more economically accurate to allow the collateral to reduce the reinsurance exposure and hence the credit risk charge, which is also how it is treated under Solvency II. This would be more reflective of the reinsurance credit risk than the redistribution approach, which seems excessively penal.	sensitivity. - About *interpretation of description about management actions*: The comment is noted.
28. Do you have comments regarding Operational risk?	Actuarial Association of Europe	The Actuarial Association of Europe notes that the IAIS has decided to reflect Operational risk in ICS by imposing factor-based capital charges. As recognized in IAIS ICP 17.7.4, however, operational risk is less readily quantifiable than other risks and is subject to data and valuation challenges. In view of this ICP 17.7.4 provides for supervisory tools other than imposing capital charges to control operational risk. The policy choices currently granted by ICP 17.7.4 should be reflected in the ICS in order to enable national competent authorities to ensure consistency between IAIGs and non-IAIG insurance undertakings. While always arbitrary to some extent, the Actuarial Association of Europe believes that compared to other frameworks and under the premise that this is the way a jurisdiction chooses to supervise operational risk, the overall approach for the calculation of operational risk is reasonable.	- About *a principle-based operational risk*: For the ICS, the choice has been made to provide simple and prescriptive instructions. This is therefore the case for operational risk calculation. This is deemed appropriate for the purpose of a global standard for IAIGs. - About *possible better risk indicators*: The chosen indicators are deemed to be correct for the purpose of operational risk calculation.

Question	Respondent	Comment received	IAIS response
		However, The Actuarial Association of Europe would advise IAIS the following: - To consider the Gross Earned Premiums as a premium and growth exposure instead of Gross Written Premiums. Generally, gross earned premiums are a better proxy indicator for operational risk exposure as earned premium patterns are linked to the insurer's core business activities as well as the underlying overall risk of product. - Liability is not a good representation of operational risk for products where the policyholder bears the investment risk. The Actuarial Association of Europe would suggest using the expenses of these products as a proxy.	They have been extensively tested through field testing and monitoring of the ICS.
29. Do you have comments regarding the aggregation / diversification of ICS risk charges?	Actuarial Association of Europe	The Actuarial Association of Europe encourages the IAIS to provide greater transparency on the calibration of diversification in the candidate ICS and to seek comments on key aspects of the calibration prior to finalizing the ICS. There has been insufficient detail provided on the calibration of several risk factors, most notably the interest rate risk charge. The ICS was calibrated in a 'low for long' interest rate environment that has now radically changed in nearly all of the markets in which insurers conduct their activities. Generally, we believe that there has been insufficient consultation, discussion, and transparency into the ICS calibration process. We urge the IAIS to offer opportunities for stakeholder discussion and feedback on the IAIS's calibration methods. - The Actuarial Association of Europe refers to the results of	- About *transparency on the calibration*: Please refer to the ICS calibration document for more details about the ICS calibration methodology.

Question	Respondent	Comment received	IAIS response
		the International Association of Actuaries "Working Party on Risk Aggregation with Correlation Matrices". They show clearly that dependent on marginal distributions and copulas involved, the linear correlations to be put into the standard methods' correlation matrix may differ by a factor 2. - More specifically, 25% correlation for normal margins and copula produces the same effect as 12% correlation for more extreme (skewed) margins and copulas (more tail dependence). This indicates that applying a one size fits all correlation approach is materially inappropriate in the context of insurers risk absorbing the tail risks on this planet. - The Actuarial Association of Europe urges the IAIS to fully consider the result of the International Association of Actuaries "Working Party on Risk Aggregation with Correlation Matrices".	
35. Do you have other comments regarding tax?	Actuarial Association of Europe	According to L1-149, the calculation of Deferred Tax Assets is based on the GAAP balance sheet. While L2-348 implies that the MOCE results in a DTA, it is unclear whether the DTA resulting from the corresponding item on the GAAP balance sheet (e. g., in IFRS) is removed. If not, this would exaggerate the DTA value. It should be made clear that the Deferred Tax Assets and Liabilities are based on valuation and income differences between the ICS and the underlying tax balance sheets. We suggest clarifying that article L1-149 refers to the tax balance sheet as the starting point of the DTA calculation. Moreover, when the definition of the MOCE is reverted to a	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		reasonable production/transfer concept, the tax treatment must be changed accordingly.	
36. Do you have comments regarding Other Methods for the calculation of the ICS capital requirement?	Actuarial Association of Europe	Internal Models (full and partial) must be an integral part of the ISC Standard • We welcome the proposal to allow firms to use internal models to identify their capital requirement subject to suitable controls. • Internal models are indispensable to realistically reflect the risk profile of many IAIGs. Generally, insurance undertakings or groups applying for an internal model must prove that their risk profile cannot be realistically covered using the standard method, at least partly. In allowing and providing approval for using internal models, supervisory authorities implicitly confirm the inadequacy of the standard method for the undertaking/group. Therefore, the option to use internal models must be an integral part of ICS as it is indispensable to realistically reflect the IAIG's risk profile. • To the extent, internal models are used to determine the	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		capital requirement, they must be eligible for valuation purposes, too. It is important to maintain consistency between valuation and risk measurement. • Moreover, group wide supervisors should not "benchmark" internal model results against standard method results. Such comparisons are misleading, as the standard method does not realistically reflect the risk profile of the IAIG. Especially, corresponding capital floors must not apply. • Finally, IAIGs that use an internal model should not report standard method results. Such a reporting would be misleading for report users, because the standard method does not realistically reflect the IAIG's risk profile. IAIGs should be allowed to use their own risk reporting granularity and structure as these are best suited to foster a meaningful dialogue about their risk situation.	
38. Do you have comments on the overall requirements (section 9.4.1)?	Actuarial Association of Europe	The Actuarial Association of Europe welcomes the recognition of IM in the ICS, although further improvements should be made to the candidate ICS to properly capture the benefits of IM (see questions below for more detail). It is key to make optimal use of supervisory approved internal models consistently for the capital requirement, as well as for the capital resources. ICS must not preclude the application of GWS approved IM to be used to determine capital resources. Calculating capital requirements and capital resource on different bases could lead to misrepresentation of risk and misguided incentives. As an example, we refer to the MOCE	- About *recognition of internal models (IM) in ICS being welcome*: Your support of the use of IM to determine regulatory capital requirements is noted. - About *use of IMs to determine the balance sheet and capital resources (L1-154)*: L1-154 has been

Question	Respondent	Comment received	IAIS response
		part of all kinds of technical provisions. In view of this, L1-154 should be amended in a way that i) group-wide supervisors can authorise the use of internal models for the determination of the balance sheet and more generally the capital resources and ii) GWSs should ensure consistency between the approaches used for the determination of capital requirements and the balance sheet (and more generally the capital resources) rather than comparing the balance sheet as per the internal model with the one according to the ICS standard method.	modified to - Whenever internal models are allowed as an Other Method for calculating the ICS capital requirement, the group-wide supervisor (GWS) considers how the balance sheet, used within the internal model, complies with the requirements for the calculation of the balance sheet in the standard method, currently set out within section 5 on Market-Adjusted Valuation. In doing so, the group-wide supervisor (GWS) should ensure consistency between the approaches used for the determination of capital requirements and capital resources. L2-393 has been modified to - The methodology to calculate the ICS capital requirement is consistent with the methods to calculate the

Question	Respondent	Comment received	IAIS response
			ICS balance sheet. The initial balance sheet of the internal model reconciles with the ICS balance sheet.
39. Do you have comments on the general provisions on the use of an internal model to determine regulatory capital requirements (section 9.4.2)?	Actuarial Association of Europe	Internal Models (full and partial) must be an integral part of the ISC Standard - We welcome the proposal to allow firms to use internal models to identify their capital requirement subject to suitable controls. - Internal models are indispensable to realistically reflect the risk profile of many IAIGs. Generally, insurance undertakings or groups applying for an internal model must prove that their risk profile cannot be realistically covered using the standard method, at least partly. In allowing and providing approval for using internal models, supervisory authorities implicitly confirm the inadequacy of the standard method for the undertaking/group. Therefore, the option to use internal models must be an integral part of ICS as it is indispensable to realistically reflect the IAIG's risk profile. - To the extent they are used to determine the capital	- About *general support of the use of IM to determine regulatory capital requirements*: Your support of the use of IM to determine regulatory capital requirements is noted. - About *opposition to the use of standard method (SM) information in the internal model review process (L2-371)*: Feedback and data collected over the monitoring period show that this information can be

Question	Respondent	Comment received	IAIS response
		requirement, internal models must be eligible for valuation purposes, too. It is important to maintain consistency between valuation and risk measurement. - Moreover, group wide supervisors should not "benchmark" internal model results against standard method results. Such comparisons are misleading, as the standard method does not realistically reflect the risk profile of the IAIG. Especially, corresponding capital floors must not apply as the standard method does not realistically reflect the risk profile of the IAIG. - Finally, IAIGs that use an internal model should not report standard method results. Such a reporting would be misleading for report users, because the standard method does not realistically reflect the IAIG's risk profile. IAIGs should be allowed to use their own risk reporting granularity and structure as these are best suited to foster a meaningful dialogue about their risk situation.	useful for the supervisor. - About *opposition to the possibility of introducing capital floors linked to the standard method in conditional approval (L2-375)*: Capital floors based on the ICS SM could be relevant if deemed so by the GWS. Added capital add-ons to the text: “Conditions may include capital floors based on the ICS, more conservative model parameters or design features, capital add-ons, or further reviews by the GWS, the IAIG, or a third party.” - About *limiting public reporting and disclosure of the differences between IM and SM upon approval to the underlying assumptions (L2-379)*: Modified L2-379 accordingly: “If the internal

Question	Respondent	Comment received	IAIS response
			model is approved, the GWS works with the IAIG to communicate the decision to the public. Particular attention should be given to the clarity of the approved internal model's scope and the differences with the ICS standard method's underlying assumptions when possible." - About *opposition to regular reporting of the differences between IM and SM figures in the post-approval monitoring and control process (L2-381)*: The data submission templates are to be agreed upon between the GWS and the IAIG. GWS can ponder cost vs. added value. - About *use of internal models for valuation purposes*: According to L1-

Question	Respondent	Comment received	IAIS response
			154, valuation can be realised with internal models if the GWS considers it complies with the requirements for the calculation of the balance sheet in the standard method. In that regard, consistency between valuation and risk measurement is maintained.
40. Do you have comments on the criteria for internal model approval (section 9.4.3)?	Actuarial Association of Europe	L2-408: An annual revision of model parameters would necessarily lead to a re-parametrisation of all model components for comparison. Such a re-parametrisation of all model components is a highly resource-intensive task with potentially disproportionally little value. We suggest a lower minimal frequency if the IAIG is compliant with all validation criteria and without any known model malfunction. L1-163: IAIGs that use a different confidence level, risk measure or time horizon are required to ensure that policyholders and beneficiaries are provided with an equivalent or higher level of protection in comparison to the standard approach. It should be made clear that this is meant with respect to the confidence level by adding "[…] equivalent or higher level of protection than VaR 99.5 % over the one-year time horizon." at the end of the paragraph. This is the	- About *annual revision of model parameters (L2-408)*: Modified L2-408 to introduce the need for an annual review of the parameters rather than an annual revision: "L2-408. The parameterisation is reviewed at least once a year. In the event of material differences in the parameters between exercises, this is explained and justified."

Question	Respondent	Comment received	IAIS response
		confidence level applicable in Solvency II and Solvency UK while the TVaR 99% confidence level applicable in SST is deemed equivalent or more conservative in some situations. L2-426: A full Back-Testing is highly dependent of appropriate data on realisations. There may not be this kind of appropriate data for each model component. Therefore, we think an addendum of "[…] where appropriate data is reasonably available." should be included. It may also not be feasible to maintain benchmark or alternative models on each component parallel to the model-in-use. Benchmark-Testing should be desirable but not a necessary step in model validation.	- About *equivalent level of protection of policyholders and beneficiaries (L1-163)*: The text is sufficiently clear in stressing the importance of having at least the same level of protection. - About *validation process requirements being subject to data availability (L2-426)*: The internal models' requirements allow the GWS to decide on a case-by-case basis whether the validation process of the IAIG has been satisfactory.

Question	Respondent	Comment received	IAIS response
44. Do you have additional comments on the ICS?	Actuarial Association of Europe	See the comments to Question 1	Noted.
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	Actuarial Association of Europe	An economically sound and actuarially rigid approach to the MOCE must be (re-) established. Else in jurisdiction without an economically sound and actuarially rigid cost of capital approach, weak and under-reserved products may be incentivised. These products may replace or hinder the development of sound value for money products.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	Actuarial Association of Europe	See question 52.	Please see ICS Economic Impact Assessment report
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	Actuarial Association of Europe	The Actuarial Association of Europe warns to introduce an ICS Standard without internal models. Else the reported risk sensitivity of the solvency position of IAIGs might be impacted materially.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
64. Do you anticipate any benefits to the business model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential benefits.	Actuarial Association of Europe	The Actuarial Association of Europe believes that a globally accepted standard, if implemented in all jurisdictions to the same high degree and thus enabling consistent comparisons across IAIGs from various jurisdictions, would be beneficial to policyholders, IAIGs, supervisors, report users, and the wider economy.	Please see ICS Economic Impact Assessment report
74. Do you anticipate any specific benefits to the insurance market or broader financial markets as a result of the implementation of the ICS? If so, please explain the potential benefits.	Actuarial Association of Europe	See answer 64.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
1. Do you have comments regarding the general guiding principles of the ICS?	American Council of Life Insurers (ACLI)	The IAIS has acknowledged Proportionality is a key principle underlying the development and implementation of the ICS. In application, however, the calculation procedures and valuation protocols underlying the application of the ICS remain unduly prescriptive and complex. Consequently, adherence to the proportionality principle has not been achieved. While the ICS has been under development for many years, to date the IAIS has not provided comprehensive explanations of the technical considerations underlying the approach and supporting calibrations. Given the material impacts the ICS can have on the insurance sector, and already is in some jurisdictions, the IAIS should publish this information and provide stakeholders time to provide feedback before finalizing the framework. The ICS assumes that Group Capital resources are readily transferable among, entities within a group, as necessary. This presumes that regime supervisors are fully accommodating with respect to movement of capital and fails to recognize potential restrictions on capital transfers they may impose or other limitations that could impede fungibility. This assumption may result in the ICS delivering false risk signaling that is detrimental to stakeholders, including policyholders. The IAIS should clearly address the appropriateness of this assumption before the framework is finalized. The principles continue to	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		reference G-SIIs and policy measures the IAIS has long moved away from with implementation of the Holistic Framework. These references and Principle 3 should be removed. The IAIS must explain how application of the ICS contributes to a level playing field (Principle 5). We believe applying a capital requirement that does not account for specificities of jurisdictional insurance markets to a subset of insurers would instead create an unlevel playing field and result in negative unintended consequences.	
2. Do you have comments regarding the perimeter of the ICS calculation?	American Council of Life Insurers (ACLI)	The perspective put forth with respect to the Perimeter of the ICS Calculation that all legal entities within the IAIG be considered is reasonable.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
3. Do you have comments on the introduction of a term structure of credit spreads for discounting?	American Council of Life Insurers (ACLI)	The inclusion of an Introduction of a Term Structure of Credit Spreads for Discounting is a positive development that ACLI is supportive of.	- About *introducing a term structure of spreads providing benefits*: Your support for the term structure is noted.
4. Do you have comments on the revised eligibility criteria for the Middle Bucket?	American Council of Life Insurers (ACLI)	The revisions improve the potential for reasonably matched products to obtain middle bucket treatment, but some of the criteria are redundant or overly conservative and may produce unstable results in changing market conditions (such as a significantly increased rate environment which has not been experienced until now through the ICS development process). The contracts underlying the liabilities do not include future premiums or include only future premiums that are contractually fixed or are at the discretion of the IAIG. Policyholder options to pay additional future premiums do not disqualify these liabilities from the Middle Bucket, but all corresponding cash flows that are not at the discretion of the IAIG must be unbundled and are subject to the General Bucket. Our understanding is that the additional language added is meant to encompass paid-up additions that result	- About *support for criterion D changes*: Your support of the changes to criterion D is noted. - About *support for criterion E changes*: Criterion E has been further clarified to ensure a clear understanding of future premiums and their treatment within the middle bucket. - About *unbundling of discretionary future*

Question	Respondent	Comment received	IAIS response
		from IAIG issued dividends. We feel that the addition is appropriate to better achieve representative bucketing, and support these not being subject to unbundling requirements. With respect to future premiums, the stated criterion above requires a bifurcation of estimated balances and an allocation between general and middle buckets. This increases complexity, subjectivity, and uncertainty. It is unclear how this enhances measurability or what the impact would be. In reality, the required bifurcation of cashflows is not practical. If premiums are bifurcated expenses and benefits must be as well. However, this would be extremely complicated, and few companies would have the ability to do so. The cap for the lapse risk charges of 5% is still too low (resulting from the required 30% retail products' mass lapse shock) and we feel it should be raised to at least 10%. Also, given the lapse risk test in "c" and the market value test in "d", we would encourage the IAIS to consider whether the requirement in "b" that the surrender value be less than the value of assets at the reporting date is redundant.	*premiums being unworkable*: Criterion E has been revised to clarify the treatment of future premiums and their unbundling for the middle bucket. - About *addressing unstable and procyclical results*: A criterion addressing the continuity of middle bucket eligibility was added to reduce potential volatility, allowing a portfolio that qualified for the middle bucket the previous three years to qualify for one more year even if not all criteria are met. - About *redundant criteria*: The redundancy of criteria was investigated, but removing some criteria was considered insufficiently prudent when using higher

Question	Respondent	Comment received	IAIS response
			discount rates and therefore was not deemed appropriate. - About *setting criterion C at 10%*: Changes to criteria B, C, and D were investigated as part of the finalisation of the ICS but did not provide a sufficient level of prudence when using higher discount rates and therefore were not deemed appropriate. - About *clarifying premium at IAIG discretion in criterion E*: Criterion E has been revised to clarify the treatment of premiums at the discretion of the IAIG within the middle bucket.

Question	Respondent	Comment received	IAIS response
5. Do you have comments on the introduction of a modulation factor?	American Council of Life Insurers (ACLI)	We do not support the introduction of a modulation factor (MF), as it is based on an illusory concern. The underlying premise of the MF is that any increase in credit spreads (regardless of current spread levels) is always economically adverse. This is simply not true and the IAIS has provided no evidence to support this view. Logically, if an IAIG had assets of shorter duration than its liabilities, an increase in credit spreads would be advantageous, as it would generate additional reinvestment income from maturing assets. The impact of the MF is to lower capital resources, sometimes materially, while also lowering the NDSR charge, typically changing the NDSR biting direction from down to up. This is distortive and makes no economic sense. Because the NDSR charge is two-sided, when the “up shock” produces a negative value, the “down shock” will produce a positive one. The non-default spread “risk” is already captured in capital requirements and so there is no need for the MF. Given the additional complexity, lack of clarity regarding adjustments, the potential for distorted results and limited	- About *removing the modulation factor*: The modulation factor was considered necessary to limit the potential risk of an overly optimistic valuation of insurance liabilities, which could lead to increases in capital resources driven by duration mismatches of assets and liabilities when spreads increase. - About *considering whether the modulation factor is applicable under stressed market conditions*: The data collected over the monitoring period supports the treatment provided in the ICS for the modulation factor.

Question	Respondent	Comment received	IAIS response
		impact on outcomes, the Modulation Factor should be removed or at a minimum be subject to extensive further evaluation.	
6. Do you have other comments regarding the Market-Adjusted Valuation?	American Council of Life Insurers (ACLI)	The ICS's market-adjusted valuation attempts to adjust for structural changes in markets, such as periods of low or high interest rates on a sustained basis. However, the ICS is sensitive to short-term market conditions, for example temporary movements in credit spreads. This serves to interject additional volatility into the results and measurement of outcomes. As currently constructed, the ICS MAV approach remains highly punitive for long-duration insurance and retirement products – especially those that are prevalent in the U.S. – due to the excessive conservatism embedded in the framework and sensitivity to short- term market conditions that are inconsequential for the solvency of long-term insurers. Underpinning these flaws is the continued, material understatement of the spread insurers earn in the yield curves	- About *taking more account of the spread of non-fixed income assets*: The data collected over the monitoring period supports the treatment provided in the ICS of spread adjustments for non-fixed income assets. - About *unrealistic spread over LTFR*: The data collected over the monitoring period supports the treatment provided in the ICS for the spread over

Question	Respondent	Comment received	IAIS response
		used to value insurance liabilities. While the IAIS has made some improvements to the level of spreads recognized, significantly more work is needed on this front – particularly for USD yield curves which should reflect the unparalleled breadth and depth of the U.S. capital markets versus being subject to the current lowest common denominator approach the IAIS is employing. In particular, we believe the MAV approach: • Should recognize a more realistic long-term spread (added to the long-term forward rate) for USD. Publicly available data supports a spread much higher than the current 20 basis points, which the IAIS has not provided reasoned justification for using. • Should recognize a more realistic spread for non-fixed income assets that better reflects the returns insurers earn on these assets. • Exclude arbitrary haircuts to the spreads – such as the Modulation Factor and Application ratios. Absent further improvement, the MAV approach will continue to produce highly volatile and overly conservative outcomes that result in inappropriate solvency signals and has negative impacts to the insurance sector and the ability for insurers to address protection gaps around the world.	LTFR. - About *market adjusted valuation being punitive, especially for long-term business*: Adjustments have been made to the discounting approach and interest rate risk to account for the specificities of long-term business. - About *spread calculation not being representative*: The data collected over the monitoring period supports the treatment provided in the ICS for spread calculation. - About *removing application ratios*: The data collected over the monitoring period supports the treatment provided in the ICS for application ratios.

Question	Respondent	Comment received	IAIS response
7. Do you have comments on the changes regarding eligibility criteria for Tier 1 Limited and Tier 2 financial instruments? Please explain your response based on actual terms and conditions of instruments commonly issued by insurers.	American Council of Life Insurers (ACLI)	In general, the changes are supportable, but additional changes should be considered as well. Certain limitations on calls within the first five years of issuance conflict with current market and regulatory practices and could result in the exclusion from ICS capital resources of instruments otherwise considered prudentially sound, such as surplus notes. In L2-114.e, we appreciate that the requirement of replacement may be waived in the case of tax and regulatory or economic consideration. These provisions, which are subject to supervisory approval, support the effectiveness of a prudentially sound capital instrument. However, we are troubled that the provision allowing for calls in the first five years of issuance with make-whole is only applicable under a grandfathering clause. We suggest these be permanently added to the ICS as surplus notes represent important sources of capital for insurers, especially mutual insurers, or others without access to the broader capital markets.	- About *make-whole calls not being subject to a grandfathering clause but allowed permanently*: Any make-whole calls within the first five years of issuance can lead to a deterioration in an IAIG's financial condition. The IAIS is aware that surplus notes represent an important source of capital in some markets. The grandfathering provision ensures that such instruments issued before the adoption of the ICS can be recognised as T2 qualifying capital, insofar as all other T2 criteria are satisfied. Meanwhile, the grandfathering provision gives the IAIGs and the market the opportunity to adapt to the terms and conditions of financial

Question	Respondent	Comment received	IAIS response
			instruments compliant with ICS requirements.
8. Do you have comments on the introduction of a limit on non-controlling interests, such as the one specified in section 6.4.4?	American Council of Life Insurers (ACLI)	Beyond the IAIS limit NCI are deducted from capital resources. The linkage between the non-controlling interest generated by the legal entity based on the contribution of the legal entity should be enhanced to include an examination of the type, quality, and availability of the resources.	- About *needing greater granularity*: The intention of the IAIS is to reduce the implementation burden by not requiring additional granular data on non-controlling interests.

Question	Respondent	Comment received	IAIS response
9. Do you have other comments regarding capital resources?	American Council of Life Insurers (ACLI)	ACLI, on behalf of its members, has no response to this question at this time.	Noted.
10. Do you have comments regarding the ICS risks and calculation methods?	American Council of Life Insurers (ACLI)	The purpose of capital is to provide a safeguard against plausible but remote events. We believe the candidate ICS includes an excessive level of conservatism – especially when considering the structure and calibration of the stresses in conjunction with significantly understated spreads used to value insurance liabilities and the margin over current estimate (MOCE). The IAIS should publish data, accompanied by an explanation of how the IAIS arrived at the proposed calibrations underpinning the candidate ICS stresses so stakeholders can further assess the framework. Anticipated management actions that are consistent with product features, current and historical company practice, the	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		given scenario/stress, and policyholders' reasonable expectations should be recognized in the assessment of risk (e.g., in the calculation of the ICS risk charges), given their fundamental role in risk mitigation. Currently the ICS only allows recognition of changes in non-guaranteed benefits. We believe this is too narrow. Other types of verifiable management actions should be recognized. These include limited premium adjustments on guaranteed renewable health products, dynamic pricing, application of Market Value Adjustors (MVA) and dynamic investment strategies (including hedging, etc.) for risk management purposes. Candidate ICS violates ICS Principle 6, which requires "an explicit recognition of appropriate and effective risk mitigation techniques".	
11. Do you have comments regarding the grouping of policies for life insurance risks?	American Council of Life Insurers (ACLI)	Given the unique nature of long-duration contracts and investment-oriented products provided in the US Markets, additional clarity should be provided as to how such products are categorized and grouped.	- About *criteria for HRGs*: The comments have been taken into account when finalising the ICS. It would be up to the GWS to provide additional guidance on HRGs as part of the GWS's implementation of the ICS. The additional guidance provided would need to consider the nature of the

Question	Respondent	Comment received	IAIS response
			insurance products offered by the IAIG.
12. Do you have comments regarding the calculation of the Life risk charges?	American Council of Life Insurers (ACLI)	In addition to the broader point made in our response to question 10, ACLI requests that the IAIS elaborate more on the changes of the calibration for two country-specific life risks – mortality risk written in China and disability/morbidly lump sum long term policies written in Japan. For example, the calibration for disability/morbidly lump sum long-term policies written in Japan almost doubled from 8% in “ICS Version 2.0” to 15% in “Candidate ICS.” Even if the volatility of data resulting from the recent pandemic is taken into account, the once-in-100-year event does not support this significant increase, especially for long-term policies. ACLI requests IAIS provide the following: • Methodology used for calculating the calibrations and insight into whether there were any significant changes of the	- About *mortality risk and longevity risk needing geographic and age groups diversification*: The comments have been taken into account when finalising the ICS. The design of the Mortality and Longevity risk modules is intended to strike a balance between complexity and risk sensitivity. The granularity of the segmentation has also considered the availability of data to produce a meaningful level of

Question	Respondent	Comment received	IAIS response
		methodology. • Data supporting the calibrations with guidance on if there were any significant changes stakeholders should be aware of between periods (with data anonymized as necessary to protect confidentiality). In addition, the 30% mass lapse rate for "retail policies" is far too high for U.S. life insurance based on historical experience and should be adjusted to a more representative level. The charge for insurance risk should reflect the reality that insurance risks are not perfectly correlated across geographies and should therefore reflect diversification effects between geographies. The ICS assumes perfect correlation across geographies. But this is neither data-driven nor evidence-based. For example, publicly available data from the World Health Organization shows there is limited correlation between geographies, even during a global public health crisis such as the recent COVID-19 pandemic. The ICS should take this into consideration.	calibration. When the standard method does not reflect the IAIG's actual risk profile, the ICS allows for the use of a (partial) internal model to capture diversification more adequately, subject to the GWS approval. - About mortality risk and longevity risk needing geographic and age groups diversification: The comments have been taken into account when finalising the ICS. The design of the Mortality and Longevity risk modules is intended to strike a balance between complexity and risk sensitivity. The granularity of the segmentation has also considered the availability of data to produce a meaningful level of calibration. When the

Question	Respondent	Comment received	IAIS response
			standard method does not reflect the IAIG's actual risk profile, the ICS allows for the use of a (partial) internal model to capture diversification more adequately, subject to the GWS approval. - About *lapse risk needing recalibration for mass lapse component*: The stress factors were initially determined based on the various solvency frameworks of IAIS member jurisdictions along with expert judgment. Subsequently, during field testing and monitoring period of the ICS, additional data collections were carried out to review the appropriateness of the stress factors and update the stress factors where relevant credible data have

Question	Respondent	Comment received	IAIS response
			been received. Please refer to the ICS calibration document for more details about the ICS calibration methodology. When the standard method does not reflect the IAIG's actual risk profile, the ICS allows for the use of a (partial) internal model to capture diversification more adequately, subject to the GWS approval. Specifically, on mass lapse, this aspect has been investigated throughout public consultations and data collections. The differentiation of the stress factors by the specified geographical segmentation in the ICS standard method was chosen to strike a balance between complexity and risk sensitivity. The granularity of the segmentation has also

Question	Respondent	Comment received	IAIS response
			considered the availability of data to produce a meaningful level of calibration. - About *lapse risk needing geographic diversification for insurance risk*: The geographical segmentation of stress factors in the standard method of the ICS was chosen to strike a balance between complexity and risk sensitivity. There is limited data to produce a meaningful calibration of diversification effects across geographical areas.

Question	Respondent	Comment received	IAIS response
13. Do you have comments regarding the calculation of the Non-life risk charges?	American Council of Life Insurers (ACLI)	Diversification benefits and corresponding interactions between risks are hard to evaluate for IAIGs with different exposure to products and investments across various jurisdictions via an application of a standard model. Greater transparency regarding the level of diversification benefits should be provided with respect to regional and product considerations.	- About *the need for clarity on geographical diversification*: Please refer to the ICS calibration document for more details about the ICS calibration methodology.
14. Do you have comments regarding the calculation of the Catastrophe risk charges?	American Council of Life Insurers (ACLI)	Vendor models can be used for natural catastrophes. The analysis should be expanded to include the use of vendor models for catastrophe events relating to mortality and morbidity events and well as man-made catastrophes when a group has significant exposure.	- About *other CAT models*: With regard to the use of vendor models for catastrophe events relating to mortality and morbidity events as well as man-made catastrophes when a group has significant exposure, this aspect has been investigated throughout public consultations and data collections but is not appropriate to strike the right balance between

Question	Respondent	Comment received	IAIS response
			complexity and risk sensitivity of the ICS.
15. Do you have comments regarding the list of market risks considered in the ICS, the general principles to calculate them and the way to aggregate them?	American Council of Life Insurers (ACLI)	Static and dynamic hedging programs are recognized as a valuable risk assessment and management tools within the global insurance industry. Dynamic hedging is especially valuable to insurers writing variable annuity and indexed annuity contracts where the dynamic hedging is used to mitigate equity investment risk and serves to the support risk mitigation approaches currently used in local authorities or internally within insurance groups. Such programs provide strong support for reducing exposure to market risk. Consideration needs to be given for incorporating a mechanism to assess the risk mitigation properties of dynamic hedging programs and its effectiveness for the purposes of evaluating solvency and capital.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		It is recognized that a dynamic hedging program cannot be addressed in the standard formula. Consequently, an alternative mechanism for evaluating reductions in required capital based on the application of a dynamic hedging program needs to be developed and implemented. Approaches could include but not be limited to approval by the jurisdictional supervisor and use of an internal model.	
16. Do you have comments regarding the Interest Rate risk?	American Council of Life Insurers (ACLI)	The approach for evaluating interest rate risk is unduly complicated, hard to understand and difficult to interpret. Based on the information provided, the interest rate shocks appear to be based on an application of a normal distribution which assumes symmetry between up and down movements and shocks. This may result in stressed results inconsistent with existing and potential market outcomes. Combining the impacts of a number of scenarios does not reflect a potential real world economic outcome and incorporates additional difficulty with respect to understanding and assessing interest rate risk. The stress on the Long-Term Forward Rate (LTFR) should be eliminated, or limited to at most 15 basis points, in line with the cap the IAIS has established for maximum changes to the	- About *LTFR not being stressed, 10% shock exceeding max 15 bp change*: The maximum stress of the LTFR has been limited to the maximum year-over-year change of the LTFR with respect to the base risk-free yield curve, as specified for Market Adjusted Valuation. Please refer to the ICS calibration document for more details about the ICS calibration methodology.

Question	Respondent	Comment received	IAIS response
		LTFR in a year. Contrary to one of the fundamental design principles of the ICS, the LTFR stress is not based on a one-year market-based VaR, but rather a regulatory judgment that is inconsistent with judgement applied in the framework for the same component. Further, the approach the ICS employs is highly procyclical. We believe the IAIS should introduce a counter-cyclical measure for interest rate risk as it has done for equity risk or explain why it feels such a modification is not warranted and why the volatility the current approach gives rise to is appropriate for supervisors, policyholders, other stakeholders, and financial stability.	- About *IRR approach being complicated and symmetry between up and down shocks potentially being inconsistent with market outcomes*: Please refer to the ICS calibration document for more details about the ICS calibration methodology. With regard to the design of the scenarios, this aspect has been investigated throughout public consultations and data collections but is not appropriate to strike the right balance between complexity and risk sensitivity of the ICS. - About *LTFR shock needing elimination or limitation to 15 bp and adding a counter-cyclical measure to IRR*: The maximum stress of the LTFR has been limited to

Question	Respondent	Comment received	IAIS response
			the maximum year-over-year change of the LTFR with respect to the base risk-free yield curve, as specified for Market Adjusted Valuation.
17. Do you have comments regarding the Non-Default Spread risk?	American Council of Life Insurers (ACLI)	As a general point, we continue to believe non-default spread risk is not a relevant risk for life insurers given their long investment horizon, their buy and hold investment strategy, and short-lived nature of spread fluctuations. To the extent it is retained, the approach proposed for the Candidate ICS should be subjected to further field testing over a range of economic scenarios including those when spreads widen significantly to determine if it is fit for purpose. In addition, it is unclear as to how the non-default spread risk is contemplated to complement the modulation factor.	- About *modulation factor potentially distorting the NDSR result*: With regard to potential interaction between the modulation factor and NDSR, the data collected and analysis conducted over the monitoring period supports the treatment provided in the ICS. The modulation factor has been revised with regard to extrapolation to reduce potential unexpected interactions with NDSR. The overall approach is

Question	Respondent	Comment received	IAIS response
			appropriate to strike the right balance between complexity and risk sensitivity of the ICS. - About *unclear rationale for NDSR*: With regard to the rationale of NDSR, the data collected over the monitoring period supports the treatment provided in the ICS. To avoid potential procyclicality, the upstress was revised to include a 150 bp cap on the spread movement.
18. Do you have comments on the differentiated treatment for investments in infrastructure equity?	American Council of Life Insurers (ACLI)	ACLI, on behalf of its members, has no response to this question at this time.	- About *the absence of comment / the non-materiality of this subject*: With regard to the differentiated treatment for investments in infrastructure equity, it is noted that no granular enough information is available so you can

Question	Respondent	Comment received	IAIS response
			provide an informed comment.
19. Do you have comments on the inclusion of the Equity risk counter-cyclical measure (NAD)?	American Council of Life Insurers (ACLI)	We support the concept of the NAD and believe that consideration should be given to broadening the concept to interest rate risk and other risk exposures. Consideration should also be given to a more refined approach. An insurance group's equity risk charge depends on its specific investments, which may and often do differ substantially from the composition in the "developed", "emerging" and "other" categories in the Candidate ICS. However, we note that the IAIS has not provided sufficient support for the derivation of the formula. Additional clarity regarding the derivation of the NAD formula and key supporting metrics should be provided, which will better enable stakeholders to assess if its performance is consistent with the primary objective of mitigating procyclicality.	- About *NAD not being sufficiently granular*: The proposed design aims to strike a balance between complexity and risk sensitivity. - About *supporting the design*: Your support of the ICS design is noted. - About *other counter-cyclical measures*: In principle, all Market risks could be subject to a counter-cyclical adjustment.

Question	Respondent	Comment received	IAIS response
		As a result, it is important to gain further understanding as to whether testing of the application of the formula and key parameters was conducted and if the results were seen to be consistent with the primary objective of creating a measure that would reduce significant counter cyclical trading activity. In addition, a supportable result may not be achieved because the categories listed (developed, emerging and other) are too crude. A consideration may be that the group wide supervisor would be in the best position to specify the indexes to be used rather than attempting to use crude set of categories.	However, some risks would be more difficult to address with a simple methodology as the population of IAIGs react differently to steep market movements. The NAD for equity risk is deemed efficient and yet simple enough to be applied consistently by all IAIGs. - About *NAD formula*: Please refer to the ICS calibration document for more details about the ICS calibration methodology.
20. Do you have comments on the proposed design of the Equity risk counter-cyclical measure?	American Council of Life Insurers (ACLI)	See response to question 19.	Noted.

Question	Respondent	Comment received	IAIS response
21. Do you have comments on whether the Equity risk counter-cyclical measure should allow for more granular calibrations to reflect geographical market specificities?	American Council of Life Insurers (ACLI)	Yes, we believe the counter-cyclical measure – and other elements of the ICS, including how spreads are determined for insurance liability valuation purposes – should allow for more granular calibrations to reflect geographical market specificities.	- About *increasing regional granularity*: The current design aims to strike a balance between complexity and risk sensitivity.
22. Do you have other comments regarding Equity risk?	American Council of Life Insurers (ACLI)	Additional information on the calibration of the equity risk factors should be provided to aid in the understanding with respect to the underlying model, supporting data, and the judgment applied in support of the calibration process.	- About *calibration methodology*: Please refer to the ICS calibration document for more details about the ICS calibration methodology.

Question	Respondent	Comment received	IAIS response
23. Do you have comments regarding Real Estate risk?	American Council of Life Insurers (ACLI)	The real estate risk charge should differentiate between held real estate and other categories of real estate. Support should be provided for the 25% stress factor as it seems high in relation to historical volatility in market prices.	- About *shock level for real estate assets*: The calibration of the stress factor has been investigated throughout several public consultations and data collections.Please refer to the ICS calibration document for more details about the ICS calibration methodology. - About *shock category for real estate assets*: The current design aims to strike a balance between complexity and risk sensitivity.

Question	Respondent	Comment received	IAIS response
24. Do you have comments regarding Currency risk?	American Council of Life Insurers (ACLI)	ACLI does not support the inclusion of currency risk within the ICS. The currency risk exposure for an insurer is largely a result of the currency translation risk relating to subsidiaries conducting business in foreign currency. Currency translation does not impact policyholder protection. Movements in exchange rates for currency translation from a local currency to the group reporting currency have no bearing on the ability to meet policyholder liabilities, as those liabilities must be satisfied by the local business unit. A group should protect all policyholders equally. A requirement to hold additional capital for this risk would imply that the purpose of group capital (in addition to legal entity requirements) is to provide protection that skews toward policyholders who are in the jurisdiction of the home currency.	- About *currency translation risk being exempted*: This aspect has been investigated as part of the finalisation of the ICS, but such a change was not deemed appropriate. When facing negative exchange rate movements, a currency mismatch may affect the capital resources of an IAIG.

Question	Respondent	Comment received	IAIS response
25. Do you have comments regarding Asset Concentration risk?	American Council of Life Insurers (ACLI)	Support should be provided for the derivation of the asset concentration formula including design, structure, variables, coefficients, and application. Further, information should be provided regarding the calibration of the formula, its linkage to the underlying Market & Credit risk charges and an evaluation of the reasonability of the results. In addition, when assessing asset concentration risk, consideration should be given to the structure of the insurer's portfolio in relation to its risk management framework and adherence with its ALM policies.	- About *requiring disclosure of calibration methodology*: Please refer to the ICS calibration document for more details about the ICS calibration methodology.
26. Do you have comments on the differentiated treatment for investments in infrastructure debt?	American Council of Life Insurers (ACLI)	ACLI, on behalf of its members, has no response to this question at this time.	Noted.

Question	Respondent	Comment received	IAIS response
27. Do you have other comments regarding Credit risk?	American Council of Life Insurers (ACLI)	External ratings are not always readily available. In such cases, treatment as unrated can be punitive. The approach for assessing credit risk should permit the use of supervisor assessment and /or internal ratings when there is recognition of a robust risk management framework. Anticipated management actions that serve to support sound risk management and reduce the potential for litigation should be recognized consistent with ICS Principle 1 which requires the recognition of risk mitigation techniques. As there is a stated objective of recognizing the effect of risk mitigation techniques to promote good risk management, all management actions that support sound risk management should be recognized in the ICS. These would include limited premium adjustments on guaranteed renewable health insurance products, dynamic pricing, applications of market value adjustments and dynamic hedging strategies. As it stands now, the Candidate ICS confines management actions to discretionary benefits for participating products which is too narrow of a restriction.	- About *internal ratings*: The use of internal ratings is outside the SOCCA framework; however, internal ratings can be leveraged for use in a supervisor-approved internal model. - About *management action*: The approach taken under the ICS standard method aims to strike a balance between complexity and risk sensitivity.

Question	Respondent	Comment received	IAIS response
28. Do you have comments regarding Operational risk?	American Council of Life Insurers (ACLI)	There are additional considerations beyond size (GWP and change in GWP) that contribute to operational risk including jurisdictions, infrastructure, reputation, processes, systems, leadership, and governance. Further support and explanation should be provided for the derivation of the operational risk factors.	- About *calibration methodology*: Please refer to the ICS calibration document for more details about the ICS calibration methodology. - About *operational risk being too simple*: The current methodology is assumed to strike the right balance between complexity and risk sensitivity.
29. Do you have comments regarding the aggregation / diversification of ICS risk charges?	American Council of Life Insurers (ACLI)	Consistent with the goal of transparency, the IAIS should provide support for all of the factors and parameters pertinent to the aggregation and diversification of ICS risk charges. It is unclear as to whether factors applied to Premium and Claims Reserve exposures properly capture the unexpected loss, at a 99.5% VaR over a one-year time horizon for each segment. Geographic diversification should be recognized in the aggregation of insurance risk charges (mortality, longevity, lapse, and expense). The assumption that these risk considerations are perfectly correlated across various diverse geographies is not evidence based.	- About *transparency on the calibration*: Please refer to the ICS calibration document for more details about the ICS calibration methodology. - About *geographical diversifications*: The approach already recognises geographical diversification within non-life

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Question	Respondent	Comment received	IAIS response
		Additional information should be provided regarding the source, development, calibration and initial testing of the factors and correlation matrix and how it has been substantiated that the individual risk distributions and overall summary result achieve the target 99.5% VaR intended outcome. Relying on a single risk metric (VaR) that is highly sensitive to underlying assumptions and parameters will result in an incomplete solvency assessment. Further, consideration should also be given to other tools that exist such as company level risk-based capital standards and assessments, financial and market conduct examinations, investment guidance & limitations, licensing authorities, and a resolution framework.	risks. Regarding life risks, please refer to the life risks section of this document.
30. Do you have comments regarding the optionality given to group-wide supervisors to require a calculation based on the Basel III approach for calculating risk charges for non-	American Council of Life Insurers (ACLI)	ACLI, on behalf of its members, has no response to this question at this time.	Noted.

Question	Respondent	Comment received	IAIS response
insurance non-banks financial entities?			
31. Do you have comments regarding the optionality given to group-wide supervisors to require an additional risk charge for non-insurance, non-bank financial entities without a sectoral capital requirement where an operational risk charge would not capture all material risks?	American Council of Life Insurers (ACLI)	ACLI, on behalf of its members, has no response to this question at this time.	Noted.

Question	Respondent	Comment received	IAIS response
32. Do you have other comments regarding non-insurance risk charges?	American Council of Life Insurers (ACLI)	ACLI, on behalf of its members, has no response to this question at this time.	Noted.
33. Do you have comments regarding the use of a simplified utilisation approach for tax?	American Council of Life Insurers (ACLI)	The previous approach was overly complex and suggested a false sense of precision. An accurate evaluation requires a bottom-up jurisdictional based approach. However, given the ICS is a consolidated approach that is divorced from jurisdictional solvency frameworks and tax regimes, movement toward a more simplified approach is appropriate. The retention of a 20% haircut to the tax offset to required capital adds a completely arbitrary layer of conservatism on top of those that exist in other components of the ICS and should be removed.	- About *20% haircut needing removal*: The 80% factor is meant to reflect that not all net operating losses under stress conditions would be able to be utilised due to the impact of the stress on future taxable income. The amount represents an average utilisation that was observed during the monitoring period. - About *support for simplified approach*: The IAIS takes note of your

Question	Respondent	Comment received	IAIS response
			support for the simplified utilisation approach for tax.
34. Do you have comments regarding the option given to the supervisor to require a more complex approach for tax?	American Council of Life Insurers (ACLI)	We support the IAIS expressly recognizing that elements of the ICS may not be appropriate for a jurisdiction and jurisdictional supervisors have the option to employ alternative methods that will result in better assessments of risk and solvency, and therefore, better outcomes for policyholders and other stakeholders.	- About *support for allowing GWS to employ alternate methods*: This is the specified approach under the standard method. A full internal model can be developed to calculate a post-tax capital requirement.

Question	Respondent	Comment received	IAIS response
35. Do you have other comments regarding tax?	American Council of Life Insurers (ACLI)	ACLI, on behalf of its members, has no response to this question at this time.	Noted.
36. Do you have comments regarding Other Methods for the calculation of the ICS capital requirement?	American Council of Life Insurers (ACLI)	Clarification that it is possible for partial internal models to be used, as elaborated upon in Section 9.4.5.3 of the consultation should be provided. Although the IAIS considers dynamic hedging to be among potential “Other Methods” for calculating the capital requirement, the consultation notes that “the data collected proved insufficient both in scope and quality, and therefore dynamic hedging has not been included as an Other Method for the calculation of the capital requirement". We do not accept the IAIS rationale (also applicable for CML risk charges) about insufficient data, particularly as many IAIS calibrations appear to be supported by little more than expert judgment. Dynamic hedging programs are recognized as a valuable risk assessment and management tools within the	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		global insurance industry, and we view these conclusions as evidence of jurisdictional bias. Dynamic hedging is especially valuable to insurers writing variable annuity and indexed annuity contracts where the dynamic hedging is used to mitigate equity investment risk and serves to the support risk mitigation approaches currently used in local authorities or internally within insurance groups. Future IAIS work on the ICS should give due consideration to dynamic hedging. In addition, it is unclear as to whether partial internal models approved by the supervisor could be utilized and whether they would be subject to additional approval. Additional guidance should be provided.	
37. Do you have comments regarding SOCCA processes?	American Council of Life Insurers (ACLI)	Given that SOCCA is an independent and objective process and deemed suitable for regulatory purposes, it is unclear as to why it applies only to unrated exposures within the ICS. We believe it should be applicable to all instruments which it rates.	- About *wider application of SOCCA*: This aspect has been investigated as part of the finalisation of the ICS, but was not deemed appropriate. The aim of including SOCCA processes in the ICS is to provide jurisdictions with the ability to assess more appropriate

Question	Respondent	Comment received	IAIS response
			Credit risk charges for unrated exposures, while providing a consistent treatment for investments that have external ratings. Taking such an approach ensures that there is no disadvantage to IAIGs in the application of SOCCA under the ICS across all exposures, both rated and unrated.
38. Do you have comments on the overall requirements (section 9.4.1)?	American Council of Life Insurers (ACLI)	Internal models for regulatory capital purposes, while recognized in ICP 17, do not have uniform or widespread adoption amongst jurisdictional insurance supervisors. Thus, it should give pause that the internal models approach, which is wholly novel for the ICS, has been added so close to the end of the ICS monitoring period. The IAIS should consider the implications of recognizing the internal models approach within the ICS relative to the rigorous and lengthy assessment to which the Aggregation Method has been subjected in order to be deemed comparable to the ICS. That said, internal models are a well-established risk management and capital measurement tool. Supervisory review, and transparent approval are important considerations	- About *recognition of internal models (IM) in ICS being welcome*: Your support of the use of IM to determine regulatory capital requirements is noted. - About *use of standard method (SM) results*: Feedback and data collected over the monitoring period show that this information can be useful for the supervisor.

Question	Respondent	Comment received	IAIS response
		for prudent implementation. The development of an internal model (full or partial) can provide a solution that not only better reflects the companys risk profile but removes some of the ambiguity and uncertainty around the assumptions and parameters underlying an application the standard formula. While internal models may rely on differing approaches and metrics, reasonability in assessing capital adequacy under an internal model should be a guiding principle and not strict adherence with a standard calculation method or prescribed metric. It should be recognized that internal models may rely on different parameters than the ICS standard method and that the ICS standard method is not necessarily an appropriate benchmark for internal model capital requirements.	- About *appetite to add IM in the comparability assessment*: This is an implementation and assessment topic.

Question	Respondent	Comment received	IAIS response
39. Do you have comments on the general provisions on the use of an internal model to determine regulatory capital requirements (section 9.4.2)?	American Council of Life Insurers (ACLI)	Work done by jurisdictional supervisors which serves to reflect the uniqueness of jurisdictional requirements should be a key measure of support for a group level review.	- About *importance of jurisdictional requirements uniqueness not being enough accounted for*: With regards to jurisdictional requirements uniqueness, the data and feedback collected over the monitoring period show that the treatment provided in the ICS is appropriate.
40. Do you have comments on the criteria for internal model approval (section 9.4.3)?	American Council of Life Insurers (ACLI)	Internal models that have previously been approved by a jurisdictional supervisor should be granted approval by the group supervisor, subject to demonstrating that the ICS balance sheet is appropriately reflected in those models.	- About *already approved internal models*: The ICS constitutes the minimum standard to be achieved and GWS should implement or propose to implement it locally. Depending on the local regime, a new internal model approval could be needed but it might not be the case.

Question	Respondent	Comment received	IAIS response
41. Do you have comments on the additional considerations (section 9.4.4)?	American Council of Life Insurers (ACLI)	Based on the criteria established in the guidance for internal model approval, it can be expected that approval of an internal model will be a lengthy process. During the period the internal model is subject to review and consultation, it is unclear as to how the group needs to calculate its PCR. Will there be latitude granted for using an internal model on a provisional basis? If during the interim period, the IAIG must calculate its PCR using the standard model, such an approach would require significant additional time and resources. Additional perspective and guidance should be provided.	- About *PCR during the period of internal model approval process*: An internal model cannot be used until approved. Therefore, the standard method is used during the approval process.
42. Do you have comments on the general provisions on the use of partial internal models (PIM) (section 9.4.5)?	American Council of Life Insurers (ACLI)	Internal models that have previously been approved by a jurisdictional supervisor that are to be used as partial internal models should be granted approval by the group supervisor based on an expedited review process that appropriately reflects the ICS balance sheet.	- About *supporting swift approval of internal models previously approved by jurisdictional supervisors and used as partial internal models*: This is an implementation topic.

Question	Respondent	Comment received	IAIS response
43. Do you have other comments regarding the use of internal models?	American Council of Life Insurers (ACLI)	There should be a mechanism for implementing simplifications and applying a proportionality approach that reflects risk exposures of the insurer so long as the required tests are satisfied.	- About *inclusion of a mechanism for implementing simplifications and proportionality*: Mechanisms such as proportionality are already in place and not ICS-specific.
44. Do you have additional comments on the ICS?	American Council of Life Insurers (ACLI)	In general, the ICS is a prescriptive method based on many parameters and assumptions which require additional and ongoing testing. A single one-year summary risk metric (VaR) is used to assess capital adequacy. This exposes the capital system to the risk of mismeasurement should the VaR metric not be calibrated appropriately. Additional work should be done to improve the design of the ICS so that it more appropriately reflects the unique business model of insurers offering a wide range of products across a large number of insurance markets. Relying on a single metric fails to capture additional key	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		elements of a sound regulatory system, including but not limited to licensing requirements, annual reporting, financial & market conduct examinations and jurisdictional risk-based capital regimes. Despite improvement over time, we continue to believe the ICS is deeply flawed and produces flawed measurement and signaling of risks. These shortcomings are most pronounced for the type of long-duration liabilities that are prevalent in markets like the U.S. As noted in our responses to questions included in the consultation, we believe improvements are needed across multiple elements of the framework. Absent improvement, the ICS would negatively impact the insurance sector by creating a disincentive for offering consumers long-term protection products, and thereby exacerbate the protection gaps society is facing. The IAIS should take steps to better balance the role its guidance on group capital plays relative to ComFrame and the ICPs, the latter of which more appropriately recognize the heterogeneity of the insurance sector and better promote solvency and enhance policyholder protection. In light of these considerations, ACLI continues to support the AM and its ability to produce an appropriate measure of group capital adequacy, which is in line with the intent of the ICS and the ICS principles. Based on existing legal entity building	

Question	Respondent	Comment received	IAIS response
		blocks, the AM's methodology is fully transparent and helps contribute to the overall stability of the insurance sector as a sound group capital framework for detecting a potential need for appropriate supervisory intervention. This approach removes unnecessary complexity and the need for the "layered" factors introduced throughout the ICS's development to address any resulting false solvency signals.	
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	Yes, the ICS continues to be highly punitive for long-duration insurance and retirement business – particularly for spread based products – that is common and necessary in markets like the U.S. Absent material improvement, we would expect insurers that are subject to the ICS to modify product offerings and pricing in a manner that would be negative for insurance consumers (e.g., higher rates, less competition in the market, etc.). The economic impact assessment should explore this concern in detail and the IAIS should clearly acknowledge concerns stakeholders have raised, how they have been addressed, and – if not addressed – why this was the case.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	The ICS's market adjusted valuation approach could have negative effects on the ability of insurance companies to provide long-term savings products, which are important to insurers and policyholders in the United States. The ICS needs to appropriately consider long-term savings products, which are critical to the millions of Americans approaching and entering retirement. In jurisdictions in which the ICS is implemented, we expect that it would create a meaningful disincentive for insurers to sell long-term insurance products that have a significant element of financial market risk due to guarantees or other product features. As noted in our response to question 45, we anticipate the ICS having a negative impact in markets where long-term insurance and retirement products are common and desired by consumers. To the extent consumers are unable to obtain coverage they need, protection gaps would expand and pressure on governments to provide support would increase.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	Yes, as noted in our responses to questions 45 and 46, we would ex anticipate the ICS having a negative impact in markets where long-term insurance and retirement products are offered.	Please see ICS Economic Impact Assessment report
48. Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts.	American Council of Life Insurers (ACLI)	Where applied, the ICS will have a punitive impact on long term products offered by insurers. Thus, we anticipate a migration to products that are shorter duration and require customers to retain greater amounts of economic risk. Such changes would have deleterious effects on society.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
49. Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	American Council of Life Insurers (ACLI)	The ICS fails to recognize the product structures and corresponding risk mitigation features of long-duration life insurance and retirement products sold in the United States. In addition, the ICS does not reflect how investments available in U.S. capital markets appropriately support these long-duration products. The ICS results in undue conservatism and introduces additional volatility in underlying measurements of asset and liability considerations and required capital. This could result in inappropriate solvency measurement and force insurers to change product offerings and investments to minimize these potential effects. We anticipate that the ICS, where implemented, would result in a migration to products, such as fee-based products, that would require customers to retain greater amounts of economic risk. These changes could have deleterious effects on society if such risk exposures were to manifest (e.g., in a market or economic downturn).	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
50. Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	See our responses to questions 45 through 48.	Please see ICS Economic Impact Assessment report
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	As noted in our response to questions 45 through 48, we believe that the ICS would exacerbate protection gaps in markets where long-term insurance and retirement products are common and desired by consumers.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	The withdrawal of long duration insurance and retirement-oriented products due to constraints on investments and overly conservative capital requirements would apply to any insurer and would result in f these important product types being unavailable to consumers. Insurers that are not subjected to the punitive effects of the ICS may continue to offer products whiles IAIGs pull back, and thus benefit from the reduced competition and the unlevel playing field in local markets as a result of the ICS. Given the anti-competitive implications of the ICS, it is possible that some IAIGs would pursue adjust their business strategy to avoid IAIG status.	Please see ICS Economic Impact Assessment report
53. Do you anticipate any opportunities for an increase in the range of products available in the insurance market as a result of the implementation of the ICS? If so, please explain the potential opportunities.	American Council of Life Insurers (ACLI)	In general, the prescriptive nature of the ICS, limitations on assets and investments and conservative capital measurements will likely result in a reduction in innovation in the insurance marketplace especially in the areas of long duration, retirement and investment oriented products. No. As noted in our responses to questions 45 through 52, we would expect product offerings and competition in certain markets to be reduced or evolve in a manner that is driven by shortcomings of the ICS rather than the consumer needs.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	See our responses to questions 45 through 53. In addition, an important aspect of developing and having a global capital standard is the ability to translate and effectively implement the standard in all jurisdictions. The absence of this important aspect of developing a global capital standard by solely relying on a prescriptive standard which fails to incorporate key aspects of sound jurisdictional specific capital regimes will likely disadvantage IAIGs competing with solely domestic companies. In addition, IAIGs may cease offering products for which ICS capital risk charges are overly conservative. The resulting impacts of the implementation of the ICS would be divergence, contraction and separation in the global insurance markets which is contrary to its objectives. If the ICS were applied solely to IAIGs, IAIGs would likely find themselves at a competitive disadvantage relative to non-IAIGs, particularly if the ICS were to diverge significantly from local requirements, as is the case in the U.S. market.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	Yes. As noted in our feedback to questions related to the design of the ICS, the solvency position for insurers that provide consumers long-term insurance and retirement protection would become volatile and subject to inaccurate signaling of risks.	Please see ICS Economic Impact Assessment report
56. Do you anticipate that the implementation of the ICS could lead to a change in the profitability of an IAIG's business units or insurance entities focusing on a specific product type or market segment? If so, please describe the products or market segments potentially affected.	American Council of Life Insurers (ACLI)	Long-term products offered in the US can provide coverage for an extended period and include financial guarantees. ICS capital requirements would reduce the profitability of these products, which would require insurers subject to the ICS to increase product prices or to retreat from these markets.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
57. Do you anticipate any circumstances in which IAIGs will need to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	In general, the prescriptive nature of the ICS, limitations on assets and investments and conservative capital measurements along with the introduction of additional volatility due to the application of market value-based measurements could result in the requirement to inject additional capital into the IAIG even on a temporary basis.	Please see ICS Economic Impact Assessment report
58. Do you have any concerns over the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	Any necessity to raise additional capital due to the investment constraints, solvency assessments, capital requirements and additional measurement-related volatility due to the application of the ICS could serve to destabilize the insurance program and result in unnecessary costs. In reference to surplus notes issued by U.S. insurance groups, supervisory approval prior to the redemption of a surplus note at contractual maturity is sufficient (in order for the instrument to be considered perpetual) for purposes of protecting policyholders. U.S. insurance supervisors monitor all repayment activity and can elect the deferral of any interest/principal repayments for as long as necessary. Surplus notes widely utilized in the US insurance markets are a	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		valuable tool for raising capital and capital management. Proposed restrictions on calls, via for example the grandfathering clause, within the ICS framework results in the exclusion from ICS capital resources of instruments otherwise considered prudentially sound, such as surplus notes. This results in both reduced availability of legitimate capital resources and a potential increased cost of capital.	
59. Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	The general desire of IAIGs to evidence stability, along with the high responsiveness of the ICS to changes in economic conditions, is likely to create incentives for insurers to hedge ICS non economic volatility. Because hedging is costly, this will decrease profitability and increase prices for products, particularly those with long-term financial guarantees. Consideration needs to be given to incorporating a mechanism to assess the risk mitigation properties of dynamic hedging programs for the purpose of evaluating an IAIG's solvency and capital position. Failure to develop an approach for incorporating hedging strategies into an evaluation of IAIG's capital and solvency position limits the organization's capacity to apply a sound and effective risk management framework and secure meaningful	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		results. The low level of diversification benefits across jurisdictions in the ICS potentially distorts results and does not allow for an effective application of risk management considerations. The ICS would create an incentive for insurers to modify practices in an effort to manage the volatility the ICS creates at the expense of practices that are tailored to their assessment of the true economic risks associated with business underwritten.	
60. Do you anticipate any circumstances in which IAIGs might change their approach to risk mitigation as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	See our response to question 59. The non-recognition of dynamic hedging within the ICS would provide a disincentive for insurers to hedge using such strategies. This may constrain the organization's capacity to apply a sound and effective risk management framework.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
61. Do you anticipate circumstances in which IAIGs would re-structure their business as a direct result of the implementation of the ICS? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	Given the anti-competitive implications of the ICS, it is possible that some IAIGs would pursue restructuring to avoid IAIG status.	Please see ICS Economic Impact Assessment report
62. Do you anticipate any other changes to the operating model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	IAIGs would likely be required to run parallel capital models concurrently (jurisdictional and ICS) in order to be able to produce ICS results. This would result in significant additional time and expense with no real enhancement of policyholder security or solvency protection.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
63. Do you anticipate any changes to risk management practices across the insurance industry as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	ACLI, on behalf of its members, has no response to this question at this time.	Please see ICS Economic Impact Assessment report
64. Do you anticipate any benefits to the business model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential benefits.	American Council of Life Insurers (ACLI)	ACLI, on behalf of its members, has no response to this question at this time.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
65. Do you anticipate any impacts to the competitiveness of IAIGs relative to non-IAIGs with the implementation of the ICS?	American Council of Life Insurers (ACLI)	See our responses to questions 45 through 64. If the ICS were applicable only to IAIGs, the competitive effects would be a function of the differences between the ICS and the jurisdictional standard for non-IAIGs. In the United States, IAIGs would be likely to find themselves at a competitive disadvantage for providing products that have long-term financial guarantees.	Please see ICS Economic Impact Assessment report
66. Do you anticipate any changes to the investment strategy of IAIGs which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	The limited eligibility of products for the "top bucket" and "middle bucket" will result in procyclical effects. When spreads widen, insurers will have an incentive to sell assets (whose market prices may already be depressed) and buy sovereigns, which attract no risk charge. These sales and purchases may exacerbate the effects of a 2008-like market stress. The ability of insurers to continue to invest in long-term economic growth is critical to the development and maintenance of sound and stable global insurance markets. The ICS should aim to aid insurer asset/liability management by supporting prudent risk management frameworks, sound investment policies and governance that serve to appropriately measure actual investment risks faced by insurers in their investment portfolios and effectively recognize and manage	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		those risks. Overly conservative prescriptive calibrations of capital requirements on investments will lead to artificial distortions of insurers asset allocations, which will impact their ability to achieve an adequate rate of return and appropriately ensure policyholder obligations will be met.	
67. Do you anticipate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	ACLI, on behalf of its members, has no response to this question at this time.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
68. Do you anticipate any impacts from the implementation of the ICS on asset concentration risk, either within IAIGs or across insurance markets? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	While requiring significant capital to be held for most assets, the ICS requires no capital to be held for sovereign risk. This would create an incentive for insurers to "load up" on sovereigns. These concentrations could lead to significant macroprudential impacts in the event of a sovereign default.	Please see ICS Economic Impact Assessment report
69. Do you anticipate the implementation of the ICS altering the investment strategy or investment decisions of IAIGs in response to stressed market conditions? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	When credit spreads widen significantly, insurers subject to the ICS would have an incentive to sell assets (whose market prices may already be depressed) and buy sovereigns, which attract no risk charge. These sales and purchases may exacerbate the effects of a 2008-like market stress.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	ACLI, on behalf of its members, has no response to this question at this time.	Please see ICS Economic Impact Assessment report
71. Are there any other areas of the financial markets (eg derivatives or stock lending) that might be impacted – directly or indirectly – by the implementation of the ICS? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	ACLI, on behalf of its members, has no response to this question at this time.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
72. Do you have any concerns over the availability of longer-term assets in the market to meet any increase in demand from IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	ACLI, on behalf of its members, has no response to this question at this time.	Please see ICS Economic Impact Assessment report
73. Do you anticipate any increased risk to the broader financial markets (eg from re-allocations into or out of specific asset classes in response to shocks in financial markets) as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	The high responsiveness of the ICS to changes in financial markets will provide incentives for insurers to undertake extensive asset reallocations in the event of a market shock. This may exacerbate stressed market conditions.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
74. Do you anticipate any specific benefits to the insurance market or broader financial markets as a result of the implementation of the ICS? If so, please explain the potential benefits.	American Council of Life Insurers (ACLI)	In insurance markets that lack a comprehensive risk-based solvency regime, the ICS may provide a useful standard to consider for local implementation. However, if the ICS is limited only to IAIGs, the benefits will be very limited given that IAIGs are typically headquartered in advanced insurance markets.	Please see ICS Economic Impact Assessment report
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	The implementation of the Candidate ICS may result in companies bearing the cost of being subject to two sets of capital requirements and corresponding financial reporting platforms. This could be resolved by having the IAIS accept the AM as a capital requirement considered to be a comparable alternative to the ICS. The cost to insurers of maintaining dual capital platforms on an ongoing basis will be significant and will require additional human resources as well as financial reporting development.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
76. To the extent that it can be predicted, do you anticipate impediments to implementing the requirements of the ICS? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	The IAIS has neither communicated a time frame for implementation of the ICS, nor has perspective been provided regarding a transition period for implementation. Adoption of the ICS will require insurers to develop additional systems and run concurrent capital modeling platforms and calculation facilities. This requires time for development, implementation and testing of the final ICS framework.	Please see ICS Economic Impact Assessment report
77. Could any costs of implementing the ICS be absorbed by or shared with other implementation projects running concurrently (eg IFRS 17)? If so, please explain how this might be achieved.	American Council of Life Insurers (ACLI)	Given that US based insurers are subject to US statutory reporting requirements, the ability to leverage work from such projects would likely be limited.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
78. Do you anticipate any other impacts from the implementation of the ICS, not covered above? If so, please explain the potential impacts.	American Council of Life Insurers (ACLI)	In the US, the impact of the implementation of the ICS is inherently dependent on whether the Aggregation Method is deemed outcome equivalent. The concept of a comparability determination recognizes that a single, globally implemented, standardized, and uniform ICS is not currently achievable. An achievable objective is ensuring that the obligations of IAIGs are subject to strong, prudent measures of group capital adequacy. The comparability of the AM should be based not on prescribed metrics but rather on whether it provides a comparable level of policyholder protection, whether it contributes to global financial stability, and whether it achieves a satisfactory and sufficient level of supervisory outcomes. These are important considerations given there is a fundamental assumption that the ICS is the appropriate baseline standard even though it is untested under actual market conditions.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
3. Do you have comments on the introduction of a term structure of credit spreads for discounting?	American Property Casualty Insurance Association	The question relates to the use in the ICS of market-adjusted valuation, which is a concept that APCIA does not support. Please see APCIA's response to question 6. Further, the Three Bucket Approach to determine the level of spread adjustment to the risk-free curve for purposes of discounting liability cash-flows is much less impactful on non-life products (as compared to life), which is the primary focus of APCIA and its members. APCIA is not commenting on questions that relate primarily to the life sector. However, our lack of comment should not be taken as consent.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
4. Do you have comments on the revised eligibility criteria for the Middle Bucket?	American Property Casualty Insurance Association	The question relates to the use in the ICS of market-adjusted valuation, which is a concept that APCIA does not support. Please see APCIA's response to question 6. Further, the Three Bucket Approach to determine the level of spread adjustment to the risk free curve for purposes of discounting liability cash-flows is much less impactful on non-life products (as compared to life) which is the primary focus of APCIA and its members. APCIA is not commenting on questions that relate primarily to the life sector. However, our lack of comment should not be taken as consent.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
5. Do you have comments on the introduction of a modulation factor?	American Property Casualty Insurance Association	The question relates to the use in the ICS of market-adjusted valuation, which is a concept that APCIA does not support. Please see APCIA's response to question 6. Further, the Three Bucket Approach to determine the level of spread adjustment to the risk free curve for purposes of discounting liability cash-flows is much less impactful on non-life products (as compared to life) which is the primary focus of APCIA and its members. APCIA is not commenting on questions that relate primarily to the life sector. However, our lack of comment should not be taken as consent.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
6. Do you have other comments regarding the Market-Adjusted Valuation?	American Property Casualty Insurance Association	It is important to note that "Team USA", the U.S.-based members of the IAIS, have never agreed to a market or market-adjusted valuation basis for the ICS. At each critical decision point along the way in the ICS development process when the IAIS sought consensus from members on the valuation basis, U.S. support did not occur until a broader plan was put forward that also included an additional method that would be a more suitable alternative for the U.S. market, supervisory regime, and societal needs in the U.S. for insurance products. At first, that broader plan gave rise to "GAAP Plus" and later, to the Aggregation Method. APCIA has consistently stood in solidarity with Team USA in its conviction that a market or market-adjusted valuation basis would not be suitable in the U.S. Similarly, we stand together with Team	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		USA in advocating for the Aggregation Method and, for many valid reasons, that it be deemed comparable to the ICS and be accepted internationally as an outcomes-equivalent means of implementation of the ICS in the United States. We understand the AM and its comparability to the ICS are not the subject of this current consultation. However, we cannot let the absence of responses to some of the IAIS questions in this consultation be somehow misconstrued that APCIA agrees to the market-based valuation basis in the candidate ICS and its various components. We do not. With that said, and as described further in our response to question 78, our responses to this consultation nonetheless assume, hypothetically, that the ICS would be implemented in the U.S., although that will not happen. In that spirit, we have considered the changes that the IAIS has made in the candidate ICS from ICS version 2.0. In the broadest sense, we continue to oppose market-adjusted valuation and it is our view that the changes made with respect to the market-adjusted valuation basis in the ICS are, by and large, intended to address certain impacts of the ICS as it relates to long-term guaranteed life and retirement products rather than the typically short-duration non-life products that are the primary focus of APCIA and its members. As a consequence, we have no comment on those changes. However, our lack of more	

Question	Respondent	Comment received	IAIS response
		specific comments on the market adjusted valuation basis in the ICS should not be taken as consent.	
38. Do you have comments on the overall requirements (section 9.4.1)?	American Property Casualty Insurance Association	We are not opposed to the inclusion of internal models as an Other Method in the ICS in general. We do note, however, that the ICS process has not subjected internal models to the same extensive data collection and analysis efforts to which the rest of the ICS and the Aggregation Method have been subject.	- About *appetite to add IM in the comparability assessment*: This is an implementation and assessment topic.

Question	Respondent	Comment received	IAIS response
43. Do you have other comments regarding the use of internal models?	American Property Casualty Insurance Association	Do you have other comments regarding the use of internal models? While we understand that the comparability of the Aggregation Method with the ICS is not the direct focus of this subject consultation, there are some aspects related to internal models that should be considered as regards comparability. A matter which the comparability criteria ignore altogether is whether the use of internal models will be allowed in the ICS. We understood that a decision on the inclusion of internal models as an Other Method in the ICS will be made by the end of the monitoring period. Because risk-based capital in the U.S. is a standard formula, and because the Group Capital Calculation that has been adopted by the NAIC is an aggregation approach, the use of internal models is not an option for U.S. groups with respect to their U.S. operations. However, internal models are a feature of other regimes such as in the EU's Solvency II, and we would expect firms that have the option to use internal models to do so. Their purported intent would be to better reflect each group's business model (i.e., better than would be possible with a standard method) but also with the practical result, overall, of lowering capital requirements across groups that use internal models. However, the comparability assessment would require the AM for US groups to be "significantly correlated" to the ICS'	- About *support for the inclusion of internal models in the comparability exercise of the aggregation method*: This comment is related to the ICS implementation and did not lead to a modification to the ICS specifications. - About *whether internal models showed significant differences in risk capital charge evaluations and their impact on the standard method*: This is already covered by ongoing monitoring and control requirements of internal models. - About *needing a mechanism within the ICS to identify an internal model result as an outlier*: Such checks are made during the

Question	Respondent	Comment received	IAIS response
		standard reference method, without regard that a subsequent decision to include internal models would likely result in lower capital requirements for most groups in other jurisdictions. APCIA believes that the comparability analysis should compare the AM to the version of the ICS that will be implemented in other jurisdictions, which will in large measure be based on the use of internal models. The AM should not be compared to a level which other jurisdictions implementing the ICS will not hold their own IAIGs. With respect to the Candidate ICS, while there are many requirements and guidelines involving a group's use of internal models, there does not appear to be any quantifiable check or balance within the ICS itself that would identify an internal model result as an outlier; the control, such as that may be, seems to be on ComFrame-like qualitative measures, that, if effective, could result either in management or the group-wide supervisor somehow identifying an issue and seeing that it was rectified on a timely basis. As an IAIS stakeholder, APCIA is not aware of how the reporting during the monitoring period of internal model data may have resulted in changes to the ICS capital charges, if at all. For example, if capital requirements as determined by internal models and reported by groups showed meaningful differences for certain risk categories, was the calibration of the capital charge in the standard method ICS somehow	application process and the ongoing model appropriateness monitoring.

Question	Respondent	Comment received	IAIS response
		reconsidered and modified? After all, if the use of internal models presumably better reflect the business models of IAIGs, then those differences should be an indicator of where changes to the ICS would seemingly need to be considered. So, if such changes were made, as a stakeholder we would like to know where (what risk categories) and to what extent such differences were identified, and whether they were considered in adjusting the capital requirements in the ICS standard method, and if not, why not.	
44. Do you have additional comments on the ICS?	American Property Casualty Insurance Association	APCIA continues to maintain that the ICS is not suitable for implementation in the U.S. In particular, market-adjusted valuation of technical provisions is inconsistent with both major accounting methods that apply to U.S. property/casualty insurers (U.S. GAAP and state statutory accounting principles). A switch to an MAV-based system such as the ICS would provide no benefit in improved solvency regulation at enormous cost. For further discussion, see our answers to questions 6, 76, and 78.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. In the consultation document, questions 45-53 are prefaced by the IAIS' statement that the main concerns of IAIS members and stakeholders are about impacts on the availability of long-term insurance products. While some of APCIA's members have affiliates that write life insurance and other long-term retirement products, APCIA's focus is on the nonlife sector, which primarily involves short-duration contracts, typically with terms of a year or less. Some aspects of nonlife business have longer-term implications, for example, claim development periods for some lines of business can stretch for 20 years or more and thus such lines are susceptible to some similar issues that life insurers may have with the ICS relating to discounting of reserves and on the long-duration assets that may be needed to back them. That is not to say that the ICS will have not have adverse impacts on the non-life sector. The Consultation Document states that while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate any impacts on the availability of non-life insurance products in the U.S. The business strategy of any insurer/group is, to a large degree, focused on putting capital to work to earn a reasonable return to as to assure both policyholder protection and shareholder expectations while managing to acceptable levels of risk. To answer this question, it must first be known whether and to what degree the ICS will change the level of capital that a group must hold. The Consultation Document states that "the ICS is not intended to result in an increase in overall capital requirements" but that it could result in changes to capital levels nonetheless. The IAIS has not published any information of which we are aware resulting from the field testing and monitoring period exercises regarding any differences in capital levels from the reported ICS to benchmark group capital levels in jurisdictions. But the following should be considered with respect to implementation of the ICS in the U.S.: • For the ICS, the timing of regulatory measures is based on the ICS ratio itself, i.e., a ratio below 100%. As a regulatory financial analysis tool, the application of supervisory measures is not predicated on the ratio by itself, rather on the totality of inputs that are available to the supervisor, qualitative as well as quantitative (including but not limited to the GCC ratio).	

Question	Respondent	Comment received	IAIS response
		• While the GCC instructions and template result in a group calculating a ratio that is calibrated at 200% ACL RBC, sensitivity measures are also calculated and reported, i.e., at 300% ACL RBC. Both are reported to the supervisor and are used in the regulatory analysis process. Insurance supervisors in the United States are not limited or precluded from taking action because a group capital ratio happens to be below 100%, or any other benchmark. They can take such actions or implement measures as appropriate given the totality of the facts and circumstances and all the information at their disposal, both quantitative and qualitative. • In addition to meeting regulatory requirements, insurance groups also must manage to market expectations. Key to this is maintaining credit agency ratings at an appropriate level for the nature of the business that is written, which in turn requires holding capital at levels that typically are well above regulatory requirements. To measure the impact of ICS implementation on the availability of long-term guaranteed products, the IAIS can be informed by implementation of Solvency II, the capital regime in the EU, on which key features of the ICS are based.	

Question	Respondent	Comment received	IAIS response
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. In the consultation document, questions 45-53 are prefaced by the IAIS' statement that the main concerns of IAIS members and stakeholders are about impacts on the availability of long-term insurance products. While some of APCIA's members have affiliates that write life insurance and other long-term retirement products, APCIA's focus is on the nonlife sector, which primarily involves short-duration contracts, typically with terms of a year or less. Some aspects of nonlife business have longer-term implications, for example, claim development periods for some lines of business can stretch for 20 years or more and thus such lines are susceptible to some similar issues that life insurers may have with the ICS relating to discounting of reserves and on the long-duration assets that may be needed to back them. That is not to say that the ICS will have not have adverse impacts on the non-life sector. The Consultation Document states that while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate any impacts on the pricing of non-life insurance products in the U.S. We would also point out that ICS implementation would require U.S. non-life IAIGs to implement a valuation system (MAV) that is contrary to both major accounting systems that currently apply (U.S. GAAP and state statutory accounting principles). This would require significant up-front costs and training for both IAIG personnel and state regulators. These costs would either be borne by insurance consumers in higher premiums or borne by the IAIGs themselves and reduce the availability of insurance coverage.	
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. In the consultation document, questions 45-53 are prefaced by the IAIS' statement that the main concerns of IAIS members and stakeholders are about impacts on the availability of long-term insurance products. While some of APCIA's members have affiliates that write life insurance and other long-term	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		retirement products, APCIA's focus is on the nonlife sector, which primarily involves short-duration contracts, typically with terms of a year or less. Some aspects of nonlife business have longer-term implications, for example, claim development periods for some lines of business can stretch for 20 years or more and thus such lines are susceptible to some similar issues that life insurers may have with the ICS relating to discounting of reserves and on the long-duration assets that may be needed to back them. That is not to say that the ICS will have not have adverse impacts on the non-life sector. The Consultation Document states that while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate any impacts on the range of non-life insurance product features in the U.S.	

Question	Respondent	Comment received	IAIS response
48. Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. In the consultation document, questions 45-53 are prefaced by the IAIS' statement that the main concerns of IAIS members and stakeholders are about impacts on the availability of long-term insurance products. While some of APCIA's members have affiliates that write life insurance and other long-term retirement products, APCIA's focus is on the nonlife sector, which primarily involves short-duration contracts, typically with terms of a year or less. Some aspects of nonlife business have longer-term implications, for example, claim development periods for some lines of business can stretch for 20 years or more and thus such lines are susceptible to some similar issues that life insurers may have with the ICS relating to discounting of reserves and on the long-duration assets that may be needed to back them. That is not to say that the ICS will have not have adverse impacts on the non-life sector. The Consultation Document states that while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate any impacts on the duration of non-life insurance products written in the U.S.	
49. Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. In the consultation document, questions 45-53 are prefaced by the IAIS' statement that the main concerns of IAIS members and stakeholders are about impacts on the availability of long-term insurance products. While some of APCIA's members have affiliates that write life insurance and other long-term retirement products, APCIA's focus is on the nonlife sector, which primarily involves short-duration contracts, typically with terms of a year or less. Some aspects of nonlife business have longer-term implications, for example, claim development periods for some lines of business can stretch for 20 years or	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		more and thus such lines are susceptible to some similar issues that life insurers may have with the ICS relating to discounting of reserves and on the long-duration assets that may be needed to back them. That is not to say that the ICS will have not have adverse impacts on the non-life sector. The Consultation Document states that while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate any impacts on withdrawals of non-life insurance products in the U.S.	
50. Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. In the consultation document, questions 45-53 are prefaced by the IAIS' statement that the main concerns of IAIS members and stakeholders are about impacts on the availability of long-term insurance products. While some of APCIA's members have affiliates that write life insurance and other long-term	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		retirement products, APCIA's focus is on the nonlife sector, which primarily involves short-duration contracts, typically with terms of a year or less. Some aspects of nonlife business have longer-term implications, for example, claim development periods for some lines of business can stretch for 20 years or more and thus such lines are susceptible to some similar issues that life insurers may have with the ICS relating to discounting of reserves and on the long-duration assets that may be needed to back them. That is not to say that the ICS will have not have adverse impacts on the non-life sector. The Consultation Document states that while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate any impacts on the risk appetite of non-life IAIGs in the U.S.	

Question	Respondent	Comment received	IAIS response
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. In the consultation document, questions 45-53 are prefaced by the IAIS' statement that the main concerns of IAIS members and stakeholders are about impacts on the availability of long-term insurance products. While some of APCIA's members have affiliates that write life insurance and other long-term retirement products, APCIA's focus is on the nonlife sector, which primarily involves short-duration contracts, typically with terms of a year or less. Some aspects of nonlife business have longer-term implications, for example, claim development periods for some lines of business can stretch for 20 years or more and thus such lines are susceptible to some similar issues that life insurers may have with the ICS relating to discounting of reserves and on the long-duration assets that may be needed to back them. That is not to say that the ICS will have not have adverse impacts on the non-life sector. The Consultation Document states that while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		disclosed any information to stakeholders as to where the ICS currently stands relative to the “benchmark” existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate any impacts on protection gaps relating to non-life insurance products in the U.S.	
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA’s response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. In the consultation document, questions 45-53 are prefaced by the IAIS’ statement that the main concerns of IAIS members and stakeholders are about impacts on the availability of long-term insurance products. While some of APCIA’s members have affiliates that write life insurance and other long-term retirement products, APCIA’s focus is on the nonlife sector, which primarily involves short-duration contracts, typically with terms of a year or less. Some aspects of nonlife business have longer-term implications, for example, claim development periods for some lines of business can stretch for 20 years or	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		more and thus such lines are susceptible to some similar issues that life insurers may have with the ICS relating to discounting of reserves and on the long-duration assets that may be needed to back them. That is not to say that the ICS will have not have adverse impacts on the non-life sector. The Consultation Document states that while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate any impacts on the availability of non-life insurance products from other market participants in the U.S.	
53. Do you anticipate any opportunities for an increase in the range of products available in the insurance market as a result of the implementation of the ICS? If so, please	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. In the consultation document, questions 45-53 are prefaced by the IAIS' statement that the main concerns of IAIS members and stakeholders are about impacts on the availability of long-term insurance products. While some of APCIA's members	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
explain the potential opportunities.		have affiliates that write life insurance and other long-term retirement products, APCIA's focus is on the nonlife sector, which primarily involves short-duration contracts, typically with terms of a year or less. Some aspects of nonlife business have longer-term implications, for example, claim development periods for some lines of business can stretch for 20 years or more and thus such lines are susceptible to some similar issues that life insurers may have with the ICS relating to discounting of reserves and on the long-duration assets that may be needed to back them. That is not to say that the ICS will have not have adverse impacts on the non-life sector. The Consultation Document states that while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate any impacts on the availability of non-life insurance products from other market participants in the U.S.	

Question	Respondent	Comment received	IAIS response
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. Questions 54-65 in the Consultation Document are prefaced by the IAIS's statement that, while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA's ability to respond to these questions is limited. As proposed, the ICS is intended to be applied only to IAIGs. IAIGs compete in the domestic market on the same basis as non-IAIGs. There is nothing fundamentally different about IAIGs' risk profiles that should require different capital treatment than non-IAIG's. Therefore, imposing a different group capital regime on IAIGs in the U.S. would create an unlevel playing field with potential consequences that would outweigh the purported prudential benefits of implementing the ICS. IAIGs in the U.S. would have to consider that they are subject to the ICS but compete in the same market with non-	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		IAIGs that are not subject to the ICS. We also note that, in the U.S., some of the very largest insurance groups are not IAIGs because they do not write business in enough jurisdictions to meet the IAIG criteria. Thus, some of the very largest U.S. groups will be subject to the ICS, and some not, thus making the level playing field a key issue. U.S.-based IAIGs would also be negatively impacted by the requirement to comply with a group capital standard that conflicts with the statutory-based metrics that U.S. firms use to manage their business. As a result, the ICS could potentially require U.S. insurers to hold excessive capital; detract management’s focus as they calculate, rationalize, and explain a one-off metric to supervisors, rating agencies, and other stakeholders; impose high (and unnecessary) implementation costs; and cause insurers to re-evaluate their business and potentially reallocate capital to lines of business that are less negatively impacted by the ICS. Outside the U.S., if the ICS were implemented in other jurisdictions, we would expect supervisors in those jurisdictions to also “true up” their underlying legal entity requirements to a similar method and level of calibration as the ICS. If so, all insurers operating in that market would be impacted, including those whose parent/group is based in the U.S. While the playing field may remain level in the foreign jurisdiction,	

Question	Respondent	Comment received	IAIS response
		business profitability return measures may nonetheless be impacted. As a result, the marketplace in that jurisdiction may not remain as attractive for U.S.-based groups to invest and participate.	
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. As compared to the GCC, and by definition, the ICS would be more sensitive to market changes due to its market adjusted valuation basis. Whether or not that equates to a better sensitivity to risk than, for example, the GCC, is debatable as some changes in market values are temporary and not necessarily indicative of the need for any supervisory response given the long-term nature of certain products. Indeed, as the IAIS completes over a decade of work on the ICS and approaches its scheduled adoption date, changes have been that would seem to temper some of the ICS's impacts, notably	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		pertaining to the criteria and computation of the Three Bucket Approach to discounting liability cash flows. While these are important changes, they primarily impact other sectors of the insurance industry than non-life insurers which is APCIA's primary constituency. That is not to say that implementation of the ICS in the U.S. will have no impacts on the non-life sector. Questions 54-65 in the Consultation Document are prefaced by the IAIS's statement that, while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate any impacts on the risk sensitivity of the solvency position of non-life IAIGs in the U.S.	

Question	Respondent	Comment received	IAIS response
56. Do you anticipate that the implementation of the ICS could lead to a change in the profitability of an IAIG's business units or insurance entities focusing on a specific product type or market segment? If so, please describe the products or market segments potentially affected.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. Questions 54-65 in the Consultation Document are prefaced by the IAIS's statement that, while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate any impacts on the of profitability of a non-life IAIG's business units or insurance entities focusing on a specific product type or market segment in the U.S.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
57. Do you anticipate any circumstances in which IAIGs will need to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. Questions 54-65 in the Consultation Document are prefaced by the IAIS's statement that, while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate any impacts on the need for non-life IAIGs to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS in the U.S.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
58. Do you have any concerns over the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. Questions 54-65 in the Consultation Document are prefaced by the IAIS's statement that, while the ICS is not intended to result in an increase in overall capital requirements that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate any impacts on the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS in the U.S.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
59. Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. Questions 54-65 in the Consultation Document are prefaced by the IAIS's statement that, while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably foresee how non-life IAIGs might change their risk management strategy as a result of the implementation of the ICS in the U.S.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
60. Do you anticipate any circumstances in which IAIGs might change their approach to risk mitigation as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. Questions 54-65 in the Consultation Document are prefaced by the IAIS's statement that, while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably foresee how non-life IAIGs might change their approach to risk mitigation as a result of the implementation of the ICS in the U.S. One certainty is that the ICS will result in a different capital ratio than, say, the AM. How different remains to be seen. In the absence of any data published by the IAIS, our sense is that the two methods are comparable for non-life business. That suggests that any changes to a non-life IAIG's approach to risk mitigation, if any, resulting from implementation of the ICS, will be minor.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
61. Do you anticipate circumstances in which IAIGs would re-structure their business as a direct result of the implementation of the ICS? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. Questions 54-65 in the Consultation Document are prefaced by the IAIS's statement that, while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably foresee how non-life IAIGs might re-structure their business as a direct result of the implementation of the ICS in the U.S.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
62. Do you anticipate any other changes to the operating model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. Questions 54-65 in the Consultation Document are prefaced by the IAIS's statement that, while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably foresee how non-life IAIGs might change their operating model as a result of the implementation of the ICS in the U.S.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
63. Do you anticipate any changes to risk management practices across the insurance industry as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. Questions 54-65 in the Consultation Document are prefaced by the IAIS's statement that, while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably foresee how non-life IAIGs might change their risk management practices as a result of the implementation of the ICS in the U.S. As such, we cannot speculate as to whether or to what degree any such changes may be made across the industry.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
64. Do you anticipate any benefits to the business model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential benefits.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. Questions 54-65 in the Consultation Document are prefaced by the IAIS's statement that, while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably foresee any benefits to the business model of IAIGs as a result of the implementation of the ICS in the U.S. To the contrary, our view is that if there were to be any benefits, they would be far outweighed by the costs to implement, maintain, and explain a stand-alone metric that has no direct relation to the statutory constructs for accounting/valuation and legal entity risk-based capital utilized by the state-based regulatory framework.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
65. Do you anticipate any impacts to the competitiveness of IAIGs relative to non-IAIGs with the implementation of the ICS?	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. Questions 54-65 in the Consultation Document are prefaced by the IAIS's statement that, while the ICS is not intended to result in an increase in overall capital requirements, that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate any impacts on the competitiveness of non-life IAIGs as a result of the implementation of the ICS in the U.S. However, if the ICS were to be implemented in the U.S. and used only for IAIGs, then for group capital supervisory purposes the market would thus be bifurcated between IAIGs and non-IAIGs being subject to different group capital rules with different supervisory implications, creating an unlevel playing field. There is nothing fundamentally different about IAIG's risk profiles that should require different capital treatment than non-IAIG's. Again, and without any information being published by the IAIS as to where the ICS required	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		capital level compares to the AM (or to the GCC or to other RBC-based measures that are currently in use) we cannot speculate as to the magnitude of those differences. But we do foresee rising tensions between IAIGs and non-IAIGs that may have further impacts on regulatory relations and how the market addresses regulatory concerns such as capital levels and product pricing with state insurance regulators.	
66. Do you anticipate any changes to the investment strategy of IAIGs which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. In the consultation document, questions 66-74 are prefaced by the IAIS' statement that an area of particular concern is the potential impact of the ICS on investment markets and the ICS being a driver of pro-cyclicality in broader financial markets. APCIA's focus is on the nonlife sector, which primarily involves short-duration contracts, typically with terms of a year or less. That is not to say that there is no potential for significant' adverse impacts on non-life IAIGs in the U.S. that could result from implementation of the ICS. The Consultation Document	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		states that while the ICS is not intended to result in an increase in overall capital requirements that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate any changes to the investment strategy of IAIGs which could lead to greater pro-cyclical behavior, as a result of the implementation of the ICS in the U.S.	
67. Do you anticipate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. In the consultation document, questions 66-74 are prefaced by the IAIS' statement that an area of particular concern is the potential impact of the ICS on investment markets and the ICS being a driver of pro-cyclicality in broader financial markets. APCIA's focus is on the nonlife sector, which primarily involves short-duration contracts, typically with terms of a year or less. That is not to say that there is no potential for significant' adverse impacts on non-life IAIGs in the U.S. that could result from implementation of the ICS. The Consultation Document	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		states that while the ICS is not intended to result in an increase in overall capital requirements that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the “benchmark” existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behavior, as a result of the implementation of the ICS in the U.S.	
68. Do you anticipate any impacts from the implementation of the ICS on asset concentration risk, either within IAIGs or across insurance markets? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA’s response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. In the consultation document, questions 66-74 are prefaced by the IAIS’ statement that an area of particular concern is the potential impact of the ICS on investment markets and the ICS being a driver of pro-cyclicality in broader financial markets. APCIA’s focus is on the nonlife sector, which primarily involves short-duration contracts, typically with terms of a year or less. That is not to say that there is no potential for significant’ adverse impacts on non-life IAIGs in the U.S. that could result from implementation of the ICS. The Consultation Document	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		states that while the ICS is not intended to result in an increase in overall capital requirements that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate any impacts from the implementation of the ICS in the U.S. on asset concentration risk, either within non-life IAIGs or across insurance markets.	
69. Do you anticipate the implementation of the ICS altering the investment strategy or investment decisions of IAIGs in response to stressed market conditions? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. In the consultation document, questions 66-74 are prefaced by the IAIS' statement that an area of particular concern is the potential impact of the ICS on investment markets and the ICS being a driver of pro-cyclicality in broader financial markets. APCIA's focus is on the nonlife sector, which primarily involves short-duration contracts, typically with terms of a year or less. That said, the ICS' market-adjusted valuation basis is inherently more volatile than, say, the GCC in the U.S. As such, it seems reasonable that if the ICS were to be	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		implemented in the U.S. that some IAIGs would make some changes to investment strategies or decisions in response to the potential for greater volatility. However, non-life IAIGs would be less impacted by the types of stress events on financial markets that are of most concern to the IAIS, and thus less likely to see the need to make significant changes. That is not to say that there is no potential for significant' adverse impacts on non-life IAIGs in the U.S. that could result from implementation of the ICS. The Consultation Document states that while the ICS is not intended to result in an increase in overall capital requirements that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate how or to what degree non-life IAIGs might alter their investment strategy or investment decisions in response to stressed market conditions as a result of implementation of the ICS in the U.S.	

Question	Respondent	Comment received	IAIS response
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. In the consultation document, questions 66-74 are prefaced by the IAIS' statement that an area of particular concern is the potential impact of the ICS on investment markets and the ICS being a driver of pro-cyclicality in broader financial markets. APCIA's focus is on the nonlife sector, which primarily involves short-duration contracts, typically with terms of a year or less. That is not to say that there is no potential for significant' adverse impacts on non-life IAIGs in the U.S. that could result from implementation of the ICS. The Consultation Document states that while the ICS is not intended to result in an increase in overall capital requirements that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate how or to what degree non-life IAIGs might alter their demand for specific asset classes as a result of implementation of the ICS in the U.S.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
71. Are there any other areas of the financial markets (eg derivatives or stock lending) that might be impacted – directly or indirectly – by the implementation of the ICS? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. In the consultation document, questions 66-74 are prefaced by the IAIS' statement that an area of particular concern is the potential impact of the ICS on investment markets and the ICS being a driver of pro-cyclicality in broader financial markets. APCIA's focus is on the nonlife sector, which primarily involves short-duration contracts, typically with terms of a year or less. Compared to other sectors of the market, non-life insurers are generally much less involved in derivatives or stock lending. That is not to say that there is no potential for significant' adverse impacts on non-life IAIGs in the U.S. that could result from implementation of the ICS. The Consultation Document states that while the ICS is not intended to result in an increase in overall capital requirements that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate how or to what degree other	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		areas of financial markets might be impacted as a result of implementation of the ICS in the U.S.	
72. Do you have any concerns over the availability of longer-term assets in the market to meet any increase in demand from IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. In the consultation document, questions 66-74 are prefaced by the IAIS' statement that an area of particular concern is the potential impact of the ICS on investment markets and the ICS being a driver of pro-cyclicality in broader financial markets. APCIA's focus is on the nonlife sector, which primarily involves short-duration contracts, typically with terms of a year or less. That is not to say that there is no potential for significant' adverse impacts on non-life IAIGs in the U.S. that could result from implementation of the ICS. The Consultation Document	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		states that while the ICS is not intended to result in an increase in overall capital requirements that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate impacts on the availability of longer-term assets in the market as a result of implementation of the ICS in the U.S.	
73. Do you anticipate any increased risk to the broader financial markets (eg from re-allocations into or out of specific asset classes in response to shocks in financial markets) as a result of the implementation of the ICS? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. In the consultation document, questions 66-74 are prefaced by the IAIS' statement that an area of particular concern is the potential impact of the ICS on investment markets and the ICS being a driver of pro-cyclicality in broader financial markets. APCIA's focus is on the nonlife sector, which primarily involves short-duration contracts, typically with terms of a year or less. That is not to say that there is no potential for significant' adverse impacts on non-life IAIGs in the U.S. that could result from implementation of the ICS. The Consultation Document	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		states that while the ICS is not intended to result in an increase in overall capital requirements that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate increased risk to the broader financial markets as a result of implementation of the ICS in the U.S.	
74. Do you anticipate any specific benefits to the insurance market or broader financial markets as a result of the implementation of the ICS? If so, please explain the potential benefits.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. In the consultation document, questions 66-74 are prefaced by the IAIS' statement that an area of particular concern is the potential impact of the ICS on investment markets and the ICS being a driver of pro-cyclicality in broader financial markets. APCIA believes that any such potential is relatively minor for the non-life sector. APCIA's focus is on the nonlife sector, which primarily involves short-duration contracts, typically with terms of a year or less. That is not to say that there is no potential for significant'	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		adverse impacts on non-life IAIGs in the U.S. that could result from implementation of the ICS. The Consultation Document states that while the ICS is not intended to result in an increase in overall capital requirements that capital changes could nonetheless result from its implementation. The IAIS has not disclosed any information to stakeholders as to where the ICS currently stands relative to the "benchmark" existing group capital requirements in jurisdictions. Consequently, APCIA is unable to reasonably estimate any specific benefits to the insurance market or broader financial markets as a result of implementation of the ICS in the U.S.	
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. Various of APCIA's members have participated in the ICS field testing and, more recently, the monitoring period. All of those members contributed the time and energy of highly skilled professionals to perform the necessary data gathering and analysis to comply with the needs of the annual reporting exercises that were administered by the IAIS. And over time, a number of those members dropped out of the process, in large part due to the large investment of resources that had been required. Should the ICS be implemented in the U.S. for IAIGs,	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		their experience demonstrates that additional and ongoing investment of resources will be needed to implement and maintain the ICS, resources that can only come from a relatively small pool of skilled and experienced experts. We believe the same is true for at state insurance departments that serve as lead state regulators for US-based IAIGs. Largely because of resource constraints, only a few state insurance regulators have had any direct involvement at the IAIS in the ICS development process. While they have generally been kept up to date on progress through various NAIC activities, there is a long learning curve involved with the ICS and which would require a significant amount of time. Given budget constraints, funding is not always forthcoming to the extent desired. And, just as on the industry side, the skillsets and expertise that regulatory oversight of the ICS require are very specialized and in high demand. We would also point out that ICS implementation would require U.S. non-life IAIGs to implement a valuation system (MAV) that is contrary to both major accounting systems that currently apply (U.S. GAAP and state statutory accounting principles). This would require significant up-front costs and training for both IAIG personnel and state regulators.	

Question	Respondent	Comment received	IAIS response
76. To the extent that it can be predicted, do you anticipate impediments to implementing the requirements of the ICS? If so, please explain the potential impacts.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. The IAIS is keenly aware that the ICS will not be implemented in the U.S. and why that is. Some key features involving the ICS have consistently been of concern to APCIA and its members, and APCIA has consistently objected to these features as inappropriate for the U.S. system. They include a market-based valuation basis as a foundation for the ICS; discounting of non-life reserves which then also necessitates inclusion of a margin over current estimate; recognition of first-year profits at contract inception; and the ICS as a prescribed capital requirement (PCR) to trigger supervisory action in the absence of consideration of inputs from other supervisory tools. In contrast to the ICS, the AM would provide greater regulatory benefit in the U.S. for the following reasons: • The AM is an incremental and pragmatic natural extension of the existing state-based system, which has been shown to be effective at protecting policyholders. • The AM better reflects the risks and economics of the insurance business in the U.S. because it is based on risk charges that benefit from decades of experience across the	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		entire population of regulated insurers, and that have been determined and applied at a more granular level by type or line of business, as compared to the ICS. • The AM is aligned with financial reporting metrics and tools used by U.S. insurers/groups and their state insurance supervisors. A key feature of the AM is that in supervisory decision-making processes involving the financial status of a group, state insurance regulators in the U.S. will consider the AM in the context of the totality of available information from other supervisory tools as well. • The AM is more easily understood, aligned with legal entity requirements, and based on audited data. • The AM is more transparent than the ICS. The AM can be displayed by sub-group ratios, by jurisdiction, or by business unit in order to allow a better understanding of the sources of and risks to group capital, as well as provide clarity about fungibility within the group. • The AM avoids the risks and costs that are inherent with a one-off market-based metric. • Costs that insurers would incur for initial implementation and ongoing maintenance of the AM would be significantly less as compared to the ICS. And for state insurance regulators, costs to administer the GCC would also be less, and the analytical benefits they receive would be much greater, as compared to the ICS.	

Question	Respondent	Comment received	IAIS response
77. Could any costs of implementing the ICS be absorbed by or shared with other implementation projects running concurrently (eg IFRS 17)? If so, please explain how this might be achieved.	American Property Casualty Insurance Association	Please see APCIA's response to question # 78 which describes assumptions made that underlie our responses to questions 45-78. Please also see our response to question 44, which discusses why the ICS is not appropriate for U.S. non-life insurers. U.S.-based firms report on the basis of U.S. GAAP or Statutory Accounting Principles, not IFRS. Moreover, with its market-based construct, the ICS would be a one-off metric in the U.S. with no foundational relationship to the existing valuation and capital measures that underlie the state-based system of insurance regulation in the U.S. We are thus unaware of any other relevant projects that could absorb any of the costs of implementing the ICS.	Please see ICS Economic Impact Assessment report
78. Do you anticipate any other impacts from the implementation of the ICS, not covered above? If so, please explain the potential impacts.	American Property Casualty Insurance Association	APCIA's responses to questions 45-78 pertaining to potential impacts from implementation of the ICS are premised on the following: First and foremost, it is important to emphasize that U.S. regulators have unequivocally stated that the ICS, as currently proposed, will not be adopted as part of the U.S. insurance regulatory system. That said. our responses to this consultation have nonetheless assumed that the candidate ICS would be adopted for use in	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		the U.S., both by the various states, as well as by the Federal Reserve Board (FRB), for application only to IAIGs under their respective supervision. This is of course hypothetical in that the states are instead implementing the Group Capital Calculation (GCC, akin to the Aggregation Method), and the FRB is continuing its efforts to implement the Building Block Approach (BBA) for savings and loan holding companies under its supervision. Both the GCC and the BBA, as aggregation-based constructs, differ in various respects from the consolidation-based ICS. While the ICS continues to be subject to further changes by the end of the monitoring period, we have assumed any such changes will not vary dramatically from the candidate ICS that is the subject of this current consultation of the IAIS. While our responses are based on the assumption that the ICS would be adopted in the U.S., we have also assumed that underlying legal entity requirements (e.g., Risk-Based Capital, statutory accounting-based valuation, etc.) in the U.S. at the state level will not change. However, we have also assumed that in some other jurisdictions where the ICS may be adopted (and where some U.S.-based groups may engage in insurance business) that the underlying legal entity requirements will be “trued up” in those jurisdictions to more closely match the design, construct, and calibration of the ICS.	

Question	Respondent	Comment received	IAIS response
		As to other potential impacts of implementing the IAIS, APCIA remains concerned that the IAIS intends for the ICS to be publicly disclosed. While the IAIS is apparently satisfied with the extent of field testing and the results of the monitoring period to develop and assess the ICS, it nonetheless will be a new requirement, one that is inherently more volatile than existing capital requirements for insurers in the U.S. and will be a trigger to invoke supervisory measures. With public disclosure, it introduces yet another metric that management of IAIGs will have to speak to in communications with shareholders and rating agencies. In doing so, it will be inevitable that, over time, the ICS will vary in terms of direction or rate of change as compared to other existing measures. Rationalizing and explaining those differences will be time-consuming and potentially sow more confusion rather than provide more certainty about an IAIG's financial state of affairs.	
1. Do you have comments regarding the general guiding principles of the ICS?	Association of British Insurers	Mr Jonathan Dixon 21 September 2023 Secretary General International Association of Insurance Supervisors Bank of International Settlements Centralbahnplatz 2, 4051 Basel, Switzerland The UK insurance and long-term savings market and the ABI	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		The Association of British Insurers is the voice of the UK's world-leading insurance and long-term savings industry. A productive and inclusive sector, our industry supports towns and cities across Britain in building back a balanced and innovative economy, employing over 300,000 individuals in high-skilled, lifelong careers, two-thirds of which are outside of London. The UK insurance and long-term savings industry manages investments of over £1.9 trillion, contributes over £16bn in taxes to the Government and supports communities across the UK by enabling trade, risk-taking, investment and innovation. We are also a global success story, the largest in Europe and the fourth largest in the world. The ABI represents over 200 member companies, including most household names and specialist providers, giving peace of mind to customers across the UK. Please note we would be happy, and stand ready, to provide further information if this would be helpful to HM Treasury. For the purposes of this response, 'insurers' refers to insurance, reinsurance and long-term savings companies. Dear Mr Dixon, The ABI is delighted to respond to the IAIS public consultation	

Question	Respondent	Comment received	IAIS response
		on the Insurance Capital Standard (ICS) as a Prescribed Capital Requirement. The ABI supports and welcomes the work of the IAIS for the effort that precede this consultation and that continues to take place ahead of the potential adoption at the end of 2024, and subsequent implementation of the candidate ICS. Overall, the ABI is supportive of the aims of a globally accepted capital standard for Internationally Active Insurance Groups and the enhanced risk mitigation and safeguards this seeks to provide to the insurance industry and by virtue the financial industry as a whole on a global level. The ABI notes below further views ahead of the implementation of the candidate ICS. 1. The inclusion of internal models in the candidate ICS is highly meritorious, the ABI welcomes and embraces this as highlighted in prior public consultations on the ICS. For an effective, efficient, and robust capital standard the inclusion of internal models is one which should remain. Internal models have proven to be an efficient mechanism to better capture risk profiles of a company. o Suggestions to improve the internal models currently proposed in the ICS should not be taken to undermine the benefits of including internal models. The main concern the ABI has is that the current inclusion of internal models in part is more onerous than the existing Solvency II regime.	

Question	Respondent	Comment received	IAIS response
		2. The ABI understands the implementation of the ICS as a crucial element. Taking this into account, we would like to understand in more detail how the ICS will be implemented in practice after its adoption. o The intention to evaluate the impact of the ICS is welcome. However, clarity is needed on what implementation of the ICS as a minimum standard means in practice in order to effectively assess the impact it may have. It is noted in the consultation paper that implementation of the ICS will vary significantly due to different local circumstances. This implies that there will be some flexibility in how the ICS is interpreted for implementation but given the prescriptive nature of the current ICS text it is unclear how jurisdictional differences will be treated. o It is important to understand how the ICS will be given effect as an international standard. It is understood that the ICS is intended to be a qualitative element of ComFrame which has been implemented through the ICPs. The ICPs provide some discretion to national authorities in their implementation by being structured in levels containing principles, standards and guidance, and it is currently unclear how the proposed level 1 and level 2 ICS text would be integrated in this respect. o It is also important to understand how implementation of the ICS at a jurisdictional level will be assessed, and the IAIS's timetable for development of its implementation assessment methodology. We would particularly like to understand whether individual elements of the ICS will be assessed against a	

Question	Respondent	Comment received	IAIS response
		jurisdiction in isolation taking a component-by-component approach or whether this approach will allow for outcomes more broadly judging compliance overall as opposed to slight deviations. It is important to embrace pragmatism when assessing comparability between jurisdictions in how the ICS is adopted. To fully embrace meaningful implementation of the ICS, the IAIS should consider further public consultation on its approach to incorporating the ICS into existing international standards, and the implementation assessment approach that will be adopted to provide clarity of what implementation at a jurisdictional level will mean in practice so that the potential impact can be properly assessed. o Conceptual elements of the ICS such as it being a risk-based market adjusted approach calibrated at a 1 in 200 level with allowance for internal models are fully reflected in Solvency UK. We are also in the process of the review of Solvency UK to make sure it is appropriately tailored to the UK market. Therefore, we expect that Solvency UK should be seen as the practical implementation of the ICS without revision. Yours sincerely, Janice Fordjour Policy Adviser, Association of British Insurers	

Question	Respondent	Comment received	IAIS response
1. Do you have comments regarding the general guiding principles of the ICS?	Axa group	Considering the reality that the ICS will not provide a single global standard, we support the following approach for any implementation of the ICS in the EU: 1. Solvency II ‘as is’ should be considered the implementation of the ICS for the EU on the basis that it is built upon the same foundational concepts as the ICS (e.g., an economic risk based, ‘market adjusted’ approach calibrated at a 1 in 200 level, allowing the use of internal models) 2. Benefits of internal models to be fully recognized without any standard method benchmarking or reporting 3. No application of double standards, meaning the Solvency II framework is the reference for all reporting on regulatory capital ratios On Q1, many of the ICS core principles, presented on p.7 and 8 of the consultation document, do not hold up anymore or are severely challenged now that the objective of the ICS has moved away from establishing a true single global standard. It will be important to amend both these ICS principles and the level of detail and prescriptiveness of the ICS to align with the reality of the ICS project. More generally, AXA supports the answer provided by the European CROF/CFOF and the additional detail provided in the questions answered to in that response.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
10. Do you have comments regarding the ICS risks and calculation methods?	Axa group	We believe the ICS presented is far too detailed and prescriptive, as well as excluding appropriate approaches to design and calibration that are already in use in existing frameworks and have proven their fitness for purpose. Comparing the various elements of the ICS in terms of design and calibration (valuation curves, risk margin, capital instruments, capital requirements, etc.) with those in Solvency II, these practically differ on all aspects. Overall, it seems the ICS tries to reinvent the wheel when it comes to all these elements, whereas alternative, proven methods already exist. There is no strong rationale for ICS to deviate from these proven methods. Therefore, a general flexibility mechanism needs to be built into the ICS that allows for assessing existing frameworks, such as Solvency II, on alignment to the general principles rather than prescribing detailed designs and calibrations for each individual element. AXA supports the answer provided by the European CROF/CFOF and the additional detail provided in the questions answered to in that response	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
36. Do you have comments regarding Other Methods for the calculation of the ICS capital requirement?	Axa group	Recognition of internal models is essential for the proper functioning of the ICS, including its wider impact, and is fully in line with ICP 17. AXA supports the answer provided by the European CROF/CFOF and the additional detail provided in the questions answered to in that response.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
39. Do you have comments on the general provisions on the use of an internal model to determine regulatory capital requirements (section 9.4.2)?	Axa group	The proposed supervisory overlays linked to a benchmarking or reporting of the standard method are not appropriate. AXA supports the answer provided by the European CROF/CFOF and the additional detail provided in the questions answered to in that response.	- About *deleting the requirement to maintain an internal capital target greater than the regulatory capital requirement (L2-363)*: Note that this criterion is not meant to increase the PCR when using an internal model. A similar concept applies to standard method users via ICP 16.14. The supervisor requires the insurer, as part of its ORSA, to analyse its ability to continue in business, and the risk management and

Question	Respondent	Comment received	IAIS response
			financial resources required to do so over a longer time horizon than typically used to determine regulatory capital requirements. - About *general support of the use of IM to determine regulatory capital requirements*: Your support of the use of IM to determine regulatory capital requirements is noted. - About *opposition to the use of standard method (SM) information in the internal model review process (L2-371)*: Feedback and data collected over the monitoring period show that this information can be useful for the supervisor. - About *opposition to the use of standard method (SM) risk categories*

Question	Respondent	Comment received	IAIS response
			comparison in the internal model review process (L2-372): Feedback and data collected over the monitoring period show that this information can be useful for the supervisor. L2-368 does not imply that the internal model needs to follow the structure of the ICS standard method. - About *opposition to the possibility of introducing capital floors linked to the standard method in conditional approval (L2-375)*: Capital floors based on the ICS SM could be relevant if deemed so by the GWS. Added capital add-ons to the text: "Conditions may include capital floors based on the ICS, more conservative model parameters or design features, capital add-ons, or

Question	Respondent	Comment received	IAIS response
			further reviews by the GWS, the IAIG, or a third party." - About *limiting public reporting and disclosure of the differences between IM and SM upon approval to the underlying assumptions (L2-379)*: Modified L2-379 accordingly: "If the internal model is approved, the GWS works with the IAIG to communicate the decision to the public. Particular attention should be given to the clarity of the approved internal model's scope and the differences with the ICS standard method's underlying assumptions when possible." - About *opposition to regular reporting of the differences between IM and SM figures in the post-approval monitoring and control*

Question	Respondent	Comment received	IAIS response
			process (L2-381): The data submission templates are to be agreed upon between the GWS and the IAIG. GWS can ponder cost vs. added value.
44. Do you have additional comments on the ICS?	Axa group	The AXA Group is a worldwide leader in insurance with activities ranging from Property & Casualty, Life & Savings, Health, but also Asset Management. We operate across the globe and have established an economic framework that allows us to measure risk on an economic and consistent basis across the group to support our business. AXA has been applying Solvency II, using an internal model, since its inception in 2016. Solvency II is a robust and advanced supervisory framework, which we also apply on a global basis. AXA has from the start supported the development of an ICS on its original objective as a single global standard to provide a sound, global regulatory level playing field. For this to be achieved, the ICS has to present a single, high-quality, and robust global insurance standard that promotes a sound, global regulatory level playing field. Effectively, this would result in the same targeted level of policyholder protection and triggering	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		the same supervisory actions by the (group) supervisor at the same point in time under stressed conditions. However, this objective has proven not to be achievable and therefore the objective and nature of the ICS project has necessarily changed in recent years. This has significant consequences for the benefits (and drawbacks) of an ICS and equally has a fundamental impact on how implementation should be approached. This is especially true for the EU where the more advanced and proven Solvency II framework is already in place for several years. Considering this reality, we support the following approach for any implementation of the ICS in the EU: 1. Solvency II 'as is' should be considered the implementation of the ICS for the EU on the basis that it is built upon the same foundational concepts as the ICS (e.g., an economic risk based, 'market adjusted' approach calibrated at a 1 in 200 level, allowing the use of internal models) 2. Benefits of internal models to be fully recognized without any standard method benchmarking or reporting 3. No application of double standards, meaning the Solvency II framework is the reference for all reporting on regulatory capital ratios Solvency II is part of a coherent package with other relevant regulations in the EU and in line with political objectives. It is applied in the same way at solo and group level creating a consistent calculation for insurance groups and ensuring a full level playing field in the EU market.	

Question	Respondent	Comment received	IAIS response
		Internal models are an essential element for any advanced market-consistent and risk-based capital regime. Solvency II allows, and even requires, internal models to be developed and adopted in line with ICP 17. It would not be suitable or viable for the ICS not to include internal models on the same basis. Furthermore, it is important to recognize that standard methods are not an appropriate benchmark for internal models since they do not capture well the risk profile of an individual insurer, and therefore there should be no reporting of or benchmarking against standard formula numbers. The ICS should not introduce double standards, neither at the group level nor at solo level. Global convergence should not be achieved at the expense of local fragmentation, i.e., IAIG v. solo/local group regimes in IAIS member jurisdictions. That means the reference framework should always be Solvency II for any reporting purposes for EU IAIGs. Similarly, as noted above there should be no double reporting of internal model and standard formula outcomes. Any double standards/reporting only introduces confusion for stakeholders and creates unsolvable issues for ALM and risk management. It would equally interfere with the use test for internal models, a strong requirement within Solvency II. Concluding, Axa believes that in light of the reality of the ICS project, in contrast to its original objective, that Solvency II 'as is' should be accepted as the local implementation of the ICS for EU IAIGs. It would not be appropriate to replace the carefully deliberated and reviewed designs and calibrations of	

Question	Respondent	Comment received	IAIS response
		Solvency II, to add additional supervisory requirements such as on internal models and to risk strong adverse impacts on EU IAIGs, their clients and competitiveness in the global and local insurance markets. We refer to the European CROF/CFOF response, which we fully support, for further details and explanations.	
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	Axa group	In general, significant adverse impacts can be expected if Solvency II 'as is' is not accepted as the local implementation of the ICS for EU IAIGs. This applies to all questions below related to impact. AXA supports the answer provided by the European CROF/CFOF and the additional detail provided in the questions answered to in that response.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	Axa group	No, the ICS will not address this. The introduction of a fully risk-based approach to supervision is good, but already exists in the EU and some markets will not implement the ICS but an outcome equivalent system that may not benefit from risk-based pricing to the same extent. Essential is also the full and unrestricted allowance for Internal Models calibrated to the set confidence level to ensure a level playing field. Any deviations from this will distort product availability and only further increase the protection gap.	Please see ICS Economic Impact Assessment report
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	Axa group	No and ICS should not aim to distort local competitive markets. In the EU, it was a fundamental decision to implement Solvency II for all insurers, solo and groups, to ensure consistent approaches on both levels of the calculation and to ensure a full level playing field. ICS as a group wide consolidated standard does not bring this benefit and risks distorting and fragmenting the overall level playing field in contradiction of a fundamental legislative decision. It currently risks, via the combination of a detailed prescriptive ICS and potential AM comparability, putting EU IAIGs at a competitive disadvantage both locally and globally and thus distorting rather than improving the level playing field.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
76. To the extent that it can be predicted, do you anticipate impediments to implementing the requirements of the ICS? If so, please explain the potential impacts.	Axa group	Solvency II 'as is' should be accepted as the implementation of ICS, with any differences in designs, calibration or supervisory requirements fully accepted. It should be acknowledged by IAIS that Solvency II is already fully compliant with the underlying concepts and target criteria of the ICS and is a proven solvency standard and as such should be accepted on that basis and does not need to be reviewed in accordance with that recognition. The integrity of the Solvency II framework and important choices made therein, should be fully respected and not be second-guessed by ICS or expected to be modelled after ICS.	Please see ICS Economic Impact Assessment report
77. Could any costs of implementing the ICS be absorbed by or shared with other implementation projects running concurrently (eg IFRS 17)? If so, please explain how this might be achieved.	Axa group	No, Axa has already implemented the much more advanced Solvency II framework and equally has already implemented IFRS 17.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
1. Do you have comments regarding the general guiding principles of the ICS?	Bayfront Infrastructure Management	No.	Noted.
2. Do you have comments regarding the perimeter of the ICS calculation?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
3. Do you have comments on the introduction of a term structure of credit spreads for discounting?	Bayfront Infrastructure Management	No.	Noted.
4. Do you have comments on the revised eligibility criteria for the Middle Bucket?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
5. Do you have comments on the introduction of a modulation factor?	Bayfront Infrastructure Management	No.	Noted.
6. Do you have other comments regarding the Market-Adjusted Valuation?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
7. Do you have comments on the changes regarding eligibility criteria for Tier 1 Limited and Tier 2 financial instruments? Please explain your response based on actual terms and conditions of instruments commonly issued by insurers.	Bayfront Infrastructure Management	No.	Noted.
8. Do you have comments on the introduction of a limit on non-controlling interests, such as the one specified in section 6.4.4?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
9. Do you have other comments regarding capital resources?	Bayfront Infrastructure Management	No.	Noted.
10. Do you have comments regarding the ICS risks and calculation methods?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
11. Do you have comments regarding the grouping of policies for life insurance risks?	Bayfront Infrastructure Management	No.	Noted.
12. Do you have comments regarding the calculation of the Life risk charges?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
13. Do you have comments regarding the calculation of the Non-life risk charges?	Bayfront Infrastructure Management	No.	Noted.
14. Do you have comments regarding the calculation of the Catastrophe risk charges?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
15. Do you have comments regarding the list of market risks considered in the ICS, the general principles to calculate them and the way to aggregate them?	Bayfront Infrastructure Management	No.	Noted.
16. Do you have comments regarding the Interest Rate risk?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
17. Do you have comments regarding the Non-Default Spread risk?	Bayfront Infrastructure Management	No.	Noted.
18. Do you have comments on the differentiated treatment for investments in infrastructure equity?	Bayfront Infrastructure Management	Definition of infrastructure - reference to "essential public services" is fairly narrow. For example, data centers and towers as listed are new infrastructure asset classes, but does not necessarily provide "essential public services". Likewise, power generation assets can also be supplying power on a captive basis to industrial complexes. The requirement for infrastructure projects/corporates to be operational for at least 5 years is not feasible. Most infrastructure projects require funding to be locked in at financial close, prior to the commencement of construction.	- About *the appropriateness of the approach*: The proposed treatment is based on the analysis of data series as well as former studies on the risk profile of infrastructure investments.

Question	Respondent	Comment received	IAIS response
19. Do you have comments on the inclusion of the Equity risk counter-cyclical measure (NAD)?	Bayfront Infrastructure Management	No.	Noted.
20. Do you have comments on the proposed design of the Equity risk counter-cyclical measure?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
21. Do you have comments on whether the Equity risk counter-cyclical measure should allow for more granular calibrations to reflect geographical market specificities?	Bayfront Infrastructure Management	No.	Noted.
22. Do you have other comments regarding Equity risk?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
23. Do you have comments regarding Real Estate risk?	Bayfront Infrastructure Management	No.	Noted.
24. Do you have comments regarding Currency risk?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
25. Do you have comments regarding Asset Concentration risk?	Bayfront Infrastructure Management	No.	Noted.
26. Do you have comments on the differentiated treatment for investments in infrastructure debt?	Bayfront Infrastructure Management	Definition of infrastructure - reference to "essential public services" is fairly narrow. For example, data centers and towers as listed are new infrastructure asset classes, but does not necessarily provide "essential public services". Likewise, power generation assets can also be supplying power on a captive basis to industrial complexes. The requirement for infrastructure projects/corporates to be operational for at least 3 years is not feasible. Most infrastructure projects require funding to be locked in at financial close, prior to the commencement of construction.	- About *widening of definitions*: Inclusion - processing of energy infrastructure is already included in the term "production" subject to meeting the relevant criteria. Sport facilities could be implied to be included if they meet the principle of providing essential public service, subject to meeting the relevant criteria. Ratings - L2-330b prohibits the use of internal ratings. Contradiction - "completion

Question	Respondent	Comment received	IAIS response
			of project" refers to the operational phase of the project and possible ongoing maintenance requirements. Relaxation - projects that cannot meet the requirements nor the stated alternative security requirements would not provide the lower probability of default that is otherwise observed for infrastructure projects. Public services - The IAIS has developed the methodology based on this definition. Operational requirement - three years operational record for a corporate managing infrastructure project is deemed an appropriate demonstration of operational feasibility of the project.

Question	Respondent	Comment received	IAIS response
27. Do you have other comments regarding Credit risk?	Bayfront Infrastructure Management	No.	Noted.
28. Do you have comments regarding Operational risk?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
29. Do you have comments regarding the aggregation / diversification of ICS risk charges?	Bayfront Infrastructure Management	No.	Noted.
30. Do you have comments regarding the optionality given to group-wide supervisors to require a calculation based on the Basel III approach for calculating risk charges for non-insurance non-banks financial entities?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
31. Do you have comments regarding the optionality given to group-wide supervisors to require an additional risk charge for non-insurance, non-bank financial entities without a sectoral capital requirement where an operational risk charge would not capture all material risks?	Bayfront Infrastructure Management	No.	Noted.
32. Do you have other comments regarding non-insurance risk charges?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
33. Do you have comments regarding the use of a simplified utilisation approach for tax?	Bayfront Infrastructure Management	No.	Noted.
34. Do you have comments regarding the option given to the supervisor to require a more complex approach for tax?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
35. Do you have other comments regarding tax?	Bayfront Infrastructure Management	No.	Noted.
36. Do you have comments regarding Other Methods for the calculation of the ICS capital requirement?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
37. Do you have comments regarding SOCCA processes?	Bayfront Infrastructure Management	No.	Noted.
38. Do you have comments on the overall requirements (section 9.4.1)?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
39. Do you have comments on the general provisions on the use of an internal model to determine regulatory capital requirements (section 9.4.2)?	Bayfront Infrastructure Management	No.	Noted.
40. Do you have comments on the criteria for internal model approval (section 9.4.3)?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
41. Do you have comments on the additional considerations (section 9.4.4)?	Bayfront Infrastructure Management	No.	Noted.
42. Do you have comments on the general provisions on the use of partial internal models (PIM) (section 9.4.5)?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
43. Do you have other comments regarding the use of internal models?	Bayfront Infrastructure Management	No.	Noted.
44. Do you have additional comments on the ICS?	Bayfront Infrastructure Management	No.	Noted.

Question	Respondent	Comment received	IAIS response
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report
48. Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
49. Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report
50. Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
53. Do you anticipate any opportunities for an increase in the range of products available in the insurance market as a result of the implementation of the ICS? If so, please explain the potential opportunities.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report
56. Do you anticipate that the implementation of the ICS could lead to a change in the profitability of an IAIG's business units or insurance entities focusing on a specific product type or market segment? If so, please describe the products or market segments potentially affected.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
57. Do you anticipate any circumstances in which IAIGs will need to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report
58. Do you have any concerns over the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
59. Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report
60. Do you anticipate any circumstances in which IAIGs might change their approach to risk mitigation as a result of the implementation of the ICS? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
61. Do you anticipate circumstances in which IAIGs would re-structure their business as a direct result of the implementation of the ICS? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report
62. Do you anticipate any other changes to the operating model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
63. Do you anticipate any changes to risk management practices across the insurance industry as a result of the implementation of the ICS? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report
64. Do you anticipate any benefits to the business model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential benefits.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
65. Do you anticipate any impacts to the competitiveness of IAIGs relative to non-IAIGs with the implementation of the ICS?	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report
66. Do you anticipate any changes to the investment strategy of IAIGs which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
67. Do you anticipate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report
68. Do you anticipate any impacts from the implementation of the ICS on asset concentration risk, either within IAIGs or across insurance markets? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
69. Do you anticipate the implementation of the ICS altering the investment strategy or investment decisions of IAIGs in response to stressed market conditions? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
71. Are there any other areas of the financial markets (eg derivatives or stock lending) that might be impacted – directly or indirectly – by the implementation of the ICS? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report
72. Do you have any concerns over the availability of longer-term assets in the market to meet any increase in demand from IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
73. Do you anticipate any increased risk to the broader financial markets (eg from re-allocations into or out of specific asset classes in response to shocks in financial markets) as a result of the implementation of the ICS? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report
74. Do you anticipate any specific benefits to the insurance market or broader financial markets as a result of the implementation of the ICS? If so, please explain the potential benefits.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report
76. To the extent that it can be predicted, do you anticipate impediments to implementing the requirements of the ICS? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
77. Could any costs of implementing the ICS be absorbed by or shared with other implementation projects running concurrently (eg IFRS 17)? If so, please explain how this might be achieved.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report
78. Do you anticipate any other impacts from the implementation of the ICS, not covered above? If so, please explain the potential impacts.	Bayfront Infrastructure Management	No.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
1. Do you have comments regarding the general guiding principles of the ICS?	CNP Assurances	We welcome the opportunity to provide comments to the International Association of Insurance Supervisors (IAIS) on the Insurance Capital Standard (ICS) as a Prescribed Capital Requirement (PCR). The ICS project is of particular relevance to, and has impact on, the French market given that 8 out of 52 internationally active insurance groups (IAIGs) worldwide are French. We have been supportive of the overall and initial objective of the ICS project to create a single, high-quality, and robust global insurance standard that promotes a sound and level global regulatory playing field. We recognise that this would have resulted in the same targeted level of policyholder protection and the same group supervisory triggers and ladder of intervention at any point in time to be achieved globally. However, considering the diversity of views at the IAIS on how to deliver this outcome, the objective of the ICS has evolved over time to only provide now for what the IAIS calls a “minimum standard” to be achieved even if the proposed candidate ICS is far too detailed and prescriptive for such a purpose, creating considerable obstacles for actual implementation without significant adverse consequences. In parallel, outside of the ICS scope and free from its governance, the US Aggregation Method could be accepted as an outcome-equivalent approach to ICS, freeing it from all ICS details and prescription, on a still to be defined process while the AM	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		standard itself is still lacking transparent specifications and purpose. The contrast is striking. In that sense, the achievability of this initial objective has been significantly questioned by the evolution of the nature the ICS project over the years, and the reality is now that no jurisdictions foresee the implementation of the standard as per the specifications adopted by the IAIS. The Candidate ICS has become too detailed and prescriptive The ICS project has transitioned through several phases over the past years including ICS, ICS V2 for field testing and now the Candidate ICS. The consequence of all this development is that the technical specifications for the ICS are now very detailed and prescriptive. This is not suitable for what is supposed to be a minimum standard. While there remain a number of important questions relating to the jurisdictional implementation of the ICS, we are not aware of any jurisdiction that will implement the ICS as per the designs and calibrations as specified by the IAIS. The ICS therefore is more akin to a theoretical archetype than a real-world operational framework. It would be particularly surprising for the IAIS to conclude that the U.S. Aggregation Method provides an outcome equivalent approach to ICS, resulting in no further obligation for the US framework to comply with any of the specifications and requirements set out in the ICS L1 and L2 text, while requiring the other solvency regimes to	

Question	Respondent	Comment received	IAIS response
		change to adapt to the ICS on details such as additional requirements or alternative calibrations to be considered compliant. Especially, since these existing regimes, such as Solvency II, have proven their worth for several years and through various crisis, while the US Aggregation Method is still only in its development phase. The IAIS assessment of the jurisdictional implementation of the ICS should be clarified Any implementation of the “ICS as a PCR” for existing solvency regimes that are built upon the same foundational concepts, such as Solvency II, should be assessed by the IAIS on a holistic approach, meaning general alignment on the same foundational concepts (e.g., an economic risk based, ‘market adjusted’ approach calibrated at a 1 in 200 level, allowing the use of internal models), rather than to the individual technical details in the candidate ICS. Therefore, We support Solvency II ‘as is’ to be accepted as the implementation of the ICS in the EU.. It should be considered as an implementation of the ICS, without any further changes and with no double reporting requirements. We also remain concerned that the AM approach is fundamentally different from the candidate ICS, and notably its foundational concepts, which has challenged several of the ICS principles noted on pp. 7 and 8 of the consultation document.. Concerns remain about the lack of transparency regarding the	

Question	Respondent	Comment received	IAIS response
		development and comparability assessment of the Aggregation Methodology (AM). Currently, the proposed AM approach remains unspecified and the process that the IAIS will use to assess its comparability with the ICS is as yet publicly undocumented despite requests from industry and other key stakeholders. This is in strong contrast with the ICS for which extensive, multi-level technical specifications and requirements have been put forward. . It is vital that the comparability assessment exercise is sufficiently robust, quantitatively substantiated and transparent. Furthermore, it is not clear how the IAIS would be able to FSAP the US Aggregation Method as it is not part of the ICS and does not fall within the remit of the IAIS. All these elements make that the ICS principles as well as any positive impact of the ICS project on the global level playing field are severely challenged. The reporting of the ICS should be done solely through the legally enforceable local framework, with no double reporting requirements. It is our understanding that when the ICS becomes a PCR, it will only exist through the means of its legally enforceable transposition in local frameworks. In the EU, this means that IAIGs aren't going to be subject to Solvency II and the ICS, but Solvency II is going to be the ICS for the purpose of the global colleges of supervision or any other purposes (incl. the GME).	

Question	Respondent	Comment received	IAIS response
		The IAIS is thus requested to confirm in its resolution of comments that no double reporting of the ICS will be required for the purpose of the global colleges of supervision or any other purposes (incl. the GME). We note that the Japanese supervisory authority has already communicated during the IAIS conference that this approach will be adopted for Japan as the way forward. In the EU we expect the same approach to be adopted.	
2. Do you have comments regarding the perimeter of the ICS calculation?	CNP Assurances	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
3. Do you have comments on the introduction of a term structure of credit spreads for discounting?	CNP Assurances	See response to question 10.	Noted.
4. Do you have comments on the revised eligibility criteria for the Middle Bucket?	CNP Assurances	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
5. Do you have comments on the introduction of a modulation factor?	CNP Assurances	See response to question 10.	Noted.
6. Do you have other comments regarding the Market-Adjusted Valuation?	CNP Assurances	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
7. Do you have comments on the changes regarding eligibility criteria for Tier 1 Limited and Tier 2 financial instruments? Please explain your response based on actual terms and conditions of instruments commonly issued by insurers.	CNP Assurances	See response to question 10.	Noted.
8. Do you have comments on the introduction of a limit on non-controlling interests, such as the one specified in section 6.4.4?	CNP Assurances	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
9. Do you have other comments regarding capital resources?	CNP Assurances	See response to question 10.	Noted.
10. Do you have comments regarding the ICS risks and calculation methods?	CNP Assurances	The ICS as it stands is far too detailed and prejudging, as well as excluding appropriate approaches that are already in use in existing frameworks and have proven their fitness for purpose. This includes further advancements fully embedded in existing and applied frameworks such as the allowance of group or undertaking specific parameters and internal models for determining the capital requirements. Indeed, comparing the various elements of the ICS in terms of design and calibration (valuation curves, risk margin, capital instruments, capital requirements, etc.) with those in Solvency II, these practically differ on all aspects. Overall, it seems the ICS tries to reinvent the wheel when it comes to all these elements, whereas alternative, proven methods already exist.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
11. Do you have comments regarding the grouping of policies for life insurance risks?	CNP Assurances	See response to question 10.	Noted.
12. Do you have comments regarding the calculation of the Life risk charges?	CNP Assurances	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
13. Do you have comments regarding the calculation of the Non-life risk charges?	CNP Assurances	See response to question 10.	Noted.
14. Do you have comments regarding the calculation of the Catastrophe risk charges?	CNP Assurances	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
15. Do you have comments regarding the list of market risks considered in the ICS, the general principles to calculate them and the way to aggregate them?	CNP Assurances	See response to question 10.	Noted.
16. Do you have comments regarding the Interest Rate risk?	CNP Assurances	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
17. Do you have comments regarding the Non-Default Spread risk?	CNP Assurances	See response to question 10.	Noted.
18. Do you have comments on the differentiated treatment for investments in infrastructure equity?	CNP Assurances	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
19. Do you have comments on the inclusion of the Equity risk counter-cyclical measure (NAD)?	CNP Assurances	See response to question 10.	Noted.
20. Do you have comments on the proposed design of the Equity risk counter-cyclical measure?	CNP Assurances	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
21. Do you have comments on whether the Equity risk counter-cyclical measure should allow for more granular calibrations to reflect geographical market specificities?	CNP Assurances	See response to question 10.	Noted.
22. Do you have other comments regarding Equity risk?	CNP Assurances	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
23. Do you have comments regarding Real Estate risk?	CNP Assurances	See response to question 10.	Noted.
24. Do you have comments regarding Currency risk?	CNP Assurances	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
25. Do you have comments regarding Asset Concentration risk?	CNP Assurances	See response to question 10.	Noted.
26. Do you have comments on the differentiated treatment for investments in infrastructure debt?	CNP Assurances	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
27. Do you have other comments regarding Credit risk?	CNP Assurances	See response to question 10.	Noted.
28. Do you have comments regarding Operational risk?	CNP Assurances	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
29. Do you have comments regarding the aggregation / diversification of ICS risk charges?	CNP Assurances	See response to question 10.	Noted.
30. Do you have comments regarding the optionality given to group-wide supervisors to require a calculation based on the Basel III approach for calculating risk charges for non-insurance non-banks financial entities?	CNP Assurances	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
31. Do you have comments regarding the optionality given to group-wide supervisors to require an additional risk charge for non-insurance, non-bank financial entities without a sectoral capital requirement where an operational risk charge would not capture all material risks?	CNP Assurances	See response to question 10.	Noted.
32. Do you have other comments regarding non-insurance risk charges?	CNP Assurances	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
33. Do you have comments regarding the use of a simplified utilisation approach for tax?	CNP Assurances	See response to question 10.	Noted.
34. Do you have comments regarding the option given to the supervisor to require a more complex approach for tax?	CNP Assurances	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
35. Do you have other comments regarding tax?	CNP Assurances	See response to question 10.	Noted.
44. Do you have additional comments on the ICS?	CNP Assurances	• Any implementation of the “ICS as a PCR” for those existing solvency regimes that are built upon the same foundational concepts (e.g., an economic risk based, ‘market adjusted’ approach calibrated at a 1 in 200 level, allowing the use of internal models), should be assessed by the IAIS on a holistic approach, rather than the individual technical details. These existing solvency regimes are part of a coherent package with other relevant regulations in the jurisdictions and in line with political objectives; details/ individual principles must be viewed in that broader context. • The reporting of the ICS should be done solely through the legally enforceable local framework, with no double reporting requirements. Global convergence should not be achieved at the expense of local fragmentation, i.e., IAIG v. solo/local group regimes in IAIS member jurisdictions.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		• The initial high-level principles for ICS developments have not kept up with the evolution of the ICS project so the expected potential impact on markets and competition equally has changed. We have followed the developments on the ICS in the last decade, including the start of the project and the subsequent developments of ICS 1.0 and 2.0 and the emergence of the comparability assessment. It was originally envisaged that for the Insurance Capital Standard (ICS) project to achieve its prime objective, as laid out by the IAIS, it must lead to a single, high-quality, and robust global insurance standard that promotes a sound, global regulatory level playing field. Effectively, this would result in the same targeted level of policyholder protection and triggering the same supervisory actions by the group supervisor and at the same point in time under stressed conditions. However, this objective has proven not to be achievable and therefore the objective and nature of the ICS project has necessarily changed in recent years. This has significant consequences for the benefits (and drawbacks) of an ICS and equally has a fundamental impact on how implementation should be approached. This is especially true for the EU where the more advanced and proven Solvency II framework is	

Question	Respondent	Comment received	IAIS response
		already in place for several years. Indeed, The reality is that no jurisdictions foresee the implementation of the standard as per the specifications adopted by the IAIS. Nevertheless, we observe the steps made by the IAIS over time continue to anchor the ICS in a high level of detail and prescription, which we consider incompatible with the nature of a minimum standard and a simple comparison shows that almost on all aspects the ICS deviates from the provenand carefully deliberated Solvency II framework. The aspect of governance should be mentioned in this respect. Any standards developed by the IAIS do not benefit from political scrutiny and as such may provide high-level guidelines for local regimes but are not suitable for ‘as is’ adoption of any details on design and calibration put forward in the ICS. The political scrutiny and legislative processes ensure a framework is balanced on the level of prudence and fit for purpose in practice, on jurisdictional level and in light of the broader context a framework needs to operate in, such as the wider economy and the broader legislative framework. For this reason, the IAIS is requested to clarify that, also given the similarity to foundational concepts underlying the ICS, Solvency II, ‘as is’, will be fully accepted as the local implementations of the ICS, should European legislators wish	

Question	Respondent	Comment received	IAIS response
		to do so, without the need of potential adjustments or any detailed comparisons per element. This is an essential, but still missing, clarification within the ICS set-up. This question of the relationship with Solvency II is fundamental for the EU insurance industry. Without specifying it in the detailed questions on designs and parameters in this consultation, the European industry does not believe the ICS provides a better or more appropriate standard than Solvency II, , on the contrary. It is important that this is acknowledged by IAIS, while at the same time limiting the prescriptive nature of the standard, given that this is a minimum standard. Exemplary of the concerns and unclarity around implementation and impact is the fact that despite EU IAIG's supporting and participating actively since the start of the ICS project, the EU participation to the monitoring period faded after the redirection of the ICS project with ICS 2.0. This is particularly relevant as in parallel the EU Solvency II review is in progress and already further divergences can be seen between choices made in ICS and Solvency II highlighting the practical dynamic that ICS needs to embrace with a more flexible, principles-based approach for similar frameworks. Indeed, we would expect that the Solvency II regime, pre- and post-review, is considered fully compliant with the ICS as it relies by nature on the same principles and should not lead to any further review of the EU solvency framework	

Question	Respondent	Comment received	IAIS response
		Therefore, the ICS should not create new requirements that are not adopted/accepted by the political level in the Solvency II review. The European supervisory community had its opportunity to feed into the Solvency II review process via a request for advice from the European Commission in 2019, and it is now the mandate for the political level to decide how the Solvency II framework should be amended. This process should not be undermined via the ICS project. Indeed, the ICS should avoid intervening in legislative processes in such a manner and ensure any outcomes from legislative reviews by the political level are accommodated under the ICS. If not, the ICS will not be implementable and/or sustainable in the European context without important drawbacks and negative economic and competitive impacts. We continue to question the need for the detailedness and prescriptiveness with the ICS to be positioned as a minimum standard and equally with the fact that it effectively provides second-guesses on the design and calibration of similar frameworks. Solvency II is a well-designed and proven framework and should be deemed the local implementations of the ICS. Solvency II has been scrutinized by the political level to assess appropriateness in the wider context. The lack of this key part of framework development with regard to the ICS is already reflected by signs of supervisory gold-plating in the various ICS requirements (e.g., on internal models).	

Question	Respondent	Comment received	IAIS response
		Concluding, we believe important concerns and uncertainties continue to exist as set out in detail in this response and which are also related to the potential impact of ICS on markets and competition.	
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	CNP Assurances	It is difficult to assess the exact impact of the implementation of the ICS for the business strategy of IAIGs. However, if Solvency II , as expected, is accepted as the implementation of ICS, We do not expect significant changes to the business models of EU IAIGs. Nonetheless, in the event that the ICS imposes duplication of requirements and creates an additional layer of supervision, material costs would be incurred in terms of IT infrastructure, resources and capital, which could have significant wider implications including on product pricing and product availability.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
48. Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report
49. Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
50. Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	CNP Assurances	We do not expect a direct correlation between the ICS implementation and closing protection gaps on the basis that Solvency II ‘as is’ will be the implementation in the EU. Indeed, We only foresee a limited impact on product availability, which is therefore unlikely to reduce the protection gap. However, should the ICS negatively impact pricing and product availability, this might actually lead to an increase of the protection gap.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	CNP Assurances	We do not expect the ICS to compensate a reduction in product availability by other market participants. As a matter of fact, existing regulations are already aiming to ensure a level playing field and ICS should not distort existing competition and level playing field.	Please see ICS Economic Impact Assessment report
53. Do you anticipate any opportunities for an increase in the range of products available in the insurance market as a result of the implementation of the ICS? If so, please explain the potential opportunities.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	CNP Assurances	See response to question 45. We believe that this will depend on the concrete implementation of the ICS.	Please see ICS Economic Impact Assessment report
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
56. Do you anticipate that the implementation of the ICS could lead to a change in the profitability of an IAIG's business units or insurance entities focusing on a specific product type or market segment? If so, please describe the products or market segments potentially affected.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report
57. Do you anticipate any circumstances in which IAIGs will need to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
58. Do you have any concerns over the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report
59. Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
60. Do you anticipate any circumstances in which IAIGs might change their approach to risk mitigation as a result of the implementation of the ICS? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report
61. Do you anticipate circumstances in which IAIGs would re-structure their business as a direct result of the implementation of the ICS? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
62. Do you anticipate any other changes to the operating model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report
63. Do you anticipate any changes to risk management practices across the insurance industry as a result of the implementation of the ICS? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
64. Do you anticipate any benefits to the business model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential benefits.	CNP Assurances	In addition to the obvious advantage of having a globally accepted standard, if implemented in all jurisdictions to the same standard which enables consistent comparisons across IAIGs from various jurisdictions, We do not anticipate any other significant benefits arising from the implementation of the ICS. However, considering that no jurisdictions appear to have committed to implement the IAIS as per the technical specifications defined by the IAIS, and the development of the comparability with the Aggregation Method developed by the US, this question might not be completely relevant. See response to question 45 for more details.	Please see ICS Economic Impact Assessment report
65. Do you anticipate any impacts to the competitiveness of IAIGs relative to non-IAIGs with the implementation of the ICS?	CNP Assurances	See response to question 45. We believe that the ICS project should not harm the competitiveness of IAIGs nor significantly disadvantage them when compared to non-IAIGs.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
66. Do you anticipate any changes to the investment strategy of IAIGs which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report
67. Do you anticipate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
68. Do you anticipate any impacts from the implementation of the ICS on asset concentration risk, either within IAIGs or across insurance markets? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report
69. Do you anticipate the implementation of the ICS altering the investment strategy or investment decisions of IAIGs in response to stressed market conditions? If so, please explain the potential impacts.	CNP Assurances	See response to question 45. Moreover, We believe that insurers, due to their long-term nature, have the capacity to hold assets until maturity making them resilient to short-term fluctuations and therefore, their ALM strategy is not highly impacted during stressed market conditions.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report
71. Are there any other areas of the financial markets (eg derivatives or stock lending) that might be impacted – directly or indirectly – by the implementation of the ICS? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
72. Do you have any concerns over the availability of longer-term assets in the market to meet any increase in demand from IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report
73. Do you anticipate any increased risk to the broader financial markets (eg from re-allocations into or out of specific asset classes in response to shocks in financial markets) as a result of the implementation of the ICS? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
74. Do you anticipate any specific benefits to the insurance market or broader financial markets as a result of the implementation of the ICS? If so, please explain the potential benefits.	CNP Assurances	As per response in question 45, We consider that the success of the ICS project will depend on its concrete implementation, as well as on the outcome of the ICS/AM comparability assessment.	Please see ICS Economic Impact Assessment report
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
76. To the extent that it can be predicted, do you anticipate impediments to implementing the requirements of the ICS? If so, please explain the potential impacts.	CNP Assurances	We consider that the ICS should be fully implemented through Solvency II (‘as is’). As a result, We do not foresee direct impediments linked to the implementation of the ICS, assuming that Solvency II will be considered as readily compliant with the ICS.	Please see ICS Economic Impact Assessment report
77. Could any costs of implementing the ICS be absorbed by or shared with other implementation projects running concurrently (eg IFRS 17)? If so, please explain how this might be achieved.	CNP Assurances	We do not believe that these costs can be shared, considering that the European industry has already fully implemented standards like IFRS 17.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
78. Do you anticipate any other impacts from the implementation of the ICS, not covered above? If so, please explain the potential impacts.	CNP Assurances	See response to question 45.	Please see ICS Economic Impact Assessment report
1. Do you have comments regarding the general guiding principles of the ICS?	Coburg University	The ICS should allow risk-based supervision, i. e. the prescribed capital requirement has to be risk-based and on a consolidated basis for groups as the Group Solvency Capital Requirement (SCR) of Solvency II. It is important that the supervisory view for IAIG is consistent with risk and value-based performance management (economic view). Risk management should not be against supervision. Therefore, the proportionality principle is essential, because it reflects the economic assessment in risk management activities.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
2. Do you have comments regarding the perimeter of the ICS calculation?	Coburg University	The starting point has to be the consolidated GAAP balance sheet. Where an IAIG does not prepare audited consolidated GAAP financials, statutory financial statements have to be aggregated and intra-group transactions have to be eliminated to reflect the group level starting balance sheet.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
3. Do you have comments on the introduction of a term structure of credit spreads for discounting?	Coburg University	No.	Noted.

Question	Respondent	Comment received	IAIS response
4. Do you have comments on the revised eligibility criteria for the Middle Bucket?	Coburg University	No.	Noted.
5. Do you have comments on the introduction of a modulation factor?	Coburg University	No.	Noted.

Question	Respondent	Comment received	IAIS response
6. Do you have other comments regarding the Market-Adjusted Valuation?	Coburg University	No.	Noted.
7. Do you have comments on the changes regarding eligibility criteria for Tier 1 Limited and Tier 2 financial instruments? Please explain your response based on actual terms and conditions of instruments commonly issued by insurers.	Coburg University	The proposed changes regarding eligibility criteria for Tier 1 Limited and Tier 2 financial instruments are supported.	- About *supporting changes to Tier 1 Limited and Tier 2 financial instruments*: The IAIS takes note of your support for the changes made to the eligibility criteria for Tier 1 Limited and Tier 2 financial instruments.

Question	Respondent	Comment received	IAIS response
8. Do you have comments on the introduction of a limit on non-controlling interests, such as the one specified in section 6.4.4?	Coburg University	No.	Noted.
9. Do you have other comments regarding capital resources?	Coburg University	No.	Noted.

Question	Respondent	Comment received	IAIS response
10. Do you have comments regarding the ICS risks and calculation methods?	Coburg University	No.	Noted.
11. Do you have comments regarding the grouping of policies for life insurance risks?	Coburg University	No.	Noted.

Question	Respondent	Comment received	IAIS response
14. Do you have comments regarding the calculation of the Catastrophe risk charges?	Coburg University	The risk charges should reflect climate change. Therefore, an ongoing assessment might be necessary.	- About *climate change*: Please refer to the ICS calibration document for more details about the ICS calibration methodology.
15. Do you have comments regarding the list of market risks considered in the ICS, the general principles to calculate them and the way to aggregate them?	Coburg University	No.	Noted.

Question	Respondent	Comment received	IAIS response
16. Do you have comments regarding the Interest Rate risk?	Coburg University	No.	Noted.
18. Do you have comments on the differentiated treatment for investments in infrastructure equity?	Coburg University	The introduction of a differentiated treatment for investments in infrastructure equity that meet certain conditions is supported.	- About *supporting the proposition*: Your support of the ICS design is noted.

Question	Respondent	Comment received	IAIS response
19. Do you have comments on the inclusion of the Equity risk counter-cyclical measure (NAD)?	Coburg University	In general, macro-economic tools are necessary. However, the NAD should be not the only or most relevant one.	- About *other counter-cyclical measures*: In principle, all Market risks could be subject to a counter-cyclical adjustment. However, some risks would be more difficult to address with a simple methodology as the population of IAIGs react differently to steep market movements. The NAD for equity risk is deemed efficient and yet simple enough to be applied consistently by all IAIGs.
21. Do you have comments on whether the Equity risk counter-cyclical measure should allow for more granular calibrations to reflect geographical market specificities?	Coburg University	No. It seems quite complexe.	Noted.

Question	Respondent	Comment received	IAIS response
23. Do you have comments regarding Real Estate risk?	Coburg University	No.	Noted.
24. Do you have comments regarding Currency risk?	Coburg University	No.	Noted.

Question	Respondent	Comment received	IAIS response
25. Do you have comments regarding Asset Concentration risk?	Coburg University	No.	Noted.
28. Do you have comments regarding Operational risk?	Coburg University	There might be a rethinking of operational risk as non-financial risk necessary, e. g. sustainability risk, risk of using artificial intelligence systems and/or cyber risks. Operational risk management might be not really reflected in the capital requirement.	- About *operational risk being too simple*: The current methodology is assumed to strike the right balance between complexity and risk sensitivity.

Question	Respondent	Comment received	IAIS response
29. Do you have comments regarding the aggregation / diversification of ICS risk charges?	Coburg University	No.	Noted.
30. Do you have comments regarding the optionality given to group-wide supervisors to require a calculation based on the Basel III approach for calculating risk charges for non-insurance non-banks financial entities?	Coburg University	Such an approach should not deviate from being a risk-based capital requirement.	Noted.

Question	Respondent	Comment received	IAIS response
31. Do you have comments regarding the optionality given to group-wide supervisors to require an additional risk charge for non-insurance, non-bank financial entities without a sectoral capital requirement where an operational risk charge would not capture all material risks?	Coburg University	There should be clear justification by the group-wide supervisors why they think such an additional risk charge is justified and explain on evidence-based that this is not devitating from risk based capital requirements to avoid overly conservative approaches.	- About *guidance on applying GWS option*: Guidance is not provided in the Level 1 and Level 2. The IAIS is considering what material, such as examples or guidance, may be helpful to publish to support the implementation of the ICS.
33. Do you have comments regarding the use of a simplified utilisation approach for tax?	Coburg University	No.	Noted.

Question	Respondent	Comment received	IAIS response
34. Do you have comments regarding the option given to the supervisor to require a more complex approach for tax?	Coburg University	No.	Noted.
35. Do you have other comments regarding tax?	Coburg University	No.	Noted.

Question	Respondent	Comment received	IAIS response
36. Do you have comments regarding Other Methods for the calculation of the ICS capital requirement?	Coburg University	Internal models should be allowed where they provide the same level of protection as the standard method, with target criteria of 99.5% VaR over a one-year time horizon. Solvency II provides a good reference framework for internal models.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
37. Do you have comments regarding SOCCA processes?	Coburg University	No.	Noted.

Question	Respondent	Comment received	IAIS response
43. Do you have other comments regarding the use of internal models?	Coburg University	Internal models are important to align supervisory capital requirements with the economic assessment in insurance groups.	- About *support for the inclusion of internal models in the ICS*: Your support for the inclusion of internal models is noted.
44. Do you have additional comments on the ICS?	Coburg University	Get it started!	Noted.

Question	Respondent	Comment received	IAIS response
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	Coburg University	For European insurance groups not impact is to be expected because of similar requirements for group supervision under Solvency II.	Please see ICS Economic Impact Assessment report
1. Do you have comments regarding the general guiding principles of the ICS?	CRO Forum Association	We do not provide any comments on the general guiding principles as included in section 3 of the paper. However, we do have important observations on the high-level ICS principles that are also referred to in this document. The high-level principles for ICS development have not kept up with the developments of recent years, and the degree of convergence that can be achieved internationally. The hiatus between those principles and the reality of the ICS project raises a host of questions which are left unaddressed by the IAIS in the consultation document. This gap has limited our ability to make specific comments to the document. We request the IAIS to provide clarifications to the following points in order	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		to allow the industry (and its stakeholders) to properly assess the implications of the ICS as a PCR. 1. Any implementation of the “ICS as a PCR” for those existing solvency regimes that are built upon the same foundational concepts (e.g., an economic risk based, ‘market adjusted’ approach calibrated at a 1 in 200 level, allowing the use of internal models), should be assessed by the IAIS on a holistic approach, rather than the individual technical details. These existing solvency regimes are part of a coherent package with other relevant regulations in the jurisdictions and in line with political objectives; details/ individual principles must be viewed in that broader context. The ICS is not being created in a vacuum. Many jurisdictions rely on advanced and proven solvency regimes adapted to the specifics of their markets. These solvency regimes form an integral coherent overall package with other relevant regulations in the jurisdictions, e.g., supervision, bankruptcy, taxation. This is the case in Europe where Solvency II in the EU, the Swiss Solvency Test in Switzerland and the Solvency UK have demonstrated their appropriateness during times of successive global shocks including sovereign debt crisis, Covid-19 pandemic, Ukrainian war and subsequent macroeconomic shifts, etc. For those jurisdictions, their domestic existing prudential regimes are more advanced and tailored to the local market circumstances than the ICS. Solvency II, SST, UK Solvency, and the ICS are built on the same foundational concepts in	

Question	Respondent	Comment received	IAIS response
		terms of valuation, quality of capital, and target criteria for capital requirements. These existing frameworks are a more appropriate regime for these markets for a wide range of reasons, in design and calibration, than the ICS. In addition, Solvency II in the European Union is currently under review by the political level to make any required amendments on the basis of what is appropriate and necessary for the European market, which is the right approach to develop it further. The amendments under consideration do not cover the designs and calibrations as put forward by the IAIS and by far the majority were not included the request for advice by the European Commission to EIOPA as part of the review or included in the actual technical advice of EIOPA to the European Commission. Similarly, the total revision of the Swiss insurance legislation including the SST has been enacted with application 1 January 2024 and similarly a review of Solvency II for the UK insurance market is currently in progress. From our perspective, Solvency II, SST and UK Solvency, 'as is', are the relevant and correct implementation of the ICS for the respective markets at this stage. We note that the candidate ICS has become extremely detailed, thus creating differences in the design or calibration for many parameters with these existing frameworks (e.g., the risk margin or the discount rate), as highlighted in our response to question 10. However, this should not put into question the alignment of these existing frameworks and the ICS in our view given the IAIS acknowledge in their consultation paper that	

Question	Respondent	Comment received	IAIS response
		implementation of the ICS will vary significantly between jurisdictions. For this reason, we are not commenting every paragraph of the ICS specifications in the rest of our response. A high-level assessment shows in any case the list of deviations is too long to search alignment with differences always remaining or new such differences created by IAIS in the future. This path, and the complications that come with it, is unnecessary if a holistic approach to implementation is taken. The IAIS is thus requested to confirm in its resolution of comments how flexibility to allow for differences in implementation will be reflected in the standard and that Solvency II, SST and UK Solvency, 'as is', do not need to change to be considered aligned with the ICS according to its own implementation assessment framework. If this is not the case, very strong adverse impacts can be expected on solvency, implementation costs, product offerings, financial stability and for the ability of insurers to support the political objectives around economic recovery and climate transition as sought at the political level. There would be an irony for the IAIS to conclude that the U.S. Aggregation Method provides an outcome equivalent approach to ICS while requiring each of these existing frameworks to change to adapt to the ICS on details such as additional requirements or alternative calibrations to be considered compliant. 2. The inclusion and benefits of internal models are essential for the overall soundness of the ICS and should neither be impaired by supervisory overlays based on the standard	

Question	Respondent	Comment received	IAIS response
		method nor different approaches for available and required capital The inclusion of internal models in the ICS, in accordance with ICP 17, is necessary for the viability of an appropriate international capital standard and is the best way to achieve a number of the high-level design principles that the IAIS set for the ICS. The large variety, complex interdependencies and joint impact of risks carried out by IAIGs require correspondingly sophisticated models. In Europe, internal models have proved crucial for sound risk management and business steering during a period of great uncertainty (sovereign debt crisis, Covid-19 pandemic, Ukraine war and macroeconomic shifts, etc.). This is because they create the right risk incentives and promote a better internal and external dialogue about risk exposures, thereby improving risk resilience. Modern risk-based insurance regulatory regimes, such as the European Union's Solvency II, the Swiss Solvency Test and UK Solvency, have sought to recognise the importance of risk management and business steering within the insurance sector. Consistent with the principle of proportionality, different approaches to risk measurement are needed, depending on the size, nature and complexity of a (re)insurer's risks. A "one size fits all" approach is unworkable, as it results in an approach whose complexity is inappropriate for some companies and leads to results that are misleading or wrong	

Question	Respondent	Comment received	IAIS response
		for others with larger and more complex risks. In general, prescriptive approaches and formulas are not able to reflect the complexities and nuances of larger and more complex organisations, whereas customised, well thought-out, and documented approaches can and do pass the "fit for purpose" or use test. In recognition of this, Solvency II, the Swiss Solvency Test and UK Solvency allow, and in general even strongly encourage, internal models to be used to calculate regulatory solvency capital requirements, subject to supervisory approval. Internal model approaches are used consistently for available and required capital, indeed it would be methodologically inconsistent to rely on an internal model for required capital and a formulaic approach for available capital as parameters. Internal models in the insurance sector have a number of benefits, making the risk profile of companies more transparent and enriching the dialogue between the supervisor and the undertaking. Internal models analyse risk in more detail so that the output of the model more closely reflects an undertaking's risk profile. However, the CRO Forum and CFO Forum stress that internal models should be explicitly allowed as an alternative to the standard method, and not on top of the standard method. The use test is the most fundamental principle underpinning an appropriate use of internal models and therefore the standard method has no place where an internal model is being used by the Board and the senior management to steer a company. Mandating double reporting with the standard method or	

Question	Respondent	Comment received	IAIS response
		imposing supervisory overlays, such as output floors, would threaten the progress that has been made in risk management in the insurance sector. It would effectively create two standards, including one that is inappropriate. In light of these observations, we note that we do not believe it is appropriate, or an improvement, for the IAIS to remove the following paragraph in ICP 17: "The IAIS supports the use of internal models where appropriate as they can be a more realistic, risk-responsive method of calculating capital requirements". We fully support this paragraph, and we see no reason for the IAIS to suppress it. 3. The reporting of the ICS should be done solely through the legally enforceable local framework, with no double reporting requirements. Global convergence should not be achieved at the expense of local fragmentation, i.e., IAIG v. solo/local group regimes in IAIS member jurisdictions. It is our understanding that when the ICS becomes a PCR, it will only exist through the means of its legally enforceable transposition in local frameworks. In the EU, this means that IAIGs aren't going to be subject to Solvency II and the ICS, but Solvency II is going to be the ICS for the purpose of the global colleges of supervision or any other purposes (incl. the Global Monitoring Exercise, GME). The same would be the case for SST in Switzerland and UK Solvency in the UK. Subjecting IAIGs to double standards and double reporting obligations would result in confusion among companies' boards	

Question	Respondent	Comment received	IAIS response
		and stakeholders, leading to a loss of efficiency and confidence that would be detrimental to financial stability, beyond being an unnecessary burden. It would also compromise decision-making, including strategic and product decisions European IAIGs have made in recent years based on their existing solvency frameworks. This perspective also relates to governance. Any standards developed by the IAIS do not benefit from political scrutiny and as such may provide high-level guidelines for local regimes but are not suitable for 'as is' adoption of any details on design and notably calibration put forward in the ICS. The political scrutiny and legislative processes ensure a framework is fit for purpose in practice, on jurisdictional level and in light of the broader context a framework needs to operate. In addition, assessing the governance set out by the IAIS on the level 1 and 2 texts, we observe significant authority for the IAIS ExCo to amend and further develop the ICS in detail. It would also be inappropriate to pursue permanently a proxy monitoring period through the Individual Insurer Monitoring (IIM) as part of the GME. Any potential future reporting of ICS ratios should be provided on the basis, and according to the granularity, of the local reporting requirements as this is the basis insurers would assess the risks and perform decision-making. The IAIS is thus requested to confirm in its resolution of comments that no double reporting of the ICS will be required for the purpose of the global colleges of supervision or any	

Question	Respondent	Comment received	IAIS response
		other purposes (incl. the GME). We note that the Japanese supervisory authority has already communicated during the IAIS conference that this approach will be adopted for Japan as the way forward. In the EU, Switzerland and UK we expect the same approach to be adopted. 4. The initial high-level principles for ICS developments have not kept up with the evolution of the ICS project so the expected potential impact on markets and competition equally has changed. Principle 1: Group wide globally comparable risk-based measure of capital adequacy The ICS is positioned as a minimum standard, despite this aim being at odds with the high level of detail and prescriptiveness of the standard, and the IAIS acknowledge that therefore implementation will vary. It is currently unclear how this will be facilitated in the standard but also therefore to what extent this principle will actually be achieved in practice. If the AM comparability assessment is not done appropriately, respecting all criteria, almost any group supervisory framework can be considered an implementation of the ICS, leaving principle 1 with little substance. We believe that there is no question about the compliance of Solvency II, SST and UK Solvency, 'as is' with the ICS. However, we are concerned about the ICS becoming a hurdle, rather than an avenue, to a true global level playing field and, in the process, only further putting the European industry at a disadvantage and with potential adverse consequences for the	

Question	Respondent	Comment received	IAIS response
		European market and economy. Finally, we would invite the IAIS to clarify in the resolution of comments: • The approach it will take to incorporate the ICS into international standards, whether this will necessitate revisions to the current text, and whether it will be incorporated into the existing ICP framework, or be a separate standalone standard • To ensure flexibility is provided to allow existing regimes build on the same conceptual basis as ICS to be recognized 'as is' within the standard • If and how FSAPs are to be performed for outcome-equivalent approaches such as foreseen for the US Aggregation Method, considering that those approaches are not part of the ICS (para 20) and their design and development fall outside of the remit of the IAIS. Principle 2: Policyholder protection and financial stability objective Most local solvency regimes are about policyholder protection and financial stability, and so the ICS is not bringing anything new. However, significant destabilizing and adverse economic impacts at local level, as well as adverse impact on policyholder protection and financial stability are to be expected if the IAIS imposes the view that local frameworks should fully align in every detail with the ICS or requires double reporting in some form. Principle 3: Foundation for Higher Loss Absorbancy for G-SIIs Basic Capital Requirements/Higher Loss Absorbency has been	

Question	Respondent	Comment received	IAIS response
		superseded following the decision in 2019 to implement the holistic framework and the discontinuation in 2022 of the G-SII designation process. Principle 5: Comparability of outcome across jurisdictions and mutual understanding Please refer to the comment to principle 1. The outcome of the AM comparability assessment and the transparency of the analysis leading to this outcome will indicate whether this principle is likely to be achieved. Without a clear assessment and transparency about the AM results vs the ICS, this principle would be severely undermined. The IAIS should acknowledge that in jurisdictions where robust group-wide supervisory frameworks pre-existed the ICS, and on the same fundamental concepts and target criteria as the ICS, those local frameworks need not to change because the designs/calibrations of parameters differ. It should be clarified and ensured that all such local implementations of the ICS are considered compliant with the same basic concepts underpinning the ICS and on this basis are accepted as implementations in their current form, to avoid a distortion of level playing fields. Inconsistent application of this principle would alter the competitive environment at the expense of the more stringent local requirements such as Solvency II, SST and UK Solvency. Adverse financial stability implications are to be expected if the ICS were to become an overlay masking an unlevel playing field through broad-brush “equivalences”. Principle 6: Promote sound risk management.	

Question	Respondent	Comment received	IAIS response
		This principle supports the inclusion of internal models in the ICS in line with ICP 17, as an alternative to the standard method. (Re)insurance groups thoroughly and carefully select the methods and parameters to calibrate their model to ensure that the risks can be steered accurately from an internal perspective. The internal model calibration process forces the (re)insurer to individually assess all risks and to establish proper procedures that guarantee that the calibration processes are transparent and well-documented. As a result, the (re)insurer establishes a unified framework to measure and monitor risks. Internal models therefore benefit from high level analysis, design, calibration, scrutiny and continuous monitoring. Hence, the calibration process improves the (re)insurer's understanding of risks and underlying exposures. The (re)insurer furthermore derives additional information to validate the calibration process, e.g., using scenario analysis and stress tests. These instruments can later be, and are in fact, used within the regular risk management processes and to extend the existing risk management toolkit. In addition, the calibration process requires the knowledge of a substantial number of employees and is strongly anchored in the risk culture of the (re)insurer. Technical experts provide analysis to support the calibration, senior management participates in the related discussions, and decisions in the committees are taken on a well-documented and transparent	

Question	Respondent	Comment received	IAIS response
		basis. On top of this, the validation process ensures that all calibration choices are independently challenged. Internal model calibration and validation create a significant requirement for high quality, granular data, which encourages good practices in terms of data management and data quality assessment. Where external data is collected to complement internal data, this also needs to be assessed and hence leads to a reinforcement of internal control processes. This is likely to improve risk management beyond internal model applications. In the process of model calibration, (re)insurers allocate their resources using a risk-based approach. In this way, the model calibration positively shapes the whole risk management approach and culture. (Re)insurers invest significant resources in their internal model. They are therefore incentivised, but also required by regulation, to make use of the model in as many areas as reasonably possible, again embedding the risk management culture in the entire enterprise. It is unlikely that the same level of risk management awareness is created when an external standard method is used, given that in the case of standard method responsibility for risk quantification rests with the regulator. An internal model leads to a common understanding and language regarding an undertakings' risks. It fosters a harmonisation of all risk-related processes, such as performance measurement, asset allocation, risk monitoring and capital management. Internal models encourage (re)insurers to consider risk and	

Question	Respondent	Comment received	IAIS response
		capital upfront, before decisions are made, creating high expectations about the model's quality and leading to ongoing model improvements. For internal model users, this model better reflects their risk profile than the standard method that would be without added value and could even bring bad risk management and inappropriate incentives for decision making. For those reasons, the CRO Forum and CFO Forum stress that internal models should be explicitly allowed as an alternative to the standard method, and not on top of the standard method. The use test is the most fundamental principle underpinning an appropriate use of internal models and therefore the standard method has no place where an internal model is being used by the Board and the senior management to steer a company. Mandating double reporting with the standard method or imposing supervisory overlays, such as output floors, would threaten the progress that has been made in risk management in the insurance sector and mis-reflect past decision-making in solvency figures. Therefore, these aspects of the candidate ICS need to be removed as they are inappropriate. Principle 7: Promotes prudentially sound behaviour whilst minimising procyclical behaviour This principle supports the inclusion of internal models in the ICS in line with ICP 17, as an alternative to the standard method. The use of internal models by (re)insurers has had a positive impact on financial stability in a number of respects: • Models have significantly contributed to society's knowledge	

Question	Respondent	Comment received	IAIS response
		and understanding of risks. For example, (re)insurers have invested heavily in natural catastrophe modelling — updating and refining techniques and collaborating with universities and scientific institutions in order to better understand extreme weather and climate risks. • Internal models are a more sophisticated means by which to understand and quantify risk aggregations (for example, the accumulation of casualty risks across portfolios and markets). • In the case of a macroeconomic development, the use of internal models will bring diversity in the evolution of the impact on the insurance market, treating risks in a more bespoke way and limiting the risk of all companies undertaking similar action at the same time. • Internal models contribute to solve the “problem of risk model homogeneity” associated to “systemic fragility to the errors in [prescribed standard] models” . • By ensuring that capital requirements reflect risks, internal models enable (re)insurers to continue to play an important stabilising role for the financial industry and the economy. For these reasons, the CRO and CFO Forums stress that internal models should be explicitly allowed as an alternative to the standard method, and not on top of the standard method. Furthermore, many existing solvency regimes already effectively and with success allow for internal models on the basis of ICP 17 and there is no reason for the ICS to go beyond what is set out in this ICP. Principles 8: Balance between risk sensitivity and simplicity	

Question	Respondent	Comment received	IAIS response
		The specifications of the ICS are overly detailed and are going beyond what should be a principle-based global standard. In that context, clarification is needed on how the IAIS sees the implementation of the ICS for IAIGs applying the Solvency II, SST or UK Solvency regimes, which are holistic and risk-based regimes that has proven themselves in practice through multiple crisis since its inception in 2016. Given how detailed the ICS is, the ICS and Solvency II, SST and UK Solvency cannot be like-for-like on many aspects simply due to many details differing as a result of already existing suitable and carefully chosen approaches. However, all frameworks are built on the same concepts, and we are of the view that Solvency II, SST and UK Solvency are by design already fully compliant with the ICS, without the need for revising it or adding new requirements. The full set of designs, calibrations and supervisory requirements have gone through extensive legislative processes before being put into place and are currently fine-tuned by the political level through the Solvency II review in the case of the EU. This is the correct, and only, process by which the Solvency II framework should evolve. As mentioned above, the IAIS is requested to confirm this view in its resolution of comments, as any assessment of the economic impact of the ICS in the European context depends on it. Principle 9: Transparency If the AM comparability assessment is not fully transparent and robust, this principle cannot be met as doubts will persist on the credibility of the assessment and as to whether the outcomes	

Question	Respondent	Comment received	IAIS response
		are truly comparable and show the same level of risk sensitivity. Principle 10: Appropriate Target Criteria for capital requirement This may be challenged depending on the outcome of the comparability assessment to be undertaken between ICS and AM, since the AM is not explicitly and systemically, calibrated to the same confidence level as the ICS and does not have the same balance sheet sensitivity to market circumstances.	
2. Do you have comments regarding the perimeter of the ICS calculation?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
3. Do you have comments on the introduction of a term structure of credit spreads for discounting?	CRO Forum Association	-	-
4. Do you have comments on the revised eligibility criteria for the Middle Bucket?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
5. Do you have comments on the introduction of a modulation factor?	CRO Forum Association	-	-
6. Do you have other comments regarding the Market-Adjusted Valuation?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
7. Do you have comments on the changes regarding eligibility criteria for Tier 1 Limited and Tier 2 financial instruments? Please explain your response based on actual terms and conditions of instruments commonly issued by insurers.	CRO Forum Association	-	-
8. Do you have comments on the introduction of a limit on non-controlling interests, such as the one specified in section 6.4.4?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
9. Do you have other comments regarding capital resources?	CRO Forum Association	-	-
10. Do you have comments regarding the ICS risks and calculation methods?	CRO Forum Association	We do not provide any specific observations on the ICS risk and calculation methods in the consultation paper; however, we have overall observations on the different designs and calibrations versus already existing frameworks. The ICS as it stands is far too detailed and prejudging, as well as excluding appropriate approaches that are already in use and have proven their fitness for purpose, unless a holistic approach to implementation is adopted. Given the detail it includes, as it stands, it cannot act as a benchmark for already existing similar, and arguably more advanced, frameworks such as Solvency II, SST and UK Solvency and the differences only create confusion and there is no basis for changing the local systems in favour of the ICS standard. This is especially the case for already implemented, tested, and reviewed solvency standards such as in Europe. Therefore, it should be clarified that these existing frameworks	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		are already considered fully compliant with the ICS and are considered as the local implementation consequently. IAIS should acknowledge the existence of such more advanced and proven solvency standards to avoid giving the false impression of perceptive deficiencies and to avoid undermining the strength of these existing standards compared to ICS and any comparable standard to ICS. Without commenting on the design and calibration choices of the ICS on valuation, capital instruments and capital requirements, we note that existing regimes have made equally appropriate but different choices on many of these elements even if their basic design is built on the exact same concepts. Please find some examples below to highlight this. With regard to the basic risk-free rate, the ICS prescribes the use of the Smith-Wilson method whereas, at advice of EIOPA, the EU is likely to change its extrapolation away from this approach. It highlights perfectly that different approaches are viable and that different views exist, even between supervisors, on the best approach in general or for specific markets. Furthermore, all these approaches may provide different levels of valuation depending on the economic context and/or hedgability raising questions on how the ICS would work as a minimum standard given this reality. In addition, it is outside of the remit of the IAIS to assign responsibilities and authorizations to IAIS and its members. For example, on L2-22, there is no mandate for the IAIS to prescribe valuation curves. In EU legislation, such power belongs to the European	

Question	Respondent	Comment received	IAIS response
		Commission, and this should remain the case. On the spread component, it seems overly theoretical and unnecessarily complex to require a term structure approach as a minimum standard while existing practices using a level adjustment perform perfectly fine. There are no solvency regimes that currently apply this element and therefore it is counterintuitive to prescribe it via the ICS as a minimum requirement. The design of the bucketing under ICS is detailed and prescriptive and does not align with similar standards already implemented in jurisdictions and which have been carefully developed and calibrated to the most suitable level via the legislative governance process and applied on a global level. A principles-based approach that requires market-based discount curves encompassing a risk-free and spread component would be more suitable. Details on design and calibration are best left to local implementations. On the MOCE, the CRO and CFO forum have always advocated that this should be based on a cost-of-capital approach, which is more consistent with the overall valuation framework of the ICS and the chosen approach in many existing solvency standards that are similar to ICS. Nevertheless, the purpose of a risk margin is similar. On capital instruments, existing regimes have already set out in detail, which capital instruments are eligible, and to which extent. Providing an alternative set of requirements on instruments will negatively impact IAIGs and likely the impact	

Question	Respondent	Comment received	IAIS response
		per jurisdiction is not the same as local rules around such instruments can differ, both at implementation and over time. The tiering limits also differ from existing local frameworks, providing unnecessary and complicated differences that are not manageable and that the ICS should not create. ICS requirements also seem more restrictive than what is already accepted in local European regimes. The existing choices on capital instruments in European regimes are the result of careful deliberations and decisions by the political level and should be accepted by the supervisory community and not challenged via the ICS after they have already had the opportunity to provide their input before the legislative processes. It creates unnecessary uncertainty and instability in the insurance sector. Furthermore, it prejudges local legal standards and practices on capital instruments issuance, which is outside of the remit of the IAIS. On the capital requirements side, the CRO and CFO Forum believe that the best way to achieve optimum social and regulatory outcomes for policyholders is via a regulatory regime that allows insurers to use full or partial internal models subject to supervisory approval. As noted in CRO Forum 2017 paper (CROF_ComFrame_Paper-v20170718publication.pdf (thecroforum.org)) where the standard approach does not reflect the specific risk profile of an insurer it might allow risks to remain hidden, encourage pro-cyclical behaviour and prevent new risks being reflected or detected at all, and there would be no motivation to continually improve risk assessment.	

Question	Respondent	Comment received	IAIS response
		The CRO and CFO Forum are therefore strongly supportive of the inclusion of internal models within the Candidate ICS for the reasons set out in the mentioned paper and further detailed under Q36 and 39. In summary, key benefits of internal models include: • Providing a more accurate picture of an insurer's risk profile • Providing an incentive to manage the business better and improve risk management • Improving product development and the pricing process • Enhancing insurance supervision, cooperation and transparency • Allowing regulators to detect poor company performance, intervene in a timely manner and consequently reduce the likelihood and cost of failure • Enabling risk mitigation techniques to be appropriately recognised Therefore, it is essential that Internal Models are fully accepted 'as is' in ICS if calibrated to the same confidence level as set out in the ICS. That means it cannot include output floors such as in banking, as it conceptually would not fit and put IM calibration beyond the set confidence level of the standard method undermining comparability and going against the basic idea and principles of the ICS. In countries that adopted internal models it is well understood that standard approaches are slow to adjust to the evolution of the risk landscape and therefore quickly outdated (and as a result more susceptible to model drift) and cannot act as an appropriate benchmark.	

Question	Respondent	Comment received	IAIS response
		Furthermore, in these jurisdictions, insurers are expected to develop an internal model when the standard method is not considered appropriate, and these models need to comply with extensive design and calibration standards to substantiate the calibration to the set confidence level. In this context, any deviation from the target confidence level calibration outcome is not appropriate. Currently, the ICS suggests such options for supervisors to be adopted, which is completely at odds with the basic principles of the ICS and with sound supervisory practices. Similarly, since the standard method is not an appropriate benchmark and internal models are expected to be used in practice, complied via use tests, deviations from standard method results are to be expected and double reporting would only create confusion and unsolvable situations. It also fully undermines the whole purpose of internal models and the lengthy, costly, and thorough approval processes that are integral to the use of internal models. Therefore, it is not appropriate for a standard such as the ICS to prescribe or suggest such additional requirements. Any dilution of use of internal models in ICS from the current practices or additional requirements compared to existing regimes will undoubtedly increase further the level playing field gap and it is also out of line with already existing standards that allow for internal models. Taking all these elements together, overall, the ICS seems to try to reinvent the wheel when it comes to many aspects of valuation, capital instruments and capital requirements	

Question	Respondent	Comment received	IAIS response
		whereas alternative, proven methods already exist. There is no strong rationale for ICS to deviate from these proven methods. Therefore, a general flexibility mechanism needs to be built into the ICS that allows for a wider range of designs and calibrations and to assess alignment of existing frameworks on a holistic basis on alignment to the general principles rather than prescribing detailed designs and calibrations for each individual element.	
11. Do you have comments regarding the grouping of policies for life insurance risks?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
12. Do you have comments regarding the calculation of the Life risk charges?	CRO Forum Association	-	-
13. Do you have comments regarding the calculation of the Non-life risk charges?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
14. Do you have comments regarding the calculation of the Catastrophe risk charges?	CRO Forum Association	-	-
15. Do you have comments regarding the list of market risks considered in the ICS, the general principles to calculate them and the way to aggregate them?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
16. Do you have comments regarding the Interest Rate risk?	CRO Forum Association	-	-
17. Do you have comments regarding the Non-Default Spread risk?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
18. Do you have comments on the differentiated treatment for investments in infrastructure equity?	CRO Forum Association	-	-
19. Do you have comments on the inclusion of the Equity risk counter-cyclical measure (NAD)?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
20. Do you have comments on the proposed design of the Equity risk counter-cyclical measure?	CRO Forum Association	-	-
21. Do you have comments on whether the Equity risk counter-cyclical measure should allow for more granular calibrations to reflect geographical market specificities?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
22. Do you have other comments regarding Equity risk?	CRO Forum Association	-	-
23. Do you have comments regarding Real Estate risk?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
24. Do you have comments regarding Currency risk?	CRO Forum Association	-	-
25. Do you have comments regarding Asset Concentration risk?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
26. Do you have comments on the differentiated treatment for investments in infrastructure debt?	CRO Forum Association	-	-
27. Do you have other comments regarding Credit risk?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
28. Do you have comments regarding Operational risk?	CRO Forum Association	-	-
29. Do you have comments regarding the aggregation / diversification of ICS risk charges?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
30. Do you have comments regarding the optionality given to group-wide supervisors to require a calculation based on the Basel III approach for calculating risk charges for non-insurance non-banks financial entities?	CRO Forum Association	-	-
31. Do you have comments regarding the optionality given to group-wide supervisors to require an additional risk charge for non-insurance, non-bank financial entities without a sectoral capital requirement where an operational risk charge would not capture all material risks?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
32. Do you have other comments regarding non-insurance risk charges?	CRO Forum Association	-	-
33. Do you have comments regarding the use of a simplified utilisation approach for tax?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
34. Do you have comments regarding the option given to the supervisor to require a more complex approach for tax?	CRO Forum Association	-	-
35. Do you have other comments regarding tax?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
36. Do you have comments regarding Other Methods for the calculation of the ICS capital requirement?	CRO Forum Association	CROF/CFOF strongly agree with the recognition of internal models in the ICS to determine capital requirements provided they achieve the same level of protection with target criteria of 99.5% VaR over a one-year time horizon. No additional requirements should be set that could lead to internal model users effectively being required to hold capital levels beyond this level (e.g., via double reporting standard method results or output floors). Internal models are necessary to the proper functioning of the ICS. Without allowance for internal models, the management of groups whose risk profile are inappropriately reflected by the underlying assumptions of the standard method would be severely impaired with negative financial stability implications. Effectively, the ICS already allows for various forms of internal models to ensure an appropriate approach and suitable outcomes. For example, in valuation a degree of internal modelling is used already, and this holds true for any jurisdiction that relies on an accounting basis to value assets and liabilities. In particular, market-based valuation regimes will require assets for which there is no deep, liquid and transparent market to be valued either by using proxy assets or by using mark-to-model approaches. Such valuation approaches are auditable, as evidenced by similar requirements being adopted for financial reporting purposes. As for liabilities, whilst a wide range of different approaches exists globally for valuing liabilities, requirements usually –	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		either explicitly or implicitly – rely on modelling approaches of some kind. This can range from use of relatively simple static deterministic models to full stochastic dynamic modelling. Where such models are used to value assets and liabilities to determine the base balance sheet and available capital, they are almost always also used to determine the impact of specific scenarios or factor-based shocks as well for determining required capital where prescribed standard approaches are utilised. This is true for the ICS as developed by IAIS as well of for those jurisdictions that are expected to rely on their own frameworks as local ICS implementations that use balance sheets based on accounting standards. When it comes to capital requirements, standard models by nature adopt a uniform approach to measuring risk. It is due to this simplification that Solvency II and other global regimes have recognised that even a complex standard formula cannot cater for all business models and risk profiles. It is important to note the misconception that standard methods increase comparability. Since standard methods do not capture differences in risk profiles, they will only create true comparability for two companies that have exactly the same risk profile. The degree to which standard methods achieve comparability will decrease as risk profiles diverge. Many of the most advanced solvency frameworks that exist have already approved very large numbers of internal models in a wide range of jurisdictions, both for IAIGs and smaller insurers. IAIS should not create diverging requirements for	

Question	Respondent	Comment received	IAIS response
		IAIGs from what is locally accepted and providing a level playing field. Internal models bring benefits to the resilience of individual insurance groups and to the resilience of the sector as a whole, as detailed below. Internal models support a holistic understanding of risks The principle of pooling risk is fundamental to the concept of insurance and is particularly important for reinsurers. The balance sheets of large multinational (re)insurers are typically exposed to a variety of risks. Internal models represent the most practical way in which the diversification effects and risk concentrations within a globally diverse portfolio can be appropriately captured. In order to steer towards profitable and sustainable business in a complex risk landscape, (re)insurers need a holistic understanding of all the risks to which they are exposed. A holistic approach is important to identify any interactions and interdependencies between risks. Internal models can reflect the risk profile of (re)insurance portfolios at the appropriate level of granularity and ensure that the aggregation structure accurately represents the dependence between individual risk factors at that level. Internal models allow to their users more granularity in the risk measurement where relevant (more number or risk classes, thus avoiding grouping heterogeneous risks that deserve specific calibrations). When assessing the joint impact of several risks, one has to	

Question	Respondent	Comment received	IAIS response
		model the interrelationship (or dependency structure) between them. The interrelationships between risks may serve to reduce their impact (diversification) or may increase their effect (concentration). There are many ways to model dependencies and the degree of sophistication an undertaking applies has to be commensurate with the potential impact. More granular modelling approaches are generally used for the material risks that have the largest exposures. Internal models incentivise good risk management (Re)insurance groups thoroughly and carefully select the methods and parameters to calibrate their model to ensure that the risks can be steered accurately from an internal perspective. The internal model calibration process forces the (re)insurer to individually assess all risks and to establish proper procedures that guarantee that the calibration processes are transparent and well-documented. As a result, the (re)insurer establishes a unified framework to measure and monitor risks. Hence, the calibration process improves the (re)insurer's understanding of risks and underlying exposures. The (re)insurer furthermore derives additional information to validate the calibration process, e.g., scenario analysis and stress tests. These instruments can later be, and are in fact, used within the regular risk management processes and to extend the existing risk-management toolkit. In addition, the calibration process requires the knowledge of a	

Question	Respondent	Comment received	IAIS response
		substantial number of employees and is strongly anchored in the risk culture of the (re)insurer. Technical experts provide analysis to support the calibration, senior management participates in the related discussions, and decisions in the committees are taken on a well-documented and transparent basis. On top of this, the validation process ensures that all calibration choices are independently challenged. Internal model calibration and validation create a significant requirement for high quality, granular data, which encourages good practices in terms of data management and data quality assessment. Where external data is collected to complement internal data, this also needs to be assessed and hence leads to a reinforcement of internal control processes. This is likely to improve risk management beyond internal model applications. In the process of model calibration, (re)insurers allocate their resources using a risk-based approach. In this way, the model calibration positively shapes the whole risk management approach and culture. (Re)insurers invest significant resources in their internal model. They are therefore incentivised to make use of the model in as many areas as reasonably possible, again embedding the risk management culture in the entire enterprise. It is unlikely that the same level of risk management awareness is created when an external standard method is used, given that in the case of standard method responsibility for risk quantification rests with the regulator. An internal model leads to a common understanding and	

Question	Respondent	Comment received	IAIS response
		language regarding an undertakings' risks. It fosters a harmonisation of all risk-related processes, such as performance measurement, asset allocation, risk monitoring and capital management. Internal models encourage (re)insurers to consider risk and capital upfront, before decisions are made, creating high expectations about the model's quality and leading to ongoing model improvements. For internal model users, this model better reflects their risk profile than the standard method that would be without added value and could even bring bad risk management and inappropriate incentives for decision making. Internal models support financial stability The use of internal models by (re)insurers has had a positive impact on financial stability in a number of respects: • Models have contributed to society's knowledge and understanding of risks. For example, (re)insurers have invested heavily in natural catastrophe modelling — updating and refining techniques and collaborating with universities and scientific institutions in order to better understand extreme weather and climate risks. • Internal models are a more sophisticated means by which to understand and quantify risk aggregations (for example, the accumulation of casualty risks across portfolios and markets). • In the case of a macroeconomic development, the use of internal models will bring diversity in the evolution of the impact on the insurance market, treating risks in a more bespoke way and limiting the risk of all companies undertaking similar action	

Question	Respondent	Comment received	IAIS response
		at the same time. • Internal models contribute to solve the “problem of risk model homogeneity” associated to “systemic fragility to the errors in [prescribed standard] models” . • By ensuring that capital requirements reflect risks, internal models enable (re)insurers to continue to play an important stabilising role for the financial industry and the economy. Internal models enhance supervisory scrutiny and risk dialogue It is already evident to undertakings that have developed an internal model and submitted it to their supervisor that the whole process of interaction and discussion with supervisors has brought substantial benefits to internal risk assessment, management and governance procedures and has, in some cases, led to improvements in the internal models. The process of applying for an internal model to be used for supervisory purposes entails substantial work over a period of years, passing through multiple iterations. Some (re)insurers started work on their internal models several years prior to their submission to supervisors. During this period, there were frequent discussions between (re)insurers and their supervisors on the differing elements of the proposed internal model. The range of legally prescribed issues to be addressed by an internal model has required (re)insurers and their supervisors to engage in much broader exchanges of information and views than was previously the case, with many different departments, including risk management, actuarial and	

Question	Respondent	Comment received	IAIS response
		corporate governance. It has also facilitated a more structured discussion between (re)insurers and their supervisors about risks. These interactions have been of value to both companies and supervisors. (Re)insurers have had to provide detailed information on a regular basis about their work in the various areas addressed by the model. They have also had to respond to often robust supervisory challenges. This, in turn, has further fostered a culture of enhanced internal controls, better governance oversight and improved documentation. It might be speculated that these positive trends would not have occurred to the same extent or at the same speed without the discipline of external pressure and accountability. The requirements surrounding model validation in regimes such as Solvency II place an obligation on undertakings to have a regular cycle of model validation, which includes monitoring the performance of the internal model, reviewing the ongoing appropriateness of its specification and testing its results against experience. The knowledge of members of the board and senior committees is also tested by supervisors as part of the use test. These obligations guarantee that the dialogue between undertaking and supervisor is not occasional and unstructured but is regular, planned and organised, even after the process of submission and approval of an internal model is complete. Discussion also occurs when the (re)insurer envisages a major change to the assumptions or practices outlined in the internal model, since this requires supervisory	

Question	Respondent	Comment received	IAIS response
		approval. Such regular interaction arising from discussion of the internal model not only benefits the undertaking, but it also deepens the supervisor's knowledge of the risk management, governance and business operations and the specific characteristics of the undertaking. Supervisors are likely to establish processes for the approval of internal models to ensure that they are thoroughly and consistently reviewed in relation to the company's risk profile, and that there is an appropriate level of supervisory challenge in the internal model approval process. As the supervisor's knowledge of the internal model increases, so does its capacity to challenge and interact more effectively with the undertaking. For the above reasons, the preparation and use of an internal model have served to enhance the quality of supervisory scrutiny and risk dialogue between undertakings and their supervisors. Those benefits are expected to continue in the future if the inclusion of internal modes in the ICS is done right. In any case, it is not appropriate for a minimum standard such as the ICS to introduce requirements that undermine these benefits, such as output floors and double reporting. From the perspective of the European frameworks already in place, these would provide a backwards development. For those reasons, which are specific to internal models, the standard method, although it has the great merit to be rather simple and all in all satisfying at the average market level, cannot be viewed as superior to internal models and used as a	

Question	Respondent	Comment received	IAIS response
		benchmark. Internal models allow to capture the individual risk of a group better and the ICS should allow internal model for determining capital requirements without limitations stemming from the standard method. From a CRO Forum and CFO Forum perspective, it is essential that Internal Models are fully accepted as they are if they are calibrated to the same confidence level and the ICS should not go beyond established and proven frameworks, such as in place in Europe, in terms of requirements. The ICS must guarantee the same level of reliability in jurisdictions using internal models to ensure a level playing field. For those reasons, the CRO Forum and CFO Forum stress that internal models should be explicitly allowed as an alternative to the standard method, and not on top of the standard method. The use test is the most fundamental principle underpinning an appropriate use of internal models and therefore the standard method has no place where an internal model is being used by the Board and the senior management to steer a company. Mandating double reporting with the standard method or imposing supervisory overlays, such as output floors, would threaten the progress that has been made in risk management in the insurance sector. Those aspects of the candidate ICS need to be corrected. The added elements of standard method reporting and output floors, which are non-existing for good reasons in jurisdictions that already allow internal models, are examples of unsound supervisory practices and supervisory gold plating. Both have	

Question	Respondent	Comment received	IAIS response
		no place in a global standard. Furthermore, it does not take account of important differences between banking and insurance supervisory frameworks, with the latter being much more sophisticated and calibrated to a precise confidence level for all risks. In such an approach, output floors will only interfere with targeted calibration levels and create incomparability of results. A direct contradiction of one of the ICS key principles. There still exist important questions on any implementation of ICS and this situation should not be further complicated by adding new requirements on key elements such as internal models (and other elements such as valuation noted above). It is also extremely concerning that the ICS keeps adding details and requirements, while at the same time opening a potential path for the US AM to deviate from such technical requirements based on a simple outcome-equivalence process. It creates a significant imbalance between jurisdictions and IAIGs that runs completely contrary to the prime objective that underlies the whole ICS project.	

Question	Respondent	Comment received	IAIS response
37. Do you have comments regarding SOCCA processes?	CRO Forum Association	-	-
38. Do you have comments on the overall requirements (section 9.4.1)?	CRO Forum Association	ICS recognition of internal models was a strong request from the European industry. While this inclusion in the draft ICS is very welcome, the candidate ICS leaves the impression that it comes at the cost of subjecting internal model users to double standards and double reporting, i.e., the internal model and, rather than "instead of", the standard method. It is fundamentally inappropriate to require internal model users to be able to comply with the use test, while also being subjected to a standard method at the same time. It is equally inappropriate to consider and expect the standard method to be a benchmark for the internal model. The only appropriate benchmark for an internal model, upon which approval is granted, is the risk profile of the group. In reality, the deviations of the underlying assumptions of the standard method from the risk profile of internal model users are so significant that such standard method would not be approved	- About *recognition of internal models (IM) in ICS being welcome*: Your support of the use of IM to determine regulatory capital requirements is noted. - About *use of standard method (SM) results*: Feedback and data collected over the monitoring period show that this information can be useful for the supervisor.

Question	Respondent	Comment received	IAIS response
		by a group supervisor if it were presented as an internal model. This also does not take into account the substantiation, data requirements and regular validation process that internal models are subjected to. As a result, the IAIS is urged to remove any reference to the reporting of standard method results when an internal model is used and, subsequently, to any output/capital floor.	
39. Do you have comments on the general provisions on the use of an internal model to determine regulatory capital requirements (section 9.4.2)?	CRO Forum Association	We are mostly supportive of the content of section 9.4.2 except on a few specific important points which are fundamental and need to be addressed. At the heart of the CRO Forum and CFO Forum concern is the implicit suggestion in the ICS that the standard method can be a valid benchmark for internal models. The only relevant benchmark is the risk profile of the group, and the approval process and on-going supervisory processes should be about ensuring that the underlying assumptions of the internal model are in line with the risk profile of the group, rather than in line with the standard method. This is a fundamental point as groups and the supervision of groups cannot properly function with two risk measures. Where one of the two is calibrated over the exact risk profile of the group instead of a hypothetical risk profile of an average direct insurer; it requires the internal model to be the sole risk measure to be relied on.	- About *deleting the requirement to maintain an internal capital target greater than the regulatory capital requirement (L2-363)*: Note that this criterion is not meant to increase the PCR when using an internal model. A similar concept applies to standard method users via ICP 16.14. The supervisor requires the insurer, as part of its ORSA, to analyse its ability to continue in business, and the risk management and

Question	Respondent	Comment received	IAIS response
		We strongly disagree with the requirement L2-363 to achieve a capital target greater than target criteria of 99.5% VaR over a one-year time horizon. This requirement is clashing with the general principle expressed in L1-151 according to which the target capital is the same level of protection under internal models and the standard method. It is also overtly clashing with ICS Principle 10. We strongly disagree with the principle in L2-372 that the approval of an internal model is based on the standard method's risk categories. By design, the appropriateness of an internal model should be assessed against its ability to properly reflect the risk profile of a given group. It is inherently inappropriate to allow internal models while at the same time trying to standardize them using the standard method mould. As internal models should be adapted to the specific business of groups, internal models may vary significantly in their methodology, the information, assumptions, and data used for the internal model and in their validation processes. The flexibility of modelling should be guaranteed in the ICS. Otherwise, for already existing and more sophisticated standards such as Solvency II a step backwards is taken in terms of solvency standard development, and it will lead to local level playing field issues. The ICS should positively incentivize ongoing development and should not restrict more advanced frameworks. We strongly disagree with imposing capital floors to the capital requirements calculated with the internal model as a condition	financial resources required to do so over a longer time horizon than typically used to determine regulatory capital requirements. - About *general support of the use of IM to determine regulatory capital requirements*: Your support of the use of IM to determine regulatory capital requirements is noted. - About *opposition to the use of standard method (SM) information in the internal model review process (L2-371)*: Feedback and data collected over the monitoring period show that this information can be useful for the supervisor. - About *opposition to the use of standard method (SM) risk categories*

Question	Respondent	Comment received	IAIS response
		to the approval of the model (L2-375). While for initial model approval there may be some merit in conditional approval as an alternative to a pure pass or fail, we do not believe that introducing artificial capital floors is an appropriate mitigant, or compatible with the aim of insurance internal models to reflect the individual risk profile of an insurer. Residual model limitations can be more appropriately addressed through other adjustments that supervisors of internal model firms will already be familiar with. However, capital floors are necessarily artificial and arbitrary, not reflective of the risk profile of the group, and against the very purpose of the internal model to be used for the strategic steering of the group. As such, imposing a capital floor would go against the use test defined in 9.4.3.3. While capital add-ons could be temporarily justified in exceptional circumstances where the risk profile of a group deviates significantly from the assumptions underlying the internal model approved, capital floors can never be justified as they would be breached the capital target defined in L1-151 and should be unequivocally opposed. It is important to point out that the internal model floor created under Basel III for the banking industry would be inappropriate for insurance. In banking, the concept of risk-weighted assets (RWA) gives a balanced perspective of the main inherent risks, namely market and credit. However, unlike banks, (re)insurers are exposed to a much broader range of risks, on both the asset and the liability side of the balance sheet. Internal models for (re)insurers capture the complex interdependencies between	*comparison in the internal model review process (L2-372)*: Feedback and data collected over the monitoring period show that this information can be useful for the supervisor. L2-368 does not imply that the internal model needs to follow the structure of the ICS standard method. - About *opposition to the possibility of introducing capital floors linked to the standard method in conditional approval (L2-375)*: Capital floors based on the ICS SM could be relevant if deemed so by the GWS. Added capital add-ons to the text: “Conditions may include capital floors based on the ICS, more conservative model parameters or design features, capital add-ons, or

Question	Respondent	Comment received	IAIS response
		risks and reflect companies' risk profiles as accurately as possible. The introduction of a floor would contradict the main purpose of the models, as it would link capital requirements to a less appropriate measure of risk. Furthermore, the concept of a floor creates the false impression that internal model results will always be lower than the standard formula, which may not be the case. In fact, internal models often reflect a broader set of risks than the standard formula. EIOPA's comparative study of market and credit risk modelling, for example, notes that — unlike the standard method — most Solvency II internal models reflect appropriately negative interest rate risk and sovereign risk. Furthermore, interdependencies between risks will be distorted leading to wrong risk assessment and decision-making on products and investments. Therefore, there should be no introduction of floors in the insurance sector. We consider that the disclosure of the differences between the internal model and the standard method in L2-379 should be limited to their respective underlying assumptions. There is no interest for the protection of the policyholders to perform an undefined comparison, which could lead to significant divergent expectations from one GWS to another, providing that it is ensured that the same level of protection is provided to them as per L1-151. We strongly disagree with requesting the standard method output as part of the internal model reporting set out in L2-381 as the standard method has no relevance whatsoever to the appropriateness of an internal model. There is no value to be	further reviews by the GWS, the IAIG, or a third party." - About *limiting public reporting and disclosure of the differences between IM and SM upon approval to the underlying assumptions (L2-379)*: Modified L2-379 accordingly: "If the internal model is approved, the GWS works with the IAIG to communicate the decision to the public. Particular attention should be given to the clarity of the approved internal model's scope and the differences with the ICS standard method's underlying assumptions when possible." - About *opposition to regular reporting of the differences between IM and SM figures in the post-approval monitoring and control*

Question	Respondent	Comment received	IAIS response
		gained from internal model firms reporting standard method output in addition to their internal model output given that the purpose of the internal model is to provide a more accurate and appropriate reflection of a firm's risk profile than can be provided by the standard method, comparing standard method and internal model outputs is meaningless. In addition, having to run two parallel systems to determine and report capital requirements under the internal model and the standard method would be extremely burdensome and unnecessary. The internal model fulfils the same risk-based supervisory requirements as the standard formula. In addition, it is even better tailored to the risk profile of the group and as such approved by the GWS. Therefore, only an estimate of the standard method could be required, by means of a decision stating the reasons of the GWS, and to the extent that this is on an exceptional basis. Furthermore, standard methods are less often updated than internal models and therefore are susceptible to model drift. Therefore, comparisons are not only inappropriate, but the validity of the comparison will weaken further over time.	*process (L2-381)*: The data submission templates are to be agreed upon between the GWS and the IAIG. GWS can ponder cost vs. added value.

Question	Respondent	Comment received	IAIS response
40. Do you have comments on the criteria for internal model approval (section 9.4.3)?	CRO Forum Association	-	-
41. Do you have comments on the additional considerations (section 9.4.4)?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
42. Do you have comments on the general provisions on the use of partial internal models (PIM) (section 9.4.5)?	CRO Forum Association	-	-
43. Do you have other comments regarding the use of internal models?	CRO Forum Association	-	-

Question	Respondent	Comment received	IAIS response
44. Do you have additional comments on the ICS?	CRO Forum Association	• Any implementation of the “ICS as a PCR” for those existing solvency regimes that are built upon the same foundational concepts (e.g., an economic risk based, ‘market adjusted’ approach calibrated at a 1 in 200 level, allowing the use of internal models), should be assessed by the IAIS on a holistic approach, rather than the individual technical details. These existing solvency regimes are part of a coherent package with other relevant regulations in the jurisdictions and in line with political objectives; details/ individual principles must be viewed in that broader context. • The inclusion and benefits of internal models are essential for the overall soundness of the ICS and should neither be impaired by supervisory overlays based on the standard method nor different approaches for available and required capital. • The reporting of the ICS should be done solely through the legally enforceable local framework, with no double reporting requirements. Global convergence should not be achieved at the expense of local fragmentation, i.e., IAIG v. solo/local group regimes in IAIS member jurisdictions. • The initial high-level principles for ICS developments have not kept up with the evolution of the ICS project so the expected potential impact on markets and competition equally has changed. The CRO and CFO forum have followed the developments on	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		the ICS in the last decade, including the start of the project and the subsequent developments of ICS 1.0 and 2.0 and the emergence of the comparability assessment. It was originally envisaged that for the Insurance Capital Standard (ICS) project to achieve its prime objective, as laid out by the IAIS, it must lead to a single, high-quality, and robust global insurance standard that promotes a sound, global regulatory level playing field. Effectively, this would result in the same targeted level of policyholder protection and triggering the same supervisory actions by the group supervisor and at the same point in time under stressed conditions. However, the objective of the ICS has necessarily evolved over time to only provide for a minimum standard to be achieved, even if we believe the current standard is too detailed and prescriptive for such a purpose. In addition, the IAIS has separately acknowledged the development of the Aggregation Method in the United States, and while not part of the ICS, it aims to be in a position to assess whether it achieves comparable outcomes to the ICS so that it may be considered an outcome-equivalent approach in the opinion of the IAIS. Therefore, if the IAIS decides to adopt the ICS in 2024, the question of implementation is critical and specifically for frameworks built on the same conceptual basis as the ICS, such as in Europe with Solvency II, SST and UK Solvency. We observe the steps made by the IAIS over time continue to anchor the ICS in a high level of detail and prescription, which we consider incompatible with the nature of a minimum	

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		standard. In our response we have highlighted many differences exist between the ICS designs and calibrations with those of existing European standards, which are built on the same high-level concepts and target criteria as the ICS. The aspect of governance should be mentioned in this respect. Any standards developed by the IAIS do not benefit from political scrutiny and as such may provide high-level guidelines for local regimes but are not suitable for 'as is' adoption of any details on design and calibration put forward in the ICS. The political scrutiny and legislative processes ensure a framework is balanced on the level of prudence and fit for purpose in practice, on jurisdictional level and in light of the broader context a framework needs to operate in, such as the wider economy and the broader legislative framework. For this reason, the IAIS is requested to clarify that, also given the similarity to concepts and target criteria underlying the ICS, Solvency II, SST and UK Solvency, 'as is', will be fully accepted as the local implementations of the ICS, should European legislators wish to do so, without the need of potential adjustments or any detailed comparisons per element. This is an essential, but still missing, clarification within the ICS set-up. This question of the relationship with Solvency II, SST and UK Solvency is fundamental for the European industry. Without specifying it in the detailed questions on designs and parameters in this consultation, the European industry does not believe the ICS provides a better or more appropriate standard	

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		than Solvency II, SST and UK Solvency, on the contrary. It is important that this is acknowledged by IAIS, while at the same time limiting the prescriptive nature of the standard, given that this is a minimum standard. Exemplary of the concerns and unclarity around implementation and impact is the fact that despite EU IAIG's supporting and participating actively since the start of the ICS project, the EU participation to the monitoring period faded after the redirection of the ICS project with ICS 2.0. This is particularly relevant as in parallel the EU Solvency II review is in progress and already further divergences can be seen between choices made in ICS and Solvency II highlighting the practical dynamic that ICS needs to embrace with a more flexible, principles-based approach for similar frameworks. Indeed, we would expect that the Solvency II regime, pre- and post-review, is considered fully compliant with the ICS as it relies by nature on the same principles and should not lead to any further review of the EU solvency framework. Therefore, the ICS should not create new requirements that are not adopted/accepted by the political level in the Solvency II review. The European supervisory community had its opportunity to feed into the Solvency II review process via a request for advice from the European Commission in 2019, and it is now the mandate for the political level to decide how the Solvency II framework should be amended. This process should not be undermined via the ICS project. Indeed, the ICS should avoid intervening in legislative processes in such a	

Question	Respondent	Comment received	IAIS response
		manner and ensure any outcomes from legislative reviews by the political level are accommodated under the ICS. If not, the ICS will not be implementable and/or sustainable in the European context without important drawbacks and negative economic and competitive impacts. We continue to question the need for the detailedness and prescriptiveness with the ICS to be positioned as a minimum standard and equally with the fact that it effectively provides second-guesses on the design and calibration of similar frameworks. Solvency II, SST and UK Solvency are well-designed and proven frameworks and should be deemed the local implementations of the ICS. These frameworks have also been scrutinized by the political level to assess appropriateness in the wider context. The lack of this key part of framework development with regard to the ICS is already reflected by signs of supervisory gold-plating in the various ICS requirements (e.g., on internal models, please refer to Q36/39). As a last note on this topic of implementation, the lack of providing the path for existing frameworks build on the same conceptual basis to be fully recognized 'as is' is even more surprising in light of the IAIS having opened the door for the US Aggregation Method, which is built on materially different principles and calibrations to potentially receive an outcome-equivalent status through the comparability assessment. This status would allow a form of implementation that eliminates all need for implementation of any specific requirements detailed by the IAIS in the L1 and L2 texts. This alternative path of	

Question	Respondent	Comment received	IAIS response
		extremely light implementation already has raised strong concerns on the level playing field impact, and any additional requirements or changes ICS would push towards Solvency II, SST and UK Solvency via a detailed implementation of ICS, rather than on a holistic approach, will only aggravate this imbalance. Besides the lack of clarity on implementation, a second key point that we want to make a special mention for is support for the inclusion of internal models in the ICS. The CRO and CFO forum have always considered that the ICS cannot be effective or sound without the inclusion of internal models and therefore were surprised there were discussions on its inclusion in ICS at all. The concept is already firmly embedded in ICP 17 and as such already fully endorsed by the IAIS and its members. Indeed, several existing regimes already successfully have integrated internal models. It would not be suitable or viable for the ICS not to include internal models on the same basis. However, we note that the updated ICS document includes additional supervisory overlays based on standard method that go beyond and against the basic principles set out in ICP 17. Such additional requirements are not appropriate. Full or partial internal models are requested, even required, by European supervisors when the standard method is not considered a suitable basis. This is the case in practice for almost all large insurance groups. This also means that the standard method is not a good benchmark for internal models. Any double reporting requirements would not make sense and would not	

Question	Respondent	Comment received	IAIS response
		take into account the costly, long and detailed internal model development and supervisory approval processes. Such reporting also ignores that via use tests the internal models must be used in practice in ALM and risk management. Any restrictions or overlays to internal model outcomes will only result in a deviation from the targeted confidence level of the capital requirements and thus a direct violation of what the ICS aims to achieve. Finally, but not unimportant in light of the work of the IAIS, internal models are essential to counter systemic risk. Indeed, if all IAIGs would manage their business on the same standard method it would create the largest systemic risk for the global insurance industry. In the respective questions on internal models, we provide more details on our specific views on this key element. Concluding, CRO and CFO forum believe important concerns and uncertainties continue to exist as set out in detail in this response and which are also related to the potential impact of ICS on markets and competition.	

Question	Respondent	Comment received	IAIS response
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	CRO Forum Association	There are still many uncertainties on how an ICS will be implemented in practice, which will determine the impact on any implementation. While we welcome the intention by the IAIS to conduct an Economic Impact Assessment of the ICS during 2023 and 2024 to evaluate the impacts that the implementation of the ICS may have, it is unclear how such an assessment may be conducted without first providing clarity surrounding what implementation of the ICS as a minimum standard means in practice and how implementation will be assessed. As the IAIS note, the process to implement the ICS will vary significantly between IAIGs and supervisors and across regions due to different local circumstances which implies there will need to be some flexibility in how the ICS is interpreted for implementation. Currently, the insurance international standards are reflected within the Insurance Core Principles (ICPs). These include ComFrame which we understand the ICS is intended to be a quantitative element of. The ICPs provide some discretion to national authorities' implementation by being structured in levels containing principles, standards and guidance. The candidate ICS does not appear to be structured in this format containing Level 1 and Level 2 text. It is therefore unclear how the ICS will be incorporated within ComFrame as an international standard, and therefore how the need to reflect local differences will be accounted for.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		It is also unclear how the IAIS will assess implementation. Given the prescriptive nature of the current ICS text, although positioned as a minimum standard, it is unclear how jurisdictional differences will be treated in such an assessment, and therefore what implementation would mean in practice where a jurisdiction has a similar, but not identical prudential framework. However, this will ultimately be a decision by the political level. As noted, given the overall reality of the ICS project, including the outcome-equivalence option, the European industry believes that Solvency II, SST and UK Solvency, 'as is' are accepted as the local implementation of the ICS on a holistic approach based on general alignment with the underlying principles. In general, significant adverse impacts can be expected if this is not the approach to implementation that is adopted. Many jurisdictions' frameworks already successfully prove themselves and are built on the same concepts as the ICS. This is highlighted in that those existing frameworks that have a similar approach have important differences with ICS, for valid reasons such as to reflect political decisions, local market circumstances, avoid unintended consequences or simply because suitable, if not better, alternative designs and calibrations exist. The ICS as put forward is not accommodating for this reality, while via comparability assessments there is a clarity for the concerned frameworks, some not even fully developed yet, to only need to comply on	

Question	Respondent	Comment received	IAIS response
		an outcome-equivalent basis. This is a real conundrum and cause for concern. We therefore seek clarity from the IAIS on the following points: • The approach it will take to incorporate the ICS into international standards, whether this will necessitate revisions to the current text, and whether it will be incorporated into the existing ICP framework, or be a separate standalone standard • To ensure flexibility is provided to allow existing regimes build on the same conceptual basis as ICS to be recognized 'as is' within the standard • If and how FSAPs are to be performed for outcome-equivalent approaches such as foreseen for the US Aggregation Method, considering that those approaches are not part of the ICS (para 20) and their design and development fall outside of the remit of the IAIS.	
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	CRO Forum Association	See answer Q45, it depends but it may very well adversely impact pricing and product availability	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	CRO Forum Association	See answer Q45, it depends but it may very well adversely impact pricing and product availability	Please see ICS Economic Impact Assessment report
48. Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts.	CRO Forum Association	See answer Q45, it depends but it may very well adversely impact pricing and product availability	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
49. Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	CRO Forum Association	See answer Q45, it depends but it may very well adversely impact pricing and product availability	Please see ICS Economic Impact Assessment report
50. Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	CRO Forum Association	See answer Q45, it depends but ICS is far too detailed and specific to act as a principle-based standard	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	CRO Forum Association	No, the ICS will not address this. The introduction of a fully risk-based approach to supervision is good, but already existing in many markets and some markets will not implement the ICS but an outcome equivalent system that may not benefit from risk-based pricing to the same extent. Essential is also the full and unrestricted allowance for Internal Models calibrated to the set confidence level to ensure a level playing field. Any deviations from this will distort product availability and only further increase the protection gap	Please see ICS Economic Impact Assessment report
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	CRO Forum Association	No and ICS should not aim to distort local competitive markets. In Europe, it was a fundamental decision to implement Solvency II and SST for all insurers, solo and groups, to ensure consistent approaches on both levels and to ensure a full level playing field. ICS as a group wide consolidated standard does not bring this benefit and risks distorting and fragmenting the overall level playing field in contradiction of a fundamental legislative decision. It currently risks, via the combination of a detailed prescriptive ICS and potential AM comparability, putting European IAIGs at a competitive disadvantage both locally and globally and thus distorting rather than improving the level playing field.	Please see ICS Economic Impact Assessment report

IAIS

Question	Respondent	Comment received	IAIS response
53. Do you anticipate any opportunities for an increase in the range of products available in the insurance market as a result of the implementation of the ICS? If so, please explain the potential opportunities.	CRO Forum Association	No	Please see ICS Economic Impact Assessment report
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	CRO Forum Association	Depends on what implementation will mean in practice	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	CRO Forum Association	Depends on what implementation means in practice. In any case, double standards reporting will undermine appropriate management of risks.	Please see ICS Economic Impact Assessment report
56. Do you anticipate that the implementation of the ICS could lead to a change in the profitability of an IAIG's business units or insurance entities focusing on a specific product type or market segment? If so, please describe the products or market segments potentially affected.	CRO Forum Association	Depends on what implementation means in practice. In any case, there cannot be any double solvency standards to report on.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
57. Do you anticipate any circumstances in which IAIGs will need to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS? If so, please explain the potential impacts.	CRO Forum Association	-	Please see ICS Economic Impact Assessment report
58. Do you have any concerns over the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS? If so, please explain the potential impacts.	CRO Forum Association	-	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
59. Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	CRO Forum Association	-	Please see ICS Economic Impact Assessment report
60. Do you anticipate any circumstances in which IAIGs might change their approach to risk mitigation as a result of the implementation of the ICS? If so, please explain the potential impacts.	CRO Forum Association	-	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
61. Do you anticipate circumstances in which IAIGs would re-structure their business as a direct result of the implementation of the ICS? If so, please explain the potential impacts.	CRO Forum Association	-	Please see ICS Economic Impact Assessment report
62. Do you anticipate any other changes to the operating model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	CRO Forum Association	-	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
63. Do you anticipate any changes to risk management practices across the insurance industry as a result of the implementation of the ICS? If so, please explain the potential impacts.	CRO Forum Association	-	Please see ICS Economic Impact Assessment report
64. Do you anticipate any benefits to the business model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential benefits.	CRO Forum Association	-	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
65. Do you anticipate any impacts to the competitiveness of IAIGs relative to non-IAIGs with the implementation of the ICS?	CRO Forum Association	-	Please see ICS Economic Impact Assessment report
66. Do you anticipate any changes to the investment strategy of IAIGs which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	CRO Forum Association	-	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
67. Do you anticipate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	CRO Forum Association	-	Please see ICS Economic Impact Assessment report
68. Do you anticipate any impacts from the implementation of the ICS on asset concentration risk, either within IAIGs or across insurance markets? If so, please explain the potential impacts.	CRO Forum Association	-	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
69. Do you anticipate the implementation of the ICS altering the investment strategy or investment decisions of IAIGs in response to stressed market conditions? If so, please explain the potential impacts.	CRO Forum Association	-	Please see ICS Economic Impact Assessment report
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	CRO Forum Association	-	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
71. Are there any other areas of the financial markets (eg derivatives or stock lending) that might be impacted – directly or indirectly – by the implementation of the ICS? If so, please explain the potential impacts.	CRO Forum Association	-	Please see ICS Economic Impact Assessment report
72. Do you have any concerns over the availability of longer-term assets in the market to meet any increase in demand from IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	CRO Forum Association	-	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
73. Do you anticipate any increased risk to the broader financial markets (eg from re-allocations into or out of specific asset classes in response to shocks in financial markets) as a result of the implementation of the ICS? If so, please explain the potential impacts.	CRO Forum Association	-	Please see ICS Economic Impact Assessment report
74. Do you anticipate any specific benefits to the insurance market or broader financial markets as a result of the implementation of the ICS? If so, please explain the potential benefits.	CRO Forum Association	The success or failure of the ICS will be largely determined by how it would be implemented and the soundness of the AM comparability assessment. Currently, there remain significant concerns on the adverse impact of the proposed ICS. This is exemplified by the majority of EU IAIGs and jurisdictions not participating to the monitoring period and large non-participation in other jurisdictions.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	CRO Forum Association	-	Please see ICS Economic Impact Assessment report
76. To the extent that it can be predicted, do you anticipate impediments to implementing the requirements of the ICS? If so, please explain the potential impacts.	CRO Forum Association	Solvency II, SST and UK Solvency, 'as is' should be accepted as implementations of ICS, with any differences fully accepted. It should be acknowledged by IAIS that these existing frameworks are already fully compliant with the underlying concepts and target criteria of the ICS and proven solvency standards and as such an accepted standards that are above the minimum standard set by the IAIS does not need to be reviewed in accordance with that recognition. The integrity of the Solvency II, SST and UK Solvency frameworks and important choices made therein, should be fully respected and not be second-guessed by ICS or expected to be modelled after ICS.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
77. Could any costs of implementing the ICS be absorbed by or shared with other implementation projects running concurrently (eg IFRS 17)? If so, please explain how this might be achieved.	CRO Forum Association	No, Europe has already implemented the much more advanced Solvency II, SST and UK Solvency standards and equally has already implemented IFRS 17.	Please see ICS Economic Impact Assessment report
78. Do you anticipate any other impacts from the implementation of the ICS, not covered above? If so, please explain the potential impacts.	CRO Forum Association	-	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
4. Do you have comments on the revised eligibility criteria for the Middle Bucket?	Dai-ichi Life Holdings Inc	【TOM calculation】 As for the cash flow testing for calculating the numerator M of the TOM ratio in Middle Bucket, there would be difficulty to develop system to construct asset cash flow like selling in line with liability cash flow for surrender/lapse. Therefore, in the cash flow testing, we'd like you to allow simplified method in which both surrender/lapse cash flow of insurance liabilities and selling assets in accordance with surrender/lapse never happen. The cash flow testing for calculation of M is uniform and overly strict, so the buckets or M does not reflect the IAIG's own asset allocation. Considering that the actual ALM is diverse in each country and each IAIG, we request the IAIS to abolish the uniform cash flow requirement. 【Middle bucket criteria d)】 In case other requirements other than requirement of future insurance premiums are met, ALM strategy seems working well at the same level as other Middle Bucket products. Therefore, we'd like you to remove the requirement regarding future insurance premiums.	- About *removing criterion D*: The removal of criterion D was investigated but was considered insufficiently prudent when using higher discount rates and therefore was not deemed appropriate. - About *removing the uniform cash flow requirement for calculating M of the TOM ratio*: The cash flow matching test was revised to allow for unhedged foreign assets subject to some safeguards.

Question	Respondent	Comment received	IAIS response
5. Do you have comments on the introduction of a modulation factor?	Dai-ichi Life Holdings Inc	If the duration of spread assets is shorter than one of insurance liabilities, the spread adjustment by modulation(ω) factor overlaps with the calculation of spread risk. As a result, modulation factor causes underestimation or reversal of risk direction of non-default spread risk. We believe that adopting the ICSver2.0 methodology in which the risk associated with spreads fluctuation is captured by non-default spread risk rather than modulation factor is appropriate for economic base calculation.	- About *removing the modulation factor*: The modulation factor was considered necessary to limit the potential risk of an overly optimistic valuation of insurance liabilities, which could lead to increases in capital resources driven by duration mismatches of assets and liabilities when spreads increase.
6. Do you have other comments regarding the Market-Adjusted Valuation?	Dai-ichi Life Holdings Inc	【Management Action】 It is very helpful for IAIGs to IAIS provides the example of the criteria of acceptable future management actions. For instance, is it possible for IAIGs to consider future management actions approved in local capital regulation and meet the criteria in ICS technical specification? 【Top Bucket criteria d)】 In case other requirements other than requirement of future insurance premiums are met, ALM strategy seems working well at the same level as other Top Bucket products. Therefore, we'd like you to remove the requirement regarding future insurance premiums.	- About *expanding the scope of management actions*: The approach for management actions was revised to include non-participating contracts and to make management action criteria more principle-based. - About *including examples as in technical specifications*: The IAIS is

Question	Respondent	Comment received	IAIS response
		【Top Bucket criteria c) 】 Regarding the cash flow testing for Top Bucket criteria c) , there would be difficulty to develop system to construct asset cash flow like selling in line with liability cash flow for surrender/lapse. Therefore, in the cash flow testing, we'd like you to allow simplified method in which both surrender/lapse cash flow of insurance liabilities and selling assets in accordance with surrender/lapse never happen. The cash flow testing for Top Bucket criteria c) is uniform and overly strict, so the buckets or M does not reflect the IAIG's own asset allocation. Considering that the actual ALM is diverse in each country and each IAIG, we request the IAIS to abolish the uniform cash flow requirement. 【Spread in general bucket】 The current representative portfolio in US dollars can be too conservative. Spreads (Net) used in general buckets are at the 5-10 year level in terms of spreads by duration, while the actual asset portfolio of each product segments ranges from short-term to long-term. Especially for long-term debt, spread levels may be set lower, even if we have long-term assets. Therefore, we think that the spread should be set based on the duration of the assets actually held in the general bucket or have term structure such as Candidate ICS in this data collection.	considering what material, such as examples or guidance, may be helpful to publish to support the implementation of the ICS. - About *yield curve methodology*: The ICS is a minimum standard that aims for consistency across local frameworks. The IAIS is considering what material, such as examples or guidance, may be helpful to publish to support the implementation of the ICS. - About *reviewing bucket criteria*: The data collected over the monitoring period supports the treatment provided in the ICS for Top Bucket criteria.

Question	Respondent	Comment received	IAIS response
		【Tax effect of insurance capital requirement】 As for the upper limit calculation of the tax effect on the required capital/risk amount, we believe the formula to calculate the limit is overly conservative. Instead, Group's effective tax rate can be more applicable. We are satisfied for tax effect in Candidate ICS to some extent. But we want IAIS to provide a rationale evidence for 80%* notional tax effect on insurance capital requirement. 【Yiled curve】 Please add guidelines for dealing with any additional currency beyond the 35 for which the IAIS published yield curves in the specifications. 【DTA adjustment】 In the current ICS calculation template, we cannot adjust DTA on GAAP and DTL aroused by reclassification from GAAP to MAV. Therefore, we would like to request revise the calculation temprate so as to formulas in it consist with the technnical specification.	

Question	Respondent	Comment received	IAIS response
7. Do you have comments on the changes regarding eligibility criteria for Tier 1 Limited and Tier 2 financial instruments? Please explain your response based on actual terms and conditions of instruments commonly issued by insurers.	Dai-ichi Life Holdings Inc	【Structurally subordinated financial instruments with acceleration clauses】 Regarding Structurally subordinated financial instruments with acceleration clauses, it is requested that they be recognized as Tier 2 capital if they meet specific requirements and exhibit a certain loss absorption effect, i.e., if an IAIG expands its operations by its subsidiary into a country beyond the jurisdiction directly supervised by its group-wide supervisor (GWS) and operates under another jurisdiction's insurance regulations governed by the jurisdiction's supervisor, a debt instrument issued by the subsidiary with acceleration clauses recognized as eligible capital within the other jurisdiction due to factors such as the loss absorbing capacity resulting from its structural subordination under the other jurisdiction should also reasonably be acknowledged as eligible capital for the IAIG because the GWS should respect the national discretion as to acceleration clauses by the other jurisdiction's supervisor, while considering a level playing field perspective.	- About *recognition of acceleration clauses at local jurisdiction being recognised at the group level*: The IAIS considered it necessary to introduce a national discretion regarding instruments featuring acceleration clauses. The use of that national discretion comes with requirements (such as the reconciliation with and without using the discretion) to mitigate its impact. The IAIS is considering what material, such as examples or guidance, may be helpful to publish to support the implementation of the ICS.

Question	Respondent	Comment received	IAIS response
9. Do you have other comments regarding capital resources?	Dai-ichi Life Holdings Inc	【Deductions from Tier 1 capital resources 】 Regarding the treatment of non-consolidated subsidiaries, Item i) in Paragraph 226 of the ICS Specifications requires the IAIG to uniformly deduct the value of equity and debt owned by the IAIG from capital resources. If the IAIG comply with this provision, ICS Ratio may be significantly different compared to accurate calculation and valuation. We would appreciate it if the IAIS would allow the IAIG apply appropriate methodology, e.g. the calculation of Capital Requirement to be treated as look-through approach (e.g. for real estate funds, assessed as Real Estate risk) while the calculation of Qualifying Capital Recourses to be evaluating the investment amount as subsidiary shares, to assess properly the risk inherent in investments in non-consolidated subsidiaries, rather than having the IAIG deduct investments in non-consolidated subsidiaries from capital resources.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
10. Do you have comments regarding the ICS risks and calculation methods?	Dai-ichi Life Holdings Inc	【Parameters】 We think it is important to ensure transparency in the model. There are many parameters for which the basis of calculation is unclear, and a Calibration paper should be published as soon as possible. 【Dynamic Hedging】 The Group appropriately controls market risk by implementing dynamic hedging when providing minimum guarantees for pension funds and death benefits for variable products and the granted interest rate for interest-rate variable products. On the other hand, in the ICS under consideration :The effect of such dynamic hedging cannot be reflected; Actual state of risk management is not appropriately reflected. In order to appropriately reflect the actual status of each company's sophistication of risk management and ERM in the ICS We request the CFTC to consider reflecting the effects of dynamic hedging in the ICS as well. We will propose a method (draft specification) to reflect the hedge effect in the ICS. --- (draft specifications) 7. Reference ICS: Capital Requirement - The Standard Method 7.1.1. Risk mitigation techniques Following paragraph 257, the following specification is proposed to be added (six paragraphs in total) (each IAIG can	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		choose between the fifth and sixth paragraphs) : (i) Notwithstanding the preceding four (4) paragraphs, with regard to risk assessment in cases where hedging is conducted for the purpose of risk mitigation, etc. of minimum guarantee risk, risk mitigation shall be allowed only when the requirements set forth in (ii) to (iv) are satisfied. In this case, the limit of risk mitigation shall be the amount calculated based on (v) or (vi). (ii) The requirements at the commencement of hedging (ex-ante requirements) shall be as follows : a. It is objectively recognized that hedging is in accordance with the risk management policy determined by the Board of Directors (hereinafter referred to as the "risk management policy") by either of the following : i. Documents can confirm that the hedge is in accordance with the risk management policy. ii. With regard to the risk management policy, there are clear internal rules and a management system, and it is expected that the hedge will be treated in accordance with this. b. The minimum guarantee risks to be hedged shall be clarified, and the hedging instruments to be used for such minimum guarantee risks shall be clarified in a document in accordance	

Question	Respondent	Comment received	IAIS response
		with the risk management policy. c. The effectiveness of hedging instruments to be used for the minimum guarantee risk to be hedged shall be estimated in advance. d. The assessment of the effectiveness of hedging instruments shall be consistent with the documented risk management policy and management method, and the risk management policy shall at least clearly describe the basic framework for risk management such as the type and content of the minimum guaranteed risk to be managed, the hedging policy and the method of assessing the effectiveness of hedging instruments. e. In the case of d., it is clearly indicated in advance whether the effectiveness is determined by individual hedging (where the hedging instruments and the hedging instruments are in a simple one to-one relationship) or comprehensive hedging (where there are multiple hedged items and it is difficult to relate market fluctuations or cash flow fluctuations to the hedging instruments individually, the hedging instruments are comprehensively matched with the hedged items). (iii) requirements after the inception of the hedge (ex-post	

Question	Respondent	Comment received	IAIS response
		requirements) are as follows : a. To confirm that a high degree of effectiveness of a hedge is maintained even after the start of the hedge by the following two points : i. During the period from the start of hedging to the point in time at which effectiveness is determined, the ratio of the cumulative changes in the market price or cash flow of the hedged item to the cumulative changes in the market price or cash flow of the hedging instrument shall be approximately 80% to 125%. ii. In the case of hedging only specific risks among the risks (interest rate, foreign exchange rate, credit, etc.) that cause market fluctuations or cash flow fluctuations of hedged items, if the amount of changes can be identified by risk, the effectiveness shall be determined based on the amount of changes. b. Notwithstanding a., as long as the results of the prior confirmation of the hedge effect conducted at the inception of the hedge show that the hedging instrument is highly effective. Even if the ratio of the amount of change calculated based on the formula does not show a high correlation, if the cause is deemed to be temporary due to a small change, the risk	

Question	Respondent	Comment received	IAIS response
		mitigation treatment by hedging may be continued. c. Hedge objects and hedging instruments shall be linked for effectiveness evaluation and risk mitigation processing, and separate management shall be conducted until the expiration of the insurance contract. d. When the initial assessment method of effectiveness is changed, the hedge transaction shall be deemed to be the start of the hedge transaction, the link between the hedged item and the hedging instrument shall be reviewed, and if the hedge satisfies the new risk mitigation requirement, the risk shall be reduced from that point of time. If the hedge no longer satisfies the risk mitigation requirement, the hedge shall not be reduced by hedge as specified in the following Sub-item a. ; e. Assess the effectiveness of hedging instruments at least semi-annually. (iv) As a requirement for terminating a hedge, the handling of risk mitigation by hedge shall be discontinued in the following cases :	

Question	Respondent	Comment received	IAIS response
		a. When such hedge no longer satisfies the evaluation criteria for hedge effectiveness prescribed in the preceding Paragraph a. or b. ; b. The hedging instrument is extinguished due to maturity, sale, termination or exercise ; provided, however, even if the balance of the hedging instrument becomes 0, it is not deemed to be extinguished if it temporarily becomes 0 based on the risk management policy and market conditions. (v) Risk mitigation techniques if all the conditions (ii) to (iv) are satisfied, the limit of the risk reduction effect shall be : X * min(80%, (1 - G / X)) Where: X : Losses on hedged items due to stress G : The arithmetical mean of the gamma of the hedged item before the stress and the gamma of the hedged item after the stress. Shall be :(*) Whether or not to apply the risk reduction effect described in this paragraph shall be selected by the risk comprising market risk(i.e., "Interest Rate risk," "Non-Default Spread risk," "Equity risk," "Real Estate risk," "Currency risk," and "Asset Concentration risk")(**).	

Question	Respondent	Comment received	IAIS response
		(Conceptual explanation) The loss of the hedged item is represented by a downward convex curve (its vertical variation is equal to X), and the gain of the hedging instrument is represented by the tangent of this curve. In other words, since a convex curve is approximated by a straight line, there is a gap between the change rate, i.e. the sensitivity, of the hedged item and the hedging instrument. In dynamic hedging, this gap is eliminated by rebalancing positions, but an error remains. This error is the "portion that cannot be hedged by delta hedging", which is equal to the change in the curve - the change in the straight line. G in the formula means gamma, which indicates this error. (*)80% is an example, but the purpose is to ensure conservatism against the lack of (IAIG's) data on dynamic hedging. (**)To specify a risk integration method and an anti-cherry-picking clause such as "Only interest rate increases are counted and interest rate decreases are not counted." (vi) If the risk mitigation technique meets all of the conditions (ii) to (iv), the limit of the risk mitigation effect is : X * max(0, 1 - (sum over i of |D_i|) / (sum over i of |Y_i|))	

Question	Respondent	Comment received	IAIS response
		Where : X : Losses on hedged items due to stress D_i: Hedging errors (gains / losses on hedged items and hedging instruments) Y_i : Gains or losses on hedged items For D_i and Y_i historical data (as of each business day in the most recent five years, but only those consistent with the data identified in (iii)) or Monte Carlo simulation data (limited to those with 1,200 or more trials) shall be used. However, if it is unavoidable that the data is insufficient Z = min(1, u / r) u : number of data used in this paragraph r : number of data required in this paragraph As defined in Z is used to calculate the amount of the risk mitigation effect (Z * max(0, 1 - (sum over i of |D_i|) / (sum over i of |Y_i|))+ (1 - Z) * 40%) Can be calculated by : Whether or not to apply the risk reduction effect described in this paragraph shall be selected by the risk comprising market risk(i.e., "Interest Rate risk," "Non-Default Spread risk," "Equity	

Question	Respondent	Comment received	IAIS response
		risk," "Real Estate risk," "Currency risk," and "Asset Concentration risk"). As long as dynamic hedging is conducted, data should be collected on a daily basis. However, in the case of lull, relaxation provisions such as setting the interval of data to weekly or monthly can be considered. Five years and 1200 are examples. The 40% in the risk reduction effect formula is an example and has no quantitative basis. However, as the ex-post evaluation was passed in (iii), this level may be acceptable.	
15. Do you have comments regarding the list of market risks considered in the ICS, the general principles to calculate them and the way to aggregate them?	Dai-ichi Life Holdings Inc	【A simplified approach for Look-Through】 A simplified approach such as the estimation of risk exposures based on the benchmark index to allow for the use of data before the reference data should be considered. Particularly regarding hedge funds, it should be noted that they disclose overall investment policies and asset classes, while the investment status of individual equities may not be disclosed.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
20. Do you have comments on the proposed design of the Equity risk counter-cyclical measure?	Dai-ichi Life Holdings Inc	【Regional NAD】 Although there are certain correlations within equity indices, they often move differently from region to region, so NAD should be determined using indices for each region. It would also be appropriate to divide the risk coefficient before subtracting the NAD by region accordingly.	- About *NAD using jurisdictional and regional granularity*: The current design aims to strike a balance between complexity and risk sensitivity.
22. Do you have other comments regarding Equity risk?	Dai-ichi Life Holdings Inc	【Risk Category of Hybrid Debt】 Regarding the Hybrid debts held by IAIGs, it is understood that they are considered eligible assets (Fixed/Variable interest Corporate Bonds) when determining the discount rate. However, in the measurement of the capital requirement, it is stipulated that their risk charge should be calculated as equity risk instead of credit risk and non-default spread risk. We agree with the current specification of discount rates, which classifies stocks without assured future dividend cash flows as ineligible assets and evaluates Hybrid debt with a certain level of promised future interest payments as eligible assets. However, we would like to request a change in the measurement of the risk charge of Hybrid debts so that they are calculated as credit risk and non-default spread risk. Even if the current framework for evaluating the risk charge for Hybrid debts as equity risk is not revised, we would like to	- About *the introduction of a hedge fund dedicated treatment*: The current design aims to strike a balance between complexity and risk sensitivity. - About *treatment of hybrid debts*: The current design aims to strike a balance between complexity and risk sensitivity.

Question	Respondent	Comment received	IAIS response
		request an explanation of the underlying principles and reasoning behind evaluating it as equity risk. Additionally, it should be noted that under Solvency II, Hybrid debts are evaluated as credit risk instead of equity risk. 【Risk Coefficient for Hedge Fund】 The risk coefficient for hedge funds is 49%, lumped together with other assets, but in order to more accurately capture hedge fund risk, a unique risk coefficient for hedge funds should be established. The 99.5% point in the distribution of HF index returns is about 17% as of March 31, 2023 (CS/Dow Jones AllHedge index, Monthly 10-year data, BB ticker: SECTAHJP Index), which is a large difference from the 49% risk coefficient used in the Candidate Standard measurement. 【Market-consistent coefficient setting 】 In the models for measuring equity risk, the risk coefficients and correlation coefficients are fixed values regardless of the market. Fluctuations of equities in each market are not considered uniform, we would like the coefficients to appropriately reflect market.	

Question	Respondent	Comment received	IAIS response
24. Do you have comments regarding Currency risk?	Dai-ichi Life Holdings Inc	【Market-consistent coefficient setting 】 In the models for measuring currency risk, the risk coefficients and correlation coefficients are fixed values regardless of the market. Fluctuations of currencies in each market are not considered uniform, we would like the coefficients to appropriately reflect market.	- About *dynamic hedging being accepted as a risk mitigant*: Dynamic hedging was explored; however, data collected from Volunteer Groups did not provide sufficient supporting evidence for inclusion. - About *risk and correlation parameters being market dependent*: The risk coefficients have been calibrated to incorporate the volatility of currency pairs. The common correlation parameter was considered as achieving the right balance between complexity and risk sensitivity.

Question	Respondent	Comment received	IAIS response
27. Do you have other comments regarding Credit risk?	Dai-ichi Life Holdings Inc	【Risk charge of unrated securitization】 Please provide the basis for the 100% risk charge for Unrated securitized products, and we'd like you to allow using internal rating that meet certain requirements. In particular, for securitized products backed by real assets such as real estate and aircraft that can be objectively evaluated, 100% is considered to be an excessive risk charge, so we request a reduction of risk charge in such case, even if no external rating is assigned. 【Using internal rating】 Please allow the use of internal rating in overall credit risk measurement. 【NAIC rating】 We support the use of NAIC ratings, which are currently under consideration. We believe that the lack of an external rating should not be punitive. A supervisor-owned and controlled credit evaluation process should be accepted as a limited and alternative treatment in the absence of an external rating. For example, the use of NAIC ratings in the U.S. has become an essential infrastructure for assessing the credit risk of investments in asset-backed securities (e.g., RMBS, ABS and CMBS) and investments in private placements. However, if the external ratings are not approved and for example, bonds are	- About *internal ratings*: The use of internal ratings is outside the SOCCA framework; however, internal ratings can be leveraged for use in a supervisor-approved internal model. - About *calibration*: Please refer to the ICS calibration document for more details about the ICS calibration methodology.

Question	Respondent	Comment received	IAIS response
		not treated as investment-grade bonds, this may cause difficulties in investing.	
36. Do you have comments regarding Other Methods for the calculation of the ICS capital requirement?	Dai-ichi Life Holdings Inc	With regards to the calculation of Qualifying Capital Recourses on non-consolidated subsidiaries, please refer to answer No.9.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
44. Do you have additional comments on the ICS?	Dai-ichi Life Holdings Inc	【Aggregation Method】 We agree with the goal of the IAIS to develop a single global insurance capital standard such as the ICS that adequately reflects wide variety of risks held by IAIGs across jurisdictions. But, U.S. regulators have argued that there are still some concerns that the current ICS ver. 2.0 does not adequately reflect the business characteristics or risk profiles of the IAIGs in the U.S. and the Aggregation Method(AM) is being developed as a solution to this issue by IAIS. If the IAIS determines that the AM provides comparable outcomes to the ICS in the future, even insurance companies competing in the same U.S. market will be assessed on different standards depending on whether their group headquarters is in the U.S. or outside the U.S. It is questionable whether the level playing field in the short term is ensured. According to the "Definition," "High Level Principles," and "Draft Criteria" for the comparability, comparability between the AM and ICS will be determined by "whether they respond similarly throughout the business cycle, not by short-term market fluctuations," Therefore, while the long-term level playing field over the business cycle is ensured, the short-term level playing field may not be ensured. So, it would be unfortunate if companies presenting their capital adequacy based on the global standard ICS are put at a competitive disadvantage vis-à-vis those based on the AM. We do hope that the IAIS recognizes this potential issue and	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		consider ways to not let it happen. Since this is a story about IAIGs in any jurisdiction doing life insurance business in the U.S., we believe that it should be addressed in ICS in order to make ICS a fair global capital standard. As an example of a solution to ensure a level playing field among insurers competing in the same U.S. market to avoid such a situation, regardless of the jurisdictions in which the IAIG's group headquarters are located, all insurance businesses operating in the U.S. should be assessed consistently with the AM for all IAIGs rather than the ICS, by using local regulations after applying scalers. In other words, we would like to see the ICS incorporate a method similar to “the Deduction and Aggregation Method permitted under Solvency II” As a method of evaluating the capital requirement for U.S. insurance business in the ICS in such a case, the same scalar should be multiplied by the capital requirement of US RBC regulation as the scalar (could be 1.0) to be multiplied by the US RBC capital requirement, which would be set in the AM comparability assessment, to ensure a level playing field between the U.S. IAIGs and non-U.S. IAIGs in the U.S. market. We would like the IAIS to disclose the scalar to be multiplied by the US RBC capital requirement in the AM comparability assessment and the rationale for setting it so that each jurisdiction can utilize and analyze it. We hope that the IAIS will discuss this issue in parallel with the work on whether the AM provides comparable outcomes to the	

Question	Respondent	Comment received	IAIS response
		ICS and provide at least a tentative conclusion at the time of the 3Q 2024 Decision on comparable outcomes. The Japanese FSA plans to finalize a new ICS-compliant solvency regime in the 2Q 2024, and the tentative conclusion from the IAIS should be reflected there. If the IAIS has a policy that this issue is not to be addressed by ICS but to be left to address in the ICS implementation process in each jurisdiction, we hope that the IAIS indicate this policy so that each jurisdiction can address the issue. Note that the following issues could arise in that case. －The evaluation of U.S. operations will differ depending on where the IAIG group headquarters is located, and ICS will be a global standard with level playing field issues for U.S. operations. －If some countries do not adopt “the Deduction and Aggregation Method permitted under Solvency II” during the ICS implementation process, the U.S. operations of IAIGs with group headquarters in those countries will be evaluated on a different basis than the U.S. IAIGs. －Scalars for inclusion of U.S. operations may be set separately for each country. 【The comparability of the AM and ICS】 Since JFSA has tentatively decided to change Japanese capital regulations to new ICS-compliant regulations in 2025, we would like the IAIS to compare the ICS ratio with the AM	

Question	Respondent	Comment received	IAIS response
		ratio based on the evaluation of the Japanese insurance business using not current Japanese regimes, which will end in 2024, but the new Japanese regulations compliant with the ICS, which will be introduced in 2025, when evaluating the comparability of the AM and ICS. The AM ratio we desire is equal to the ICS ratio that partially incorporates the AM requested by us under Japan's new capital regulations. We believe this would provide a more appropriate assessment of the comparability of ICS and AM. That is, while paragraphs 52 and 54 of section 4.3 Data for HLP 2 in the AM Data Collection Specifications require the reporting of two figures, for the AM comparability assessment, please use "In cases where a jurisdiction intends to implement significant changes to their local capital regime, report as it is expected during the period that the AM and ICS are to be implemented beginning in 2025. In cases where a jurisdiction intends to implement significant changes to their local capital regime, report as it is expected during the period that the AM and ICS are to be implemented beginning in 2025." .	

Question	Respondent	Comment received	IAIS response
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Difficulty in Projecting ICS Required Capital(U.S.)】 The ICS framework is difficult to manage to because of inherent volatility from period to period. It will be difficult or impossible to understand profitability of new products because of the sensitivity of the ICS to economic conditions. The ICS may result in less emphasis on developing and issuing long-term Life and Annuity products because it may no longer be possible to be competitive in a paradigm in which not all companies are subject to the standard. An emphasis on short-term products may arise, which would mark a fundamental shift in new business strategy.	Please see ICS Economic Impact Assessment report
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Analysis of Future Profitability(U.S.)】 Product pricing will be impacted by uncertainty in ICS required capital over the long-term projection horizon. It will be necessary to add additional conservatism to cover the potential for drastically higher required capital in periods of economic stress, given that the standard is pro-cyclical in nature. In some cases, it may not be feasible to prudently price products at levels that will be able to compete successfully with companies that are not subject to the standard. The end result will be either higher prices for long-term products or the potential discontinuation of these products.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Deterioration of Competitive Position】 The ICS will not have a significant impact on the range of product features available in the market, due to the fact that the ICS will not apply to all companies in each market. However, the ICS will have a significant impact on product features offered by companies that are subject to the standard. Guaranteed interest rates, guarantees on Universal Life coverage, and guaranteed benefits for Variable Annuity products will all be affected, which ultimately will lead to a competitive disadvantage.	Please see ICS Economic Impact Assessment report
48. Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts.	Dai-ichi Life Holdings Inc	【Movement from long-term to short-term offerings(U.S.)】 The issuance of long-term products will need to be restricted in favour of shorter term products. For the long-term products, the Market-adjusted Valuation approach results in too much volatility in required capital to be able to price and manage these products effectively.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
49. Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	Dai-ichi Life Holdings Inc	【Competitive Disadvantage】 Potentially. The final answer will depend on if the company can still be competitive on those specific products. If the implementation of the ICS results in a large increase in prices for certain products, then it may be necessary to discontinue them.	Please see ICS Economic Impact Assessment report
50. Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Interest rate risk(U.S.)】 The Market-adjusted Valuation is not consistent with the buy and hold asset-liability strategy that is consistent with the management of long-term insurance products. Instead, it assumes that all insurance liabilities can immediately be elected on the valuation date (even non-elective benefits). This means that companies subject to the standard will need to redefine risk appetite for interest rate risk to account for the volatility in required capital during extreme events. 【Each Risk】 For each risk amount, regulations can be a constraint, which can result in changes to risk reduction policies.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Protection gap for long-term insurance products(U.S.)】 Each nation approaches social benefit structures in different ways. Some nations may have robust government programs for retirement and health needs, while others may depend more on the private sector. Due to the volatility of ICS required capital for long-term products, products for retirement and long term health care could become restricted in the region, which could lead to a gap which, at the current time, cannot be filled through other means.	Please see ICS Economic Impact Assessment report
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Impact of Non-IAIG's (U.S.)】 Market participants that are not subject to the standard (Non-IAIG's) will be able to easily fill gaps created by IAIG's that are subject to the standard. In the United States, it is not yet certain if domestic regulators will adopt the Aggregation Method in lieu of the ICS. This could especially affect companies that are owned by foreign IAIG's by putting them in a difficult and uncompetitive position.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【U.S. market strategy】 In the future, if the IAIS determines that the Aggregation Method (AM) provides comparable outcomes to the ICS, it may still be an important issue that insurance companies competing in the same U.S. market may be assessed on different standards depending on whether their group headquarters are located in the U.S. or outside the U.S. This lack of fairness (i.e. level playing field) could potentially impact our U.S. business strategy. For details, please refer to “44”. 【Capital Volatility(U.S.)】 In the United States, companies that issue long-term Life and Annuity products will need to assess whether it is feasible to continue issuing these products. The Market-adjusted Valuation is susceptible to high levels of volatility from period to period, and makes it difficult for companies to understand the impact of business decisions on their future solvency position as measured by the ICS. In jurisdictions such as the United States, there will be an uneven implementation of the standard; not all companies will be subject to the standard either due to not qualifying as IAIG’s or due to their domestic regulator not adopting the ICS. This will cause competitive friction in which those companies or groups subject to the standard may have to discontinue and/or sell off certain blocks. Long-term Life and Annuity products in the United States are managed mainly through buy and hold asset strategies,	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		meaning that momentary volatility in financial markets can be weathered through sounds investment guidelines. The ICS will force companies to manage in a way that conflicts with these sound and time-proven strategies, and may result in company actions that undermine the true, realistic solvency position in order to appear solvent under the ICS.	
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Sensitivity to economic conditions(U.S.)】 Companies that issue long-term Life & Annuity products in the United States will experience a level of volatility in required capital that has not been seen before. The Market-adjusted Valuation assumes that all policy liabilities can be exhausted on the valuation date, which is not realistic because a significant portion of liabilities are non-elective. This approach results in a standard that is extremely sensitive to changes in the economic environment, which will result in unpredictable changes in the company's solvency position.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
56. Do you anticipate that the implementation of the ICS could lead to a change in the profitability of an IAIG's business units or insurance entities focusing on a specific product type or market segment? If so, please describe the products or market segments potentially affected.	Dai-ichi Life Holdings Inc	【U.S. business units】 For details, please refer to "NO54". 【Competitive Impact(U.S.)】 Not all companies within each jurisdiction will be subject to the standard. This could be due to those companies not being classified as IAIG's, or because the domestic regulators choose not to adopt the ICS. However, for those companies that will be subject to the ICS due to being foreign-owned subsidiaries of IAIG's, there could be a severe deterioration of those companies' competitive position, which could lead to a significant drop in profitability	Please see ICS Economic Impact Assessment report
57. Do you anticipate any circumstances in which IAIGs will need to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Issuance of Debt(U.S.)】 Any severe downturn in financial markets, which would presumably lead to a period of extended low interest rates, would likely necessitate raising capital via debt markets to ensure a position of solvency.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
58. Do you have any concerns over the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Restrictions on raising capital during economic downturns(U.S.)】 It is possible that additional capital will have to be raised through debt markets. This will difficult in times of economic stress, and could result in punitive financing costs for the company. Also, the restrictions imposed by the ICS on the admissibility of Tier 2 capital would limit the options of the company to seek the most advantageous approach to raising capital, which again, would be occuring during a period of economic stress.	Please see ICS Economic Impact Assessment report
59. Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Market Risk Management(U.S.)】 For Life and Annuity writers, the introduction of the ICS will require risk management to focus on managing to a solvency measure that is more volatile and unpredictable than current domestic solvency regimes. Market risk, and more specifically interest rate risk, must be managed regardless of the solvency regime, which is normally accomplished through sound asset-liability management over a long term horizon. The ICS assumes that the impact of transient economic changes will be felt immediately, and does not consider that insurance liabilities include non-elective benefits that are paid out over the long term. Due to the introduction of the ICS, the company will be forced to focus on over-managing to short term fluctuations in	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		the market which ultimately may not be a threat to the solvency of the company.	
60. Do you anticipate any circumstances in which IAIGs might change their approach to risk mitigation as a result of the implementation of the ICS? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Risk Appetite(U.S.)】 The ICS is a significantly volatile standard for companies in the United States that issue long-term Life and Annuity products, and this is primarily due to the discount rates used for liabilities. The company will be forced to manage to transient economic events which is not be the optimal way to manage over the long term. As an example, there may be instances in which the company will need to invest in derivatives when these instruments are at their most expensive in order to offset the effect of a significant periodic change in the market on ICS required capital.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
66. Do you anticipate any changes to the investment strategy of IAIGs which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Availability of assets(U.S.)】 If it is assumed that the ICS is adopted uniformly across all regions and jurisdictions, then yes, the changes in strategies would lead to greater pro-cyclical behaviour, particularly from companies writing long-term Life and Annuity policies. The availability of long-term assets would be restricted. This would be due to the competition among insurers for long-dated securities so as to match asset and liability cash flows as closely as possible to mitigate the volatility in the standard. In the present environment, companies assume a reasonable level of reinvestment risk, but since the ICS prescribes unreasonably low long-term spreads for the Middle and General buckets, reinvestment risk is overstated by the standard and companies will be forced to adapt. Also, companies may be more likely to hedge and duration-match using derivatives, which could lead to over-concentration in swap and forward markets, which could amplify the effects of an economic crisis on the insurance industry as a whole.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
68. Do you anticipate any impacts from the implementation of the ICS on asset concentration risk, either within IAIGs or across insurance markets? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Derivatives】 Derivatives (swaps, forwards, etc.) can be useful to manage to the interest rate risk charge in the standard. However, over-reliance on these instruments can result in significant concentration risk with the issuing counterparties, especially during times of economic stress. The ICS may lead to an increase in the use of derivatives by the insurance industry. 【Structured Assets】 Long-term assets will be required to offset the interest rate sensitivity of long-term liabilities. High-quality assets of tenors in the range of 20 to 30 years may not be available on the market in sufficient quantity or could experience depressed yields due to competition. This could further lead to concentration in structured or alternative assets to fill this gap.	Please see ICS Economic Impact Assessment report
69. Do you anticipate the implementation of the ICS altering the investment strategy or investment decisions of IAIGs in response to stressed market conditions? If so, please	Dai-ichi Life Holdings Inc	【Long-term assets(U.S.)】 Concentration in long-term assets will be necessary to back long-term Life and Annuity products so as to reduce the volatility in interest rate risk from period to period. This is true even for products in which investment experience can be passed through to policyholders, such as through crediting rates and policyholder dividends. Due to scarcity in long-term assets on the market, this could result in investment decisions that reduce credit quality or that steer into alternative asset classes where risk may not be well understood.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
explain the potential impacts.		【Managing to volatility in the Standard(U.S.)】 Companies that issue long-term Life and Annuity products generally buy and hold assets over a long time horizon. This allows for companies to weather temporary changes in the market and stabilize the solvency position through long term planning. Due to the Market-adjusted Valuation approach adopted under the ICS, companies may be forced to react to short-term fluctuations in the market with the sole purpose of managing to a standard that may not give appropriate signals. Market-adjusted approaches may be appropriate for banks that provide significant liquidity to customers, but not for insurance companies that issue policies with benefits that pay out over the long term. Consider the example of life insurance policies in which policyholders cannot elect death benefits at any point in time. Instead, these benefits are paid out over long time horizons and are supported by long-term investment strategies. This means that the Market-adjusted Valuation may not be the most appropriate method to measure solvency for such companies. 【Derivatives(U.S.)】 The use of derivative instruments may be a viable option to resolve issues with volatility due to market risk in the standard. However, this may also increase counterparty and asset concentration risk in the industry.	

Question	Respondent	Comment received	IAIS response
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Private Debt】 In case the funds can be looked-through, the risk charge for each company is same as corporate loans whereas the expected returns are generally higher than those of them. Thus, we expect the demand for Private Debt would increase. 【Hedge Funds】 In case the funds cannot be looked-through, the risk charge is same as private stocks, which is relatively high. Thus, as look-through is unavailable for a lot of Hedge Funds, we expect the demand for them would decrease. 【Securitizations and alternative assets】 Due to scarcity of highly rated long-term securities, companies with long term liabilities may increase investments in securitizations or alternative assets. The potential effect will be an increase in opaque assets in which the credit of the underlying investments may be less well understood. 【Investment Grade Corporate Bonds(U.S.)】 Demand can be expected to increase for highly rated long-term corporate bonds. This is due to aspects of the standard that treat any reinvestment risk in a punitive manner (e.g., cash flow matching for bucket classifications, long-term spread of 20	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		basis points). This could have the effect of depressing yields on these assets.	
71. Are there any other areas of the financial markets (eg derivatives or stock lending) that might be impacted – directly or indirectly – by the implementation of the ICS? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Securitizations】 Competition for long-dated corporate bonds could drive down yields in those assets, leading insurers to invest more in complex securities or alternative assets. This could result in concentration in assets in which the risk is opaque or not well understood, and disruptions in those assets during periods of economic stress would be problematic for the industry as a whole. 【Derivative markets】 Demand for derivatives could increase as insurers seek to stabilize interest rate risk volatility that is built into the standard. This could distort prices and result in concentration risk among a small number of issuing counterparties.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
72. Do you have any concerns over the availability of longer-term assets in the market to meet any increase in demand from IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Asset Scarcity】 For long-term liabilities from Life and Annuity contracts, demand for long-term assets can put downward pressure on yields of investment grade assets, which can lead to bubbles and investments in complex securitizations and alternative assets.	Please see ICS Economic Impact Assessment report
73. Do you anticipate any increased risk to the broader financial markets (eg from re-allocations into or out of specific asset classes in response to shocks in financial markets) as a result of the implementation of the ICS? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Securitizations】 Demand for long-dated assets could result in allocations to complex securitizations. There is the potential for bubbles to form in certain securities which can result higher risk than expected. Also, high concentration in these assets can increase the severity of an economic crisis on the insurance industry. 【Alternative Assets】 Insurers may invest more heavily in private equity, hedge funds, real estate, etc., as a way to enhance earnings due to depressed yields on safe long-term assets. Potential increased risk due to these allocations may not be well understood due to	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		the opaque nature of these assets. These assets also introduce liquidity concerns during economic crises.	
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Human Resources】 Significant human resources will have to be devoted to measuring risk exposure and estimating current liabilities in each of the Group's subsidiaries. 【Systems】 Extensive systems development will be required to meet audit requirements. 【Business planning】 Existing departments are increasingly burdened with tasks such as mid-term business planning and external disclosure reviews in preparation for regulatory implementation. 【Information Technology】	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		During field testing and the monitoring period, simplified methods have been used for processing data (model projections, balance sheet information, etc.). These will need to be integrated into existing production databases to streamline processes and enable capabilities for external auditing. 【Pricing】 Pricing and product development will be required to implement ICS analysis into existing processes. This is challenging due to the volatile and unpredictable nature of ICS required capital under feasible future economic scenarios.	
76. To the extent that it can be predicted, do you anticipate impediments to implementing the requirements of the ICS? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Shortage of human resources】 There are obstacles that prevent each subsidiary of the group from having the human resources necessary to measure the amount of risk and to estimate the current state of liabilities. The implementation of ICS requirements will be particularly challenging for newly acquired companies. 【U.S. market strategy】 For details, please refer to “NO54”. 【GAAP Long Duration Targeted Improvements (LDTI)(U.S.)】 A significant effort is underway to implement LDTI, including the build-out of systems and processes. This effort requires IT	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		and Financial Reporting resources which will then not be available for the implementation of the ICS.	
77. Could any costs of implementing the ICS be absorbed by or shared with other implementation projects running concurrently (eg IFRS 17)? If so, please explain how this might be achieved.	Dai-ichi Life Holdings Inc	【GAAP Long Duration Targeted Improvements (LDTI)(U.S.)】 In a sense, the implementation of LDTI will result in technological resources that can benefit the implementation of the ICS. However, as noted in question 31, the LDTI implementation will require resources that will then not be available for the ICS implementation.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
78. Do you anticipate any other impacts from the implementation of the ICS, not covered above? If so, please explain the potential impacts.	Dai-ichi Life Holdings Inc	【Reduction in perceived solvency when measured under the ICS(U.S.)】 The ICS uses a Market-adjusted Valuation approach that is sensitive to the economic environment and, in particular, interest rates. This methodology neglects the buy and hold asset-liability strategy of insurers that issue long-term products, and measures solvency based on transient economic conditions. The MAV approach results in a significant decrease in perceived solvency when compared to existing Statutory regimes, and this is especially true in the United States. Note that while the standard will result in a reduction in the perceived solvency of companies, in reality, these companies, some of which have been in business for more than one hundred years, will still be solvent and capable of weathering severe economic stresses well into the future. Additionally, the volatility of the ICS in relation to economic conditions creates a situation in which companies may not know if certain products will threaten solvency at point of pricing. It is difficult and perhaps impossible to anticipate all situations in which the standard may show insolvency, even when a company can, in fact, continue operating. Therefore, companies may not be able to predict their solvency position in a meaningful way. 【Stakeholder Education(U.S.)】 A significant effort will be needed to educate various	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		stakeholders. This is especially true in the United States, where Market-adjusted methodologies have not been used to measure solvency in the past. This includes company executive management, stockholders, lenders, and analysts.	
3. Do you have comments on the introduction of a term structure of credit spreads for discounting?	Financial Supervisory Commission (FSC)	At the same credit rating level, bond returns can vary significantly due to differences in duration. The original design of the spread for the Middle Bucket can be determined based on the credit rating and duration of eligible assets within each portfolio. This allows us to appropriately apply different spreads to the corresponding assets within different duration bands. However, in Candidate ICS, the DNS model is introduced, and the spread and term structure will be determined based on the bond distribution in the market bond index. It only considers the weighted calculation parameters for each credit rating to calculate the spreads for different maturity periods. As a result, bonds allocated to both long and short maturity periods will use the same MB spread, which fails to reflect the spread differences in investment portfolios with different durations due to the asset allocation of different companies. This seems to contradict the spirit of ALM (Asset Liability Management).	- About *the middle bucket spread considering only credit weightings and not different maturity periods*: This aspect of middle bucket spreads was investigated but did not achieve the right balance between complexity and risk sensitivity in the ICS.

Question	Respondent	Comment received	IAIS response
		Therefore, we kindly request IAIS to reassess its applicability and also request the provision of methodology, relevant parameters, and calculation data for determining the term structure of spreads using the DNS model for reference by regulatory authorities in various countries.	
4. Do you have comments on the revised eligibility criteria for the Middle Bucket?	Financial Supervisory Commission (FSC)	We support the revision of criteria d and e for the Middle Bucket, as these modifications can align with the practical characteristics of insurance products and reduce operational complexity for IAIGs. When evaluating compliance with MB criterion d, a simplified approach is recommended for assessing policy loans and reinsurance assets using GB discount rates to avoid circular referencing issues and reduce computational complexity. We would like to confirm whether a contract that offers investment-linked insurance products with a specified minimum fixed premium but allows policyholders the option to discontinue premium payments while the contract remains in force as long as the account value is sufficient to cover insurance costs (COI) complies with MB criterion e."	- About *support for criterion D changes*: Your support of the changes to criterion D is noted. - About *support for criterion E changes*: Criterion E has been further clarified to ensure a clear understanding of future premiums and their treatment within the middle bucket. - About *simplifying criteria D*: The simplification of

Question	Respondent	Comment received	IAIS response
			criterion D was investigated as part of the finalisation of the ICS but was not deemed appropriate. - About *questions on middle bucket criterion E*: Criterion E has been revised to clarify the treatment of future premiums and their unbundling for the middle bucket.
5. Do you have comments on the introduction of a modulation factor?	Financial Supervisory Commission (FSC)	1.The purpose of the modulation factor ω is to address the issue of overshooting caused by the inconsistency between asset and liability valuations resulting from interest rate spreads. However, in the ICS liability discount rate spread, a three-segment construction method is used. An increase of 1bp in asset spread will only affect the liability spread within LOT or M, and it converges to LTFR through Smith-Wilson extrapolation. Therefore, when calculating the denominator PVBPU (liabilities), it is suggested to apply a 1 bp increase in pressure to Segment 1, which should be more reasonable. Taking the example of TWD discount rates (LOT = 10), assuming a 1 bp change in asset spread and a 1 bp change in liability spread, at Y60, the forward interest rate converges to LTFR + forward spread, the impact of a 1 bp increase in liability	- About *aligning the spread variation applied to the denominator and numerator*: The approach for the calculation of the modulation factor has been revised to apply a parallel shift only up to the LOT, after which rates are extrapolated consistently with the interest rate curves used for discounting.

Question	Respondent	Comment received	IAIS response
		spread gradually decreases and increases by only 0.25 bp at Y60. This is different from the result of a parallel shift of +1 bp for the entire term, and this difference is especially significant for long-term liabilities." △Spot rate Y1~Y10(LOT) Y60 Before LOT +1bp 1bp 0.25bp Parallel +1bp 1bp 1bp 2.In accordance with L2-106, we would like to confirm whether assets denominated in a different currency from the liabilities should not be included in the calculation of ω_MB. Alternatively, can fully hedged and rolling hedged assets also be included? Given that the purpose of ω_MB is to adjust the $Spread\ AdjGross{-}GB(t)$ based on the asset-liability matching situation of IAIGs, we believe the latter interpretation is more reasonable.	
6. Do you have other comments regarding the Market-Adjusted Valuation?	Financial Supervisory Commission (FSC)	1.(L1-23, L1-24) L1-23 states that "All contracts that are recognised at the valuation date, and only those, are taken into account for the current estimate calculation", while L1-24 states that" The future premiums and associated claims and expenses linked to those recognised contracts are taken into account up to each contract boundary". We believe there seems to be an ambiguity in applying the standards: For example, for a 1-year health insurance contract with guaranteed renewability for life, when valuing insurance liabilities, should the IAIG follow L1-23 and limit the liability	- About *needing clarifications*: The IAIS is considering what material, such as examples or guidance, may be helpful to publish to support the implementation of the ICS.

Question	Respondent	Comment received	IAIS response
		calculation to 1 year (not considering future renewals, as they don't exist at the valuation date), or follow L1-24 and calculate the liability for life (as the IAIG cannot refuse the policyholder's renewal request)? We recommend the IAIS provide clearer explanation in the standards to resolve this ambiguity. 2.(L2-88, L2-100) Risk Correction significantly affects the valuation results of insurance liabilities. It is recommended to supplement the Level 2 document with examples on how to determine the risk correction for corporate bonds, and to regularly provide relevant parameters and estimated data for reference by supervisory authorities in various countries. 3. (L2-89) During the field-testing phase in our jurisdiction, our insurance companies have often expressed that it is difficult to individually implement foreign exchange hedging in practice. We suggest providing relevant guidance in the L2 document on how to determine that foreign currency assets have been hedged, through examples. Additionally, we suggest to include examples to explain how hedging costs are determined and deducted in cash flow tests, in order to facilitate understanding of IAIGs.	

Question	Respondent	Comment received	IAIS response
9. Do you have other comments regarding capital resources?	Financial Supervisory Commission (FSC)	According to standards L1-63 and L1-65, Reciprocal cross holdings, arranged either directly or indirectly between financial institutions and that artificially inflate the capital surplus and should be deducted from the equity capital. It is recommended that the corresponding risk capital should also be deducted to avoid double counting.	- About *reciprocal cross holdings that artificially inflate capital and surplus should be deducted from equity capital, and any risk capital charge should also be deducted to avoid double counting*: Paragraphs L1-63 and L1-65 list items (including reciprocal cross holdings) that are deducted from capital resources. Paragraph L1-49 specifies that "Any item deducted from capital resources is excluded from the calculation of the ICS capital requirement," which prevents double-counting and addresses the comment made.

Question	Respondent	Comment received	IAIS response
10. Do you have comments regarding the ICS risks and calculation methods?	Financial Supervisory Commission (FSC)	(Section 7.1.3) We suggest that IAIS provides a clear quantitative definition of "management actions" in the Level 2 document, particularly regarding how to determine the amount of FDB before and after the stress, both pre-MA and post-MA. This will enable IAIGs to understand the impact of management actions on the ICS ratio more effectively.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
11. Do you have comments regarding the grouping of policies for life insurance risks?	Financial Supervisory Commission (FSC)	(L2-142) Here states that insurance policies within the same HRG must have similar risk characteristics. Considering the significant impact of IFRS 17 on the liability valuation practices of IAIGs, we suggest that IAIS provides more detailed guidance in the Level 2 document regarding the determination of the minimum unit of a contract when deciding on HRGs. A common example is a life insurance policy with a one-year health insurance rider which should lapse together with the base policy (the rider cannot exist independently). Should the different risk characteristics between life insurance and health insurance be considered and classify the main policy and rider into different HRGs, or the guidance of IFRS 17 could be referenced (the base policy and rider should be bundled and included in the same HRG)? We believe the former interpretation is more reasonable because in this example, life risk and morbidity risk can offset each other, and the offsetting	- About *criteria for HRGs*: The comments have been taken into account when finalising the ICS. It would be up to the GWS to provide additional guidance on HRGs as part of the GWS's implementation of the ICS. The additional guidance provided would need to consider the nature of the insurance products offered by the IAIG.

Question	Respondent	Comment received	IAIS response
		effect is already reflected in the correlation coefficients of the sub-risk modules.	
16. Do you have comments regarding the Interest Rate risk?	Financial Supervisory Commission (FSC)	The impact of interest rate risk on the ICS Ratio of life insurance companies in our country is quite significant. Based on observations, the mean reversion risk shock is influenced not only by parameters adjusted for past historical data but also by the initial vector (L, S, C) adjusted for spot market rates at the time. Taking the US dollar and Taiwan dollar as examples, the historical pressure adjustments are summarized as follows: Mean reversion shock range 2020DC 2021DC 2022DC 2023DC TWD 10Y RFR 0.68% 0.32% 0.73% 1.33% 10Y shock range 24bps 22bps 0.24bps 34bps USD 30Y RFR 2.44% 1.72% 1.92% 3.85% 30Yshock range 47bps 25bps 24bps 15bps	- About *mean reversion component being volatile for Taiwanese companies and requesting more information on IRR*: Please refer to the ICS calibration document for more details about the ICS calibration methodology.

Question	Respondent	Comment received	IAIS response
		From the chart above, it is evident that the mean reversion risk shock for the Taiwan dollar fluctuates significantly, making it challenging for insurance companies in Taiwan to manage interest rate risk. However, the current pressure adjustment methodology has not been publicly disclosed, making it difficult to understand the reasons for the variations in pressure and their substantive economic implications. Therefore, we recommend that the IAIS provide regulatory authorities with more detailed technical information and share interest rate risk scenario generators and related parameters for their reference and application."	
17. Do you have comments regarding the Non-Default Spread risk?	Financial Supervisory Commission (FSC)	When calculating NDSR risk capital, insurance liabilities must reflect risk correction to apply pressure to the remaining spread. However, it is not explicitly stated whether the spread pressure on financial assets should also reflect risk correction. Therefore, we recommend providing clearer guidance through examples in Level 2 documents for IAIGs to follow. Additionally, due to the adoption of relative pressure calculation in NDSR, there is inconsistency in the magnitude of pressure applied to assets and liabilities, which may make it more challenging for IAIGs to manage interest rate risk. Hence, we suggest that using the absolute pressure calculation method as in ICS 2.0 would be more appropriate.	- About *NDSR stress affecting assets and liabilities differently*: With regard to the magnitude of spread stresses for assets and liabilities, the data collected and analysis conducted over the monitoring period show that the treatment provided in the ICS is appropriate. Changes of 1 bps in asset spreads do not cause a change of 1 bps in discount

Question	Respondent	Comment received	IAIS response
			rates. This behavior is captured within the design of the NDSR calculation. - About *needing clarification with regard to risk correction*: The IAIS is considering what material, such as examples or guidance, may be helpful to publish to support the implementation of the ICS.
20. Do you have comments on the proposed design of the Equity risk counter-cyclical measure?	Financial Supervisory Commission (FSC)	We compare the counter-cyclical measure with the symmetric adjustment of the equity capital charge under Solvency II. The parameter 'b' differs between these two solvency requirements. Is it possible to provide relevant instructions for adjusting the 'b' parameter from 8% to 7%?	- About *NAD and Solvency II symmetric adjustment comparison*: Please refer to the ICS calibration document for more details about the ICS calibration methodology.

Question	Respondent	Comment received	IAIS response
21. Do you have comments on whether the Equity risk counter-cyclical measure should allow for more granular calibrations to reflect geographical market specificities?	Financial Supervisory Commission (FSC)	The purpose of the counter-cyclical mechanism is to prevent further deterioration of the stock market in the event of a downturn caused by regulatory actions when insurers rush to sell their investments to meet solvency requirements. Given that the cyclicality or performance of each country or region may differ significantly from the current split between the FTSE Developed Index and FTSE Emerging Index, we recommend breaking down the groupings appropriately by region or position shares, such as EU, North America, and Asia & Japan. It is also prudent to consider situations where a single country/region accounts for more than 25% of the total equity holdings. Furthermore, we suggest that the calibration of the stress factor for equity risk should also be made more granular to ensure consistency.	- About *increasing granularity for regional and, when material, single countries*: The current design aims to strike a balance between complexity and risk sensitivity.
25. Do you have comments regarding Asset Concentration risk?	Financial Supervisory Commission (FSC)	(L2-247) It is unclear whether the 25% stress is applied to "the total amount of real estate exposure above the threshold", or only to "the amount of real estate exposure that is above the threshold". We suggest clearly articulating whether the 25% stress applies to the total real estate exposure above the threshold, or only to the portion that exceeds the threshold.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
27. Do you have other comments regarding Credit risk?	Financial Supervisory Commission (FSC)	1.According to L2-329, if the issuer's credit rating is above investment grade, the issuer's rating may be adopted for unrated senior bonds. In practice, some bonds are issued by a special purpose vehicle (SPV) and are provided a 100% guarantee by other guarantors due to tax considerations. Therefore, even though there is no issuer's rating, there is still a guarantor's rating, and the credit risk is also controllable. It is suggested that if the guarantor's rating is above investment grade, the guarantor's rating can also be considered. 2.According to L2-266, Based on industry feedback from previous field testing, we recommend including guidance in Level 2 documents on how to reasonably determine maturity when calculating credit risk capital for reductions in life risk capital and catastrophic risk capital due to reinsurance. 3.We recommend including 'cash' in the list of eligible collateral assets, as it is the most commonly used form of collateral in our jurisdiction's practices.	- About *treatment of bonds issued by SPV*: Recognition of guarantees is included in ICS. The approach taken under the ICS standard method aims to strike a balance between complexity and risk sensitivity. - About *eligible collateral assets*: Cash has been added to the list of eligible assets. - About *determining maturity*: The IAIS is considering what material, such as examples or guidance, may be helpful to publish to support the implementation of the ICS.

Question	Respondent	Comment received	IAIS response
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	ICS will guide insurers to focus on ALM, and the related risk capital will be determined based on the level of the guarantee component. As a result, adjustments to insurance product features may include changes in product currency, shorter guaranteed policy periods, reducing guarantees, and modifying commission and bonus structures. It is expected that Taiwan dollar protection-type products will have reduced guaranteed periods and guarantees or that premiums for long-term protection-type products will increase due to the limited availability of long-term assets in the Taiwan dollar capital markets. Thanks to the more developed and mature US dollar capital and derivative markets, ALM can be executed more easily. Additionally, the capital requirements for ILP are lower. Therefore, it is anticipated that US dollar products and ILP will continue to constitute a certain percentage of our product mix. Moreover, policies with profit-sharing mechanisms (e.g., interest-sensitive products) will also account for a significant portion of the product mix.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	Under the ICS framework, capital requirements are more comprehensive and stringent. As a result, the current pricing strategy places a greater emphasis on measuring profits and returns. With the implementation of ICS, the product pricing strategy will shift towards giving more consideration to capital consumption, risk assessment, and ALM. Additionally, it is expected that premiums for long-term protection products will increase, taking into account both profit and risk capital.	Please see ICS Economic Impact Assessment report
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	The implement of ICS might result in insurance product characteristics being influenced by the nature of capital markets in different regions. In markets with relatively limited capital market options, such as the case of the Taiwan dollar, the development of investment-type products is constrained. To better align the duration and currency of assets and liabilities, it is anticipated that insurers will place greater emphasis on the sale of US dollar policies. Conversely, in markets with well-developed and mature capital markets, like the US dollar market, it is expected that the development of investment-type products will continue, with a focus on shorter-term products that are less constrained.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
49. Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	Financial Supervisory Commission (FSC)	1.Due to the high capital requirements of ICS for products with long maturities and high guarantee characteristics, IAIG will appropriately reduce the proportion of these products. However, IAIG will still offer a wide range of products to meet the needs of its customers. Additionally, IAIG will adjust the proportion of each type of product, considering both profitability and capital requirements. 2.The impact of product strategy varies among companies, depending on their level of capital adequacy. Well-capitalized companies focus on developing USD-denominated variable life insurance, health insurance, and accident insurance to accumulate substantial Contractual Service Margins (CSM). In contrast, capital-constrained companies sell investment-linked products and one-year guaranteed contracts to conserve capital.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
50. Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	Under ICS, both assets and liabilities are measured at market values, which is expected to result in significant fluctuations in solvency ratios for countries currently using the amortized-based method to measure insurance liabilities. These countries will experience higher sensitivity to market risk factors, particularly interest rate risks. Therefore, it is necessary to reevaluate the risk appetite and ensure that the target solvency levels are sufficient to withstand the volatility introduced by the future implementation of ICS.	Please see ICS Economic Impact Assessment report
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	The implementation of ICS will increase the demand for insurers' risk management capabilities. It is expected that the sales of savings-type and long-term protection-type products will be reduced, taking into account the insurer's risk appetite. Customers with wealth management needs will be directed toward de-guaranteed or unit-linked products. However, the issuance of long-term protection-type products is limited due to the need to raise premiums to cover relative risks, which is expected to result in a long-term protection gap.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	Using the Taiwanese insurance market as an example, the sales reduction of saving-type products due to the constraints of the TWD capital market can be filled by banks or other financial institutions. However, considering commercial insurance as the last resort to compensate for the lack of social insurance, the gap in long-term protection insurance products is unlikely to be filled by any other market participants.	Please see ICS Economic Impact Assessment report
53. Do you anticipate any opportunities for an increase in the range of products available in the insurance market as a result of the implementation of the ICS? If so, please explain the potential opportunities.	Financial Supervisory Commission (FSC)	We anticipate that the sales of profit-sharing products (e.g., participating or interest-rate-sensitive products) and investment-type products will increase in order to share the risks embedded in insurance products with policyholders and reduce capital requirements.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	The business strategy under the ICS framework primarily focuses on ALM results. In the future, product, investment, and risk management strategies will place greater emphasis on monitoring the impact of market price changes to ensure solvency stability. However, since the cash flows of assets and liabilities cannot be perfectly matched, the impact of market fluctuations is inevitable. Sufficient buffers are still needed to withstand market changes. Therefore, regular financing activities may become popular to avoid higher financing costs or triggering market panic in emergencies. Considering the limitations of common stock financing, other financing tools such as subordinate debt or hybrid capital instruments are being considered.	Please see ICS Economic Impact Assessment report
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	In markets where LOT is relatively shorter (ex. Taiwan) but sales more long-term guaranteed product, under the ICS framework where both assets and liabilities are measured at market values, ICS ratios will be more significantly impacted by fluctuations in risk-free interest rates and spreads.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
56. Do you anticipate that the implementation of the ICS could lead to a change in the profitability of an IAIG's business units or insurance entities focusing on a specific product type or market segment? If so, please describe the products or market segments potentially affected.	Financial Supervisory Commission (FSC)	The implementation of ICS will prompt insurers to adjust their product designs so that these products can better align with the fixed income market. Long-term products may become less profitable due to higher capital requirements and, consequently, higher capital costs. It is anticipated that product strategies and profit sources will become more diversified. Sales of protection, savings, and investment-type products will be more balanced, allowing for the consideration of mortality, interest, and expense margins.	Please see ICS Economic Impact Assessment report
57. Do you anticipate any circumstances in which IAIGs will need to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	Taking the Taiwanese insurance market as an example, because long-term insurance products account for a significant proportion of overall insurance product sales and are highly sensitive to interest rates, it is challenging to achieve perfect cash flow matching through asset allocation adjustments. Therefore, the insurer's equity capital remains exposed to market interest rate fluctuations, potentially leading to the need for additional capital injection in the short term or in the event of extreme market scenarios.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
58. Do you have any concerns over the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	Due to stricter global solvency regulations, with most referring to ICS as the basis for formulation, it is expected that financing activities in the international market will become more frequent, including for non-IAIG insurance companies. The increase in the supply of bonds, coupled with limited investors, may lead to higher debt costs. Additionally, in the event of extreme scenarios in the financial market or significant adjustments to Candidate ICS in the future, IAIG may not have sufficient time to raise capital, potentially exacerbating investor panic and increasing the difficulty of financing. This could, in turn, expand systemic risks.	Please see ICS Economic Impact Assessment report
59. Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	Since ICS differs from the current solvency regime, including measurement approaches, confidence levels, risk categories, and more, it is necessary to simulate various scenarios for risk management strategies and mechanisms in preparation for future contingencies. Additionally, real-time monitoring is needed to respond promptly to different market conditions and effectively control risks.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
60. Do you anticipate any circumstances in which IAIGs might change their approach to risk mitigation as a result of the implementation of the ICS? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	With the integration of IFRS17 and ICS, insurance liabilities will be measured on a current basis. Consequently, the fair value of liabilities will fluctuate with changes in interest rates. Interest rate risk and non-default spread risk are expected to become the primary risks. Therefore, there is an anticipation of increased usage of interest rate derivatives to mitigate these related risks. Additionally, interest rate risk and life insurance risk may also be reduced through reinsurance arrangements, such as co-insurance.	Please see ICS Economic Impact Assessment report
63. Do you anticipate any changes to risk management practices across the insurance industry as a result of the implementation of the ICS? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	As mentioned earlier, ICS provides the insurance industry with a more comprehensive and rigorous view of risk, expanding the scope of risk management to include interest rate and life insurance risks. Therefore, insurance companies need to use capital more efficiently and should implement risk mitigation strategies moderately. In the long run, the new risk management strategy (in response to ICS) will contribute to the financial health of IAIGs.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
64. Do you anticipate any benefits to the business model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential benefits.	Financial Supervisory Commission (FSC)	The implementation of ICS will strengthen ALM and risk management. The focus on product profitability will shift back to mortality and expense gains. On the investment side, fixed income instruments will become crucial. Overall, we can expect more robust business management practices, although insurers' ability to seize market opportunities may also be affected.	Please see ICS Economic Impact Assessment report
65. Do you anticipate any impacts to the competitiveness of IAIGs relative to non-IAIGs with the implementation of the ICS?	Financial Supervisory Commission (FSC)	As higher capital requirements are introduced for IAIGs, it is more likely that their investment activities and product offerings will be restrained (when they are unable to meet ICS capital requirements) and eventually undermine their competitiveness.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
66. Do you anticipate any changes to the investment strategy of IAIGs which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	The implementation of ICS may potentially lead to pro-cyclical behavior by IAIGs. For instance, when the stock market experiences a downturn, IAIGs may dispose of their positions in order to maintain their solvency ratio, further exacerbating the stock market's decline and creating a vicious cycle. However, ICS can incorporate relevant measures, such as a counter-cyclical mechanism, to help mitigate these outcomes. It is also expected that the insurance industry will allocate more of its capital to fixed income assets, which may have an impact on the equity and real estate markets. Nevertheless, the long-term and stable returns from these assets (e.g., dividends or rental income) can still be used to support long-term insurance liabilities.	Please see ICS Economic Impact Assessment report
68. Do you anticipate any impacts from the implementation of the ICS on asset concentration risk, either within IAIGs or across insurance markets? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	As Taiwan life insurers have sizable and diversified overseas investments, the likelihood of significant asset concentration risks is reduced.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	We anticipate lower demand for non-qualified assets, with increased emphasis on fixed-income asset allocation. Due to the inability of government bonds and callable bonds to contribute to liability spreads, the bond portfolio is expected to primarily consist of bullet corporate bonds. There is reduced demand for structured products, and credit ratings are allocated flexibly based on market conditions.	Please see ICS Economic Impact Assessment report
71. Are there any other areas of the financial markets (eg derivatives or stock lending) that might be impacted – directly or indirectly – by the implementation of the ICS? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	To enhance cash-flow matching between assets and liabilities, life insurers will focus their asset allocation on eligible assets, which will impact the allocation of non-eligible assets (e.g., stocks, private equity, etc.). Additionally, the related risk capital of indirect investment instruments such as mutual funds, ETFs, and other beneficiary certificates is required to be calculated using the look-through method. However, calculating some of the beneficiary certificates through the look-through method may be challenging due to information constraints. This will result in a reduction of beneficiary certificates in insurers' asset allocation. Meanwhile, the demand for interest rate derivatives (e.g., IRS) is expected to increase for managing interest rate risk.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
72. Do you have any concerns over the availability of longer-term assets in the market to meet any increase in demand from IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	Considering the varying levels of liquidity in long-term asset markets in different regions, there may be different challenges faced after the adoption of ICS. Taking the Taiwanese insurance market as an example, Taiwan faces challenges due to an insufficient bond market (low issuance volume and short tenors), coupled with low-interest rates, making it difficult to meet the capital deployment needs of the insurance industry and support high liability costs. As a result, many insurers have turned to foreign investments. However, the limited investment quotas for overseas investments, coupled with the expansion of NTD policies' foreign investments, have added asset-liability mismatch risks and hedging costs. Consequently, the insurance industry faces challenges in terms of capital requirements, liquidity management, and asset-liability management.	Please see ICS Economic Impact Assessment report
73. Do you anticipate any increased risk to the broader financial markets (eg from re-allocations into or out of specific asset classes in response to shocks in financial markets) as a result of the implementation of the	Financial Supervisory Commission (FSC)	Due to the higher risk capital requirements under ICS, life insurers may tend to hold assets with lower risk coefficients (such as bonds) and reduce their holdings of assets with higher risk coefficients (such as stocks). This is expected to impact the profitability and financial resilience of the insurance industry. It may also lead to capital outflows from the stock market, potentially affecting overall financial stability.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
ICS? If so, please explain the potential impacts.			
74. Do you anticipate any specific benefits to the insurance market or broader financial markets as a result of the implementation of the ICS? If so, please explain the potential benefits.	Financial Supervisory Commission (FSC)	The ICS framework can strengthen the capital position of insurers, optimize capital structure, steer investment management in the right direction, and enhance enterprise risk management. If the financial market wants to compete for the substantial funds from the insurance sector in the future, it will likely develop new asset classes with better credit ratings, improved transparency, and tenors or currencies matching liabilities, to cater to insurers' needs in asset-liability management and solvency requirements.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	If ICS is significantly different from the current solvency system (or is in the process of solvency reform) in the region where IAIG is located, ICS's wide range and complex coverage bringing the necessary comprehensive review of insurance product, investment and ALM strategies. This implementation requires a conceptual change from the inside out and from the bottom up. Therefore, the costs and resource requirements for education and training, introduction, strategic research, and cooperation with external consultants will increase significantly.	Please see ICS Economic Impact Assessment report
76. To the extent that it can be predicted, do you anticipate impediments to implementing the requirements of the ICS? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	1.Taking the example of the insurance market in Taiwan, early insurance products were primarily long-term guaranteed products. However, the domestic supply of long-term fixed-income assets was insufficient, leading to mismatches in the asset-liability duration. This also resulted in approximately 70% of the life insurance industry's assets being invested overseas to support the high cost of liabilities, causing currency mismatches and posing significant challenges in asset-liability management. 2.The implementation of ICS requires a substantial number of professionals with expertise in actuarial science, investment, risk management, and risk modeling, among other areas. As a result, some countries may face a shortage of skilled talent,	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		making it difficult to support all insurance companies in fully aligning with ICS within the scheduled timeline.	
77. Could any costs of implementing the ICS be absorbed by or shared with other implementation projects running concurrently (eg IFRS 17)? If so, please explain how this might be achieved.	Financial Supervisory Commission (FSC)	There is potential for some cost synergies between implementing IFRS 17 and ICS due to similarities in insurance liability valuation approaches. Insurers implementing IFRS17's new valuation methods and systems could leverage some of that work when introducing ICS. For example, the economic scenario generators used to project future cash flows of assets and liabilities can be adapted to stress balance sheets under the ICS. Actuarial and finance teams can apply IFRS17 practices around data, models, and processes to ICS implementation.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
78. Do you anticipate any other impacts from the implementation of the ICS, not covered above? If so, please explain the potential impacts.	Financial Supervisory Commission (FSC)	The increase in asset-liability management demands is mainly due to the fact that asset-liability matching has a greater impact on the level and degree of fluctuation of the ICS ratio. Therefore, it is expected that insurers will be more committed to improving asset-liability matching in order to increase the ICS ratio and reduce the fluctuation of the ICS ratio.	Please see ICS Economic Impact Assessment report
1. Do you have comments regarding the general guiding principles of the ICS?	France Assureurs	France Assureurs welcomes the opportunity to provide comments to the International Association of Insurance Supervisors (IAIS) on the Insurance Capital Standard (ICS) as a Prescribed Capital Requirement (PCR). The ICS project is of particular relevance to, and has impact on, the French market given that 8 out of 52 internationally active insurance groups (IAIGs) worldwide are French. France Assureurs has been supportive of the overall and initial objective of the ICS project to create a single, high-quality, and robust global insurance standard that promotes a sound and level global regulatory playing field. France Assureurs recognises that this would have resulted in the same targeted level of policyholder protection and the same group supervisory triggers and ladder of intervention at any point in time to be achieved globally. However, considering the diversity of views at the IAIS on how to deliver this outcome, the objective of the	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		ICS has evolved over time to only provide now for what the IAIS calls a "minimum standard" to be achieved even if the proposed candidate ICS is far too detailed and prescriptive for such a purpose, creating considerable obstacles for actual implementation without significant adverse consequences. In parallel, outside of the ICS scope and free from its governance, the US Aggregation Method could be accepted as an outcome-equivalent approach to ICS, freeing it from all ICS details and prescription, on a still to be defined process while the AM standard itself is still lacking transparent specifications and purpose. The contrast is striking. In that sense, the achievability of this initial objective has been significantly questioned by the evolution of the nature the ICS project over the years, and the reality is now that no jurisdictions foresee the implementation of the standard as per the specifications adopted by the IAIS. Internal models France Assureurs particularly appreciates the inclusion of internal and partial internal models in the candidate ICS, and such recognition of internal models is fully in line with ICP 17. The inclusion of internal models needs to be a core component of the ICS standard, provided that they are calibrated to a consistent (ie the same or materially similar) confidence level, to allow it to perform effectively. In Europe, internal models are a proven risk management framework and tool which are inherently embedded in the solvency regimes. They are subject to extensive governance	

Question	Respondent	Comment received	IAIS response
		and validation requirements and approval by European supervisors. The proposals in the consultation to introduce similar requirements as part of the inclusion of internal models into the ICS are welcomed. Nevertheless, the IAIS has introduced additional supervisory overlays related to the standard method (benchmarking, output floors) that are not appropriate and which should be removed. Internal models form a coherent whole and have proven to be an efficient mechanism to better capture risk profiles of a company and should be recognised as such. France Assureurs strongly opposes the inclusion of output floors as well as requirements for double reporting of standard formula for internal model users. These would fundamentally undermine the economic risk signals provided by internal models for risk, capital, and business management while being an unnecessary prudence bias as long as there is a robust supervisory validation process. In light of these observations, we note that we do not believe it is appropriate, or an improvement, for the IAIS to remove the following paragraph in ICP 17: “The IAIS supports the use of internal models where appropriate as they can be a more realistic, risk-responsive method of calculating capital requirements”. The Candidate ICS has become too detailed and prescriptive The ICS project has transitioned through several phases over the past years including ICS, ICS V2 for field testing and now the Candidate ICS. The consequence of all this development is	

Question	Respondent	Comment received	IAIS response
		that the technical specifications for the ICS are now very detailed and prescriptive. This is not suitable for what is supposed to be a minimum standard. While there remain a number of important questions relating to the jurisdictional implementation of the ICS, we are not aware of any jurisdiction that will implement the ICS as per the designs and calibrations as specified by the IAIS. The ICS therefore is more akin to a theoretical archetype than a real-world operational framework. It would be particularly surprising for the IAIS to conclude that the U.S. Aggregation Method provides an outcome equivalent approach to ICS, resulting in no further obligation for the US framework to comply with any of the specifications and requirements set out in the ICS L1 and L2 text, while requiring the other solvency regimes to change to adapt to the ICS on details such as additional requirements or alternative calibrations to be considered compliant. Especially, since these existing regimes, such as Solvency II, have proven their worth for several years and through various crisis, while the US Aggregation Method is still only in its development phase. The IAIS assessment of the jurisdictional implementation of the ICS should be clarified Any implementation of the "ICS as a PCR" for existing solvency regimes that are built upon the same foundational concepts, such as Solvency II, should be assessed by the IAIS on a holistic approach, meaning general alignment on the same foundational concepts (e.g., an economic risk based, 'market	

Question	Respondent	Comment received	IAIS response
		adjusted' approach calibrated at a 1 in 200 level, allowing the use of internal models), rather than to the individual technical details in the candidate ICS. Therefore, France Assureurs supports Solvency II 'as is' to be accepted as the implementation of the ICS in the EU.. It should be considered as an implementation of the ICS, without any further changes and with no double reporting requirements. France Assureurs also remains concerned that the AM approach is fundamentally different from the candidate ICS, and notably its foundational concepts, which has challenged several of the ICS principles noted on pp. 7 and 8 of the consultation document.. Concerns remain about the lack of transparency regarding the development and comparability assessment of the Aggregation Methodology (AM). Currently, the proposed AM approach remains unspecified and the process that the IAIS will use to assess its comparability with the ICS is as yet publicly undocumented despite requests from industry and other key stakeholders. This is in strong contrast with the ICS for which extensive, multi-level technical specifications and requirements have been put forward. . It is vital that the comparability assessment exercise is sufficiently robust, quantitatively substantiated and transparent. Furthermore, it is not clear how the IAIS would be able to FSAP the US Aggregation Method as it is not part of the ICS and does not fall within the remit of the IAIS. All these elements make that the ICS principles as well as any positive impact of the ICS project on the global level playing field are severely	

Question	Respondent	Comment received	IAIS response
		challenged. The reporting of the ICS should be done solely through the legally enforceable local framework, with no double reporting requirements. It is our understanding that when the ICS becomes a PCR, it will only exist through the means of its legally enforceable transposition in local frameworks. In the EU, this means that IAIGs aren't going to be subject to Solvency II and the ICS, but Solvency II is going to be the ICS for the purpose of the global colleges of supervision or any other purposes (incl. the GME).). We note that the Japanese supervisory authority has already communicated during the IAIS conference that this approach will be adopted for Japan as the way forward. In the EU we expect the same approach to be adopted.	
2. Do you have comments regarding the perimeter of the ICS calculation?	France Assureurs	See response to question 10	Noted.

Question	Respondent	Comment received	IAIS response
3. Do you have comments on the introduction of a term structure of credit spreads for discounting?	France Assureurs	See response to question 10	Noted.
4. Do you have comments on the revised eligibility criteria for the Middle Bucket?	France Assureurs	See response to question 10	Noted.

Question	Respondent	Comment received	IAIS response
5. Do you have comments on the introduction of a modulation factor?	France Assureurs	See response to question 10	Noted.
6. Do you have other comments regarding the Market-Adjusted Valuation?	France Assureurs	See response to question 10	Noted.

Question	Respondent	Comment received	IAIS response
7. Do you have comments on the changes regarding eligibility criteria for Tier 1 Limited and Tier 2 financial instruments? Please explain your response based on actual terms and conditions of instruments commonly issued by insurers.	France Assureurs	See response to question 10	Noted.
8. Do you have comments on the introduction of a limit on non-controlling interests, such as the one specified in section 6.4.4?	France Assureurs	See response to question 10	Noted.

Question	Respondent	Comment received	IAIS response
9. Do you have other comments regarding capital resources?	France Assureurs	See response to question 10	Noted.
10. Do you have comments regarding the ICS risks and calculation methods?	France Assureurs	The ICS as it stands is far too detailed and prejudging, as well as excluding appropriate approaches that are already in use in existing frameworks and have proven their fitness for purpose. This includes further advancements fully embedded in existing and applied frameworks such as the allowance of group or undertaking specific parameters and internal models for determining the capital requirements. Indeed, comparing the various elements of the ICS in terms of design and calibration (valuation curves, risk margin, capital instruments, capital requirements, etc.) with those in Solvency II, these practically differ on all aspects. Overall, it seems the ICS tries to reinvent the wheel when it comes to all these elements, whereas alternative, proven methods already exist.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
11. Do you have comments regarding the grouping of policies for life insurance risks?	France Assureurs	See response to question 10	Noted.
12. Do you have comments regarding the calculation of the Life risk charges?	France Assureurs	See response to question 10	Noted.

Question	Respondent	Comment received	IAIS response
13. Do you have comments regarding the calculation of the Non-life risk charges?	France Assureurs	See response to question 10	Noted.
14. Do you have comments regarding the calculation of the Catastrophe risk charges?	France Assureurs	See response to question 10	Noted.

Question	Respondent	Comment received	IAIS response
15. Do you have comments regarding the list of market risks considered in the ICS, the general principles to calculate them and the way to aggregate them?	France Assureurs	See response to question 10	Noted.
16. Do you have comments regarding the Interest Rate risk?	France Assureurs	See response to question 10	Noted.

Question	Respondent	Comment received	IAIS response
17. Do you have comments regarding the Non-Default Spread risk?	France Assureurs	See response to question 10	Noted.
18. Do you have comments on the differentiated treatment for investments in infrastructure equity?	France Assureurs	See response to question 10	Noted.

Question	Respondent	Comment received	IAIS response
19. Do you have comments on the inclusion of the Equity risk counter-cyclical measure (NAD)?	France Assureurs	See response to question 10	Noted.
20. Do you have comments on the proposed design of the Equity risk counter-cyclical measure?	France Assureurs	See response to question 10	Noted.

Question	Respondent	Comment received	IAIS response
21. Do you have comments on whether the Equity risk counter-cyclical measure should allow for more granular calibrations to reflect geographical market specificities?	France Assureurs	See response to question 10	Noted.
22. Do you have other comments regarding Equity risk?	France Assureurs	See response to question 10	Noted.

Question	Respondent	Comment received	IAIS response
23. Do you have comments regarding Real Estate risk?	France Assureurs	See response to question 10	Noted.
24. Do you have comments regarding Currency risk?	France Assureurs	See response to question 10	Noted.

Question	Respondent	Comment received	IAIS response
25. Do you have comments regarding Asset Concentration risk?	France Assureurs	See response to question 10	Noted.
26. Do you have comments on the differentiated treatment for investments in infrastructure debt?	France Assureurs	See response to question 10	Noted.

Question	Respondent	Comment received	IAIS response
28. Do you have comments regarding Operational risk?	France Assureurs	See response to question 10	Noted.
29. Do you have comments regarding the aggregation / diversification of ICS risk charges?	France Assureurs	See response to question 10	Noted.

Question	Respondent	Comment received	IAIS response
30. Do you have comments regarding the optionality given to group-wide supervisors to require a calculation based on the Basel III approach for calculating risk charges for non-insurance non-banks financial entities?	France Assureurs	See response to question 10	Noted.
31. Do you have comments regarding the optionality given to group-wide supervisors to require an additional risk charge for non-insurance, non-bank financial entities without a sectoral capital requirement where an operational risk charge would not capture all material risks?	France Assureurs	See response to question 10	Noted.

Question	Respondent	Comment received	IAIS response
32. Do you have other comments regarding non-insurance risk charges?	France Assureurs	See response to question 10	Noted.
33. Do you have comments regarding the use of a simplified utilisation approach for tax?	France Assureurs	See response to question 10	Noted.

Question	Respondent	Comment received	IAIS response
34. Do you have comments regarding the option given to the supervisor to require a more complex approach for tax?	France Assureurs	See response to question 10	Noted.
35. Do you have other comments regarding tax?	France Assureurs	See response to question 10	Noted.

Question	Respondent	Comment received	IAIS response
36. Do you have comments regarding Other Methods for the calculation of the ICS capital requirement?	France Assureurs	France Assureurs is strongly supportive of the recognition of IM in the ICS, provided they achieve the same level of protection with a target criterion of 99.5% VaR over a one-year time horizon and there are no additional requirements to hold capital beyond this level. IM are necessary to the management of groups whose risk profile are inappropriately reflected by the standard method, and, as a result, are necessary to the proper functioning of the ICS. IM bring benefits to the resilience of individual insurance groups and to the resilience of the sector as a whole, such as: • Supporting a holistic understanding of risks: IM play a crucial role in comprehending risks holistically, particularly for large multinational (re)insurers operating in complex risk landscapes. These models effectively capture, in the most practical way, diversification benefits and risk concentrations within diverse global portfolios and their aggregation structure accurately represents the dependence between individual risk scenarios. • Capturing the individual risk profile of a group better: IM analyse undertakings' risks in details and their output is an adequate reflection of the company's risk profile. • Incentivizing good risk management: (Re)insurance groups thoroughly and carefully select the methods and parameters for their internal model calibration, ensuring accurate internal risk steering. The calibration process involves individual risk assessment, transparent procedures, and results in a unified risk measurement framework which is strongly anchored in the	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		risk culture of the (re)insurer. Moreover, IM calibration improves the group's risk understanding and expertise, and contributes to the development of validation tools that can later be integrated into the regular risk management processes. • Supporting financial stability: IM support financial stability in numerous ways. In particular, IM enhance the society's knowledge of risk by encouraging the development of specialised models, such as NatCat modelling, and their refinement. Not only do they offer a more sophisticated approach to capturing risk and their interdependencies, but they can also incorporate new developments with greater ease, timelines and flexibility. By ensuring that capital requirements reflect risks, internal models enable (re)insurers to continue to play an important stabilising role for the financial industry and the economy. • In the case of a macroeconomic development, the use of internal models will bring diversity in the evolution of the impact on the insurance market, treating risks in a more bespoke way and limiting the risk of all companies undertaking similar action at the same time. • On the other hand, internal models contribute to solve the "problem of risk model homogeneity" associated to "systemic fragility to the errors in [prescribed standard] models" .Enhancing supervisory scrutiny and risk dialogue: The process of developing and submitting internal models for approval involves a substantial level of interaction between undertakings and supervisors resulting in benefits for both	

Question	Respondent	Comment received	IAIS response
		sides. This comprehensive dialogue has facilitated a more structured discussion between them, and it has also fostered a culture of improved internal controls, better governance oversight, and enhanced documentation within companies. The requirements for model validation necessitate ongoing discussions, which are well-structured and organised, and testing of assumptions, further strengthening the understanding between undertakings and regulatory bodies. The use of the standard method to benchmark internal models and to require double reporting seems inappropriate, as it would go against the very nature of IM, whilst double reporting would be unnecessary. While France Assureurs appreciates the inclusion of IM in the ICS, it is also important to stress that the ICS should not include output floors, and IM should be explicitly allowed as an alternative to the Standard Method and not on top of it. We also regret that the ICS as a candidate doesn't recognise the possibility to use Group Specific Parameters (GSP) or Undertaking Specific Parameters (USP). Such features are already being accepted and recognised in other advanced frameworks, such as Solvency II, as they are proven to be appropriate tools to allow for better reflection of the risk profile of a group and/or undertaking, under clear conditions. Overall, we consider that features such as GSP, USP and internal models to be a clear sign of the level of maturity of a prudential framework and the capacity for insurers to rely on them should not be compromised by the ICS. Especially as a	

Question	Respondent	Comment received	IAIS response
		minimum framework, the ICS should facilitate and promote such advancements in regulatory frameworks. In light of the above, the IAIS is advised to remove references to reporting of standard method results when an internal model is used and, subsequently, to any output/capital floor or benchmarking.	
38. Do you have comments on the overall requirements (section 9.4.1)?	France Assureurs	France Assureurs welcomes the recognition of IM in the ICS, although further improvements should be made to the candidate ICS to properly capture the benefits of IM (see questions below for more detail).	- About *recognition of internal models (IM) in ICS being welcome*: Your support of the use of IM to determine regulatory capital requirements is noted.

Question	Respondent	Comment received	IAIS response
39. Do you have comments on the general provisions on the use of an internal model to determine regulatory capital requirements (section 9.4.2)?	France Assureurs	France Assureurs is overall supportive of the use of IM to determine regulatory capital requirements, as set out in 9.4.2. However, further improvements could be made to the candidate ICS. • Standard Method benchmarking o France Assureurs strongly disagrees with the view that the standard method should be a benchmark for internal models (L2-371), as the only benchmark should be the risk-profile of the group and not the SM which has already been deemed as inappropriate. In that respect, the supervisory process should focus on ensuring that the IM is in line with the risk profile of the group, not about comparing it with the standard method. SM benchmarking is not justified and will not yield meaningful insights, while carrying additional unnecessary costs. o On a similar context, the approval of an IM should not be based on the SM risk categories (L2-372). The appropriateness of an IM should be assessed against the risk profile of the group, and it would be counterproductive to try to standardise IMs using the SM, as the SM has been deemed inappropriate for IAIGs applying internal models. The freedom of modelling should be ensured by the ICS. • Internal capital target o In addition, France Assureurs disagrees with L2-363: IM should aim at having an internal capital target at the same VaR level as the standard method (99.5% VaR over a one-year	- About *deleting the requirement to maintain an internal capital target greater than the regulatory capital requirement (L2-363)*: Note that this criterion is not meant to increase the PCR when using an internal model. A similar concept applies to standard method users via ICP 16.14. The supervisor requires the insurer, as part of its ORSA, to analyse its ability to continue in business, and the risk management and financial resources required to do so over a longer time horizon than typically used to determine regulatory capital requirements. - About *general support of the use of IM to determine regulatory capital requirements*: Your support

Question	Respondent	Comment received	IAIS response
		horizon), not achieve a capital target greater than that. Indeed, this would inappropriately override ICS principle 10 and the general principle of L1-151 that provides that the target capital is the same level of protection under IM and the SM. Therefore, France Assureurs suggests the removal of this requirement. • Conditional approval o The introduction of a conditional approval (L2-374), especially with the option to define capital floors (see also below) based on the ICS, is seen as critical. France Assureurs does not see the need or benefit to add this as a possible outcome of the approval process. • Capital floors o France Assureurs strongly opposes the imposition of capital floors to IM capital requirements as a pre-condition for their approval (L2-375). In particular, capital floors based on the ICS do not appropriately reflect the risk profile of the undertaking and would go against the purpose of internal models. While capital add-ons could be temporarily justified, it is not the case for capital floors. In that respect, capital floors and similar measures based on the standard method should be ruled out. o Moreover, any model which is approved should not be changed by the GWS since the approval already implies that the internal model yields at least the same risk protection as the standard method while reflecting the IAIG's risk profile more appropriately.	of the use of IM to determine regulatory capital requirements is noted. - About *opposition to the use of standard method (SM) information in the internal model review process (L2-371)*: Feedback and data collected over the monitoring period show that this information can be useful for the supervisor. - About *opposition to the use of standard method (SM) risk categories comparison in the internal model review process (L2-372)*: Feedback and data collected over the monitoring period show that this information can be useful for the supervisor. L2-368 does not imply that the internal model needs to follow the structure of the

Question	Respondent	Comment received	IAIS response
		• Reporting and disclosure o The disclosure of the difference between IM and SM should be limited to their respective underlying assumptions – there is no policyholder protection interests to perform an undefined comparison. o Finally, France Assureurs disagrees that the SM output should be required as part of the IM reporting as provided by L2-381. Running two parallel systems under IM and SM would be extremely burdensome and costly, without bringing any added value.	ICS standard method. - About *opposition to conditional approval of the internal model (L2-374)*: Conditional approval is an alternative to a pure pass or fail and gives flexibility to both GWS and IAIGs. - About *opposition to the possibility of introducing capital floors linked to the standard method in conditional approval (L2-375)*: Capital floors based on the ICS SM could be relevant if deemed so by the GWS. Added capital add-ons to the text: “Conditions may include capital floors based on the ICS, more conservative model parameters or design features, capital add-ons, or further reviews by the GWS, the IAIG, or a third party.”

Question	Respondent	Comment received	IAIS response
			- About *opposition to the possibility for supervisors to modify the model in conditional approval (L2-375)*: The possibility to impose conditions on the IM is specific to the case of conditional approval where the GWS deems that the model does not yield the same risk protection as the standard method or does not reflect the IAIG's risk profile appropriately. - About *limiting public reporting and disclosure of the differences between IM and SM upon approval to the underlying assumptions (L2-379)*: Modified L2-379 accordingly: "If the internal model is approved, the GWS works with the IAIG to communicate the decision to the public. Particular

Question	Respondent	Comment received	IAIS response
			attention should be given to the clarity of the approved internal model's scope and the differences with the ICS standard method's underlying assumptions when possible." - About *opposition to regular reporting of the differences between IM and SM figures in the post-approval monitoring and control process (L2-381)*: The data submission templates are to be agreed upon between the GWS and the IAIG. GWS can ponder cost vs. added value.

Question	Respondent	Comment received	IAIS response
40. Do you have comments on the criteria for internal model approval (section 9.4.3)?	France Assureurs	See response to question 10	Noted.
44. Do you have additional comments on the ICS?	France Assureurs	• Any implementation of the "ICS as a PCR" for those existing solvency regimes that are built upon the same foundational concepts (e.g., an economic risk based, 'market adjusted' approach calibrated at a 1 in 200 level, allowing the use of internal models), should be assessed by the IAIS on a holistic approach, rather than the individual technical details. These existing solvency regimes are part of a coherent package with other relevant regulations in the jurisdictions and in line with political objectives; details/ individual principles must be viewed in that broader context. • The inclusion and benefits of internal models are essential for the overall soundness of the ICS and should neither be impaired by supervisory overlays based on the standard method nor different approaches for available and required capital. • The reporting of the ICS should be done solely through the	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		legally enforceable local framework, with no double reporting requirements. Global convergence should not be achieved at the expense of local fragmentation, i.e., IAIG v. solo/local group regimes in IAIS member jurisdictions. • The initial high-level principles for ICS developments have not kept up with the evolution of the ICS project so the expected potential impact on markets and competition equally has changed. France Assureurs has followed the developments on the ICS in the last decade, including the start of the project and the subsequent developments of ICS 1.0 and 2.0 and the emergence of the comparability assessment. It was originally envisaged that for the Insurance Capital Standard (ICS) project to achieve its prime objective, as laid out by the IAIS, it must lead to a single, high-quality, and robust global insurance standard that promotes a sound, global regulatory level playing field. Effectively, this would result in the same targeted level of policyholder protection and triggering the same supervisory actions by the group supervisor and at the same point in time under stressed conditions. However, this objective has proven not to be achievable and therefore the objective and nature of the ICS project has necessarily changed in recent years. This has significant consequences for the benefits (and drawbacks) of an ICS and equally has a fundamental impact on how implementation should be approached. This is especially true for the EU where the more advanced and proven Solvency II framework is	

Question	Respondent	Comment received	IAIS response
		already in place for several years. Indeed, the reality is that no jurisdictions foresee the implementation of the standard as per the specifications adopted by the IAIS. Nevertheless, we observe the steps made by the IAIS over time continue to anchor the ICS in a high level of detail and prescription, which we consider incompatible with the nature of a minimum standard and a simple comparison shows that almost on all aspects the ICS deviates from the provenand carefully deliberated Solvency II framework. The aspect of governance should be mentioned in this respect. Any standards developed by the IAIS do not benefit from political scrutiny and as such may provide high-level guidelines for local regimes but are not suitable for 'as is' adoption of any details on design and calibration put forward in the ICS. The political scrutiny and legislative processes ensure a framework is balanced on the level of prudence and fit for purpose in practice, on jurisdictional level and in light of the broader context a framework needs to operate in, such as the wider economy and the broader legislative framework. For this reason, the IAIS is requested to clarify that, also given the similarity to foundational concepts underlying the ICS, Solvency II, 'as is', will be fully accepted as the local implementations of the ICS, should European legislators wish to do so, without the need of potential adjustments or any detailed comparisons per element. This is an essential, but still missing, clarification within the ICS set-up. This question of the relationship with Solvency II is	

Question	Respondent	Comment received	IAIS response
		fundamental for the EU insurance industry. Without specifying it in the detailed questions on designs and parameters in this consultation, the European industry does not believe the ICS provides a better or more appropriate standard than Solvency II, , on the contrary. It is important that this is acknowledged by IAIS, while at the same time limiting the prescriptive nature of the standard, given that this is a minimum standard. Exemplary of the concerns and unclarity around implementation and impact is the fact that despite EU IAIG's supporting and participating actively since the start of the ICS project, the EU participation to the monitoring period faded after the redirection of the ICS project with ICS 2.0. This is particularly relevant as in parallel the EU Solvency II review is in progress and already further divergences can be seen between choices made in ICS and Solvency II highlighting the practical dynamic that ICS needs to embrace with a more flexible, principles-based approach for similar frameworks. Indeed, we would expect that the Solvency II regime, pre- and post-review, is considered fully compliant with the ICS as it relies by nature on the same principles and should not lead to any further review of the EU solvency framework Therefore, the ICS should not create new requirements that are not adopted/accepted by the political level in the Solvency II review. The European supervisory community had its opportunity to feed into the Solvency II review process via a request for advice from the European Commission in 2019, and it is now the mandate for the political level to decide how the	

Question	Respondent	Comment received	IAIS response
		Solvency II framework should be amended. This process should not be undermined via the ICS project. Indeed, the ICS should avoid intervening in legislative processes in such a manner and ensure any outcomes from legislative reviews by the political level are accommodated under the ICS. If not, the ICS will not be implementable and/or sustainable in the European context without important drawbacks and negative economic and competitive impacts. We continue to question the need for the detailedness and prescriptiveness with the ICS to be positioned as a minimum standard and equally with the fact that it effectively provides second-guesses on the design and calibration of similar frameworks. Solvency II is a well-designed and proven framework and should be deemed the local implementations of the ICS. Solvency II has been scrutinized by the political level to assess appropriateness in the wider context. The lack of this key part of framework development with regard to the ICS is already reflected by signs of supervisory gold-plating in the various ICS requirements (e.g., on internal models, please refer to Q36/39). Besides the lack of clarity on implementation, a second key point that we want to make a special mention for is support for the inclusion of internal models in the ICS. France Assureurs has always considered that the ICS cannot be effective or sound without the inclusion of internal models and therefore were surprised there were discussions on its inclusion in ICS at all. The concept is already firmly embedded in ICP 17 and as	

Question	Respondent	Comment received	IAIS response
		such already fully endorsed by the IAIS and its members. Indeed, several existing regimes already successfully have integrated internal models. It would not be suitable or viable for the ICS not to include internal models on the same basis. However, we note that the updated ICS document includes additional supervisory overlays based on standard method that go beyond and against the basic principles set out in ICP 17. Such additional requirements are not appropriate. Full or partial internal models are requested, even required, by European supervisors when the standard method is not considered a suitable basis. This is the case in practice for almost all large insurance groups. This also means that the standard method is not a good benchmark for internal models. Any double reporting requirements would not make sense and would not take into account the costly, long and detailed internal model development and supervisory approval processes. Such reporting also ignores that via use tests the internal models must be used in practice in ALM and risk management. Any restrictions or overlays to internal model outcomes will only result in a deviation from the targeted confidence level of the capital requirements and thus a direct violation of what the ICS aims to achieve. Finally, but not unimportant in light of the work of the IAIS, internal models are essential to counter systemic risk. Indeed, if all IAIGs would manage their business on the same standard method it would create the largest systemic risk for the global insurance industry. In the respective questions on internal models, we provide more details on our specific views	

Question	Respondent	Comment received	IAIS response
		on this key element. Concluding, France Assureurs believes important concerns and uncertainties continue to exist as set out in detail in this response and which are also related to the potential impact of ICS on markets and competition.	
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	France Assureurs	Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts. It is difficult to assess the exact impact of the implementation of the ICS for the business strategy of IAIGs. However, if Solvency II , as expected, is accepted as the implementation of ICS, France Assureurs does not expect significant changes to the business models of EU IAIGs. Nonetheless, in the event that the ICS imposes duplication of requirements and creates an additional layer of supervision, material costs would be incurred in terms of IT infrastructure, resources and capital, which could have significant wider implications including on product pricing and product availability.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
48. Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report
49. Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
50. Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	France Assureurs	France Assureurs does not expect a direct correlation between the ICS implementation and closing protection gaps on the basis that Solvency II 'as is' will be the implementation in the EU. Indeed, France Assureurs only foresees a limited impact on product availability, which is therefore unlikely to reduce the protection gap. However, should the ICS negatively impact pricing and product availability, this might actually lead to an increase of the protection gap.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	France Assureurs	France Assureurs does not expect the ICS to compensate a reduction in product availability by other market participants. As a matter of fact, existing regulations are already aiming to ensure a level playing field and ICS should not distort existing competition and level playing field.	Please see ICS Economic Impact Assessment report
53. Do you anticipate any opportunities for an increase in the range of products available in the insurance market as a result of the implementation of the ICS? If so, please explain the potential opportunities.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	France Assureurs	See response to question 45. France Assureurs believes that this will depend on the concrete implementation of the ICS	Please see ICS Economic Impact Assessment report
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
56. Do you anticipate that the implementation of the ICS could lead to a change in the profitability of an IAIG's business units or insurance entities focusing on a specific product type or market segment? If so, please describe the products or market segments potentially affected.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report
57. Do you anticipate any circumstances in which IAIGs will need to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS? If so, please explain the potential impacts.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
58. Do you have any concerns over the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS? If so, please explain the potential impacts.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report
59. Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
60. Do you anticipate any circumstances in which IAIGs might change their approach to risk mitigation as a result of the implementation of the ICS? If so, please explain the potential impacts.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report
61. Do you anticipate circumstances in which IAIGs would re-structure their business as a direct result of the implementation of the ICS? If so, please explain the potential impacts.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
62. Do you anticipate any other changes to the operating model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report
63. Do you anticipate any changes to risk management practices across the insurance industry as a result of the implementation of the ICS? If so, please explain the potential impacts.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
64. Do you anticipate any benefits to the business model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential benefits.	France Assureurs	In addition to the obvious advantage of having a globally accepted standard, if implemented in all jurisdictions to the same standard which enables consistent comparisons across IAIGs from various jurisdictions, France Assureurs does not anticipate any other significant benefits arising from the implementation of the ICS. However, considering that no jurisdictions appear to have committed to implement the IAIS as per the technical specifications defined by the IAIS, and the development of the comparability with the Aggregation Method developed by the US, this question might not be completely relevant. See response to question 45 for more details	Please see ICS Economic Impact Assessment report
65. Do you anticipate any impacts to the competitiveness of IAIGs relative to non-IAIGs with the implementation of the ICS?	France Assureurs	See response to question 45. France Assureurs believes that the ICS project should not harm the competitiveness of IAIGs nor significantly disadvantage them when compared to non-IAIGs.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
66. Do you anticipate any changes to the investment strategy of IAIGs which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report
67. Do you anticipate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
68. Do you anticipate any impacts from the implementation of the ICS on asset concentration risk, either within IAIGs or across insurance markets? If so, please explain the potential impacts.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report
69. Do you anticipate the implementation of the ICS altering the investment strategy or investment decisions of IAIGs in response to stressed market conditions? If so, please explain the potential impacts.	France Assureurs	See response to question 45. Moreover, France Assureurs believes that insurers, due to their long-term nature, have the capacity to hold assets until maturity making them resilient to short-term fluctuations and therefore, their ALM strategy is not highly impacted during stressed market conditions	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	France Assureurs	See response to question 45.	Please see ICS Economic Impact Assessment report
71. Are there any other areas of the financial markets (eg derivatives or stock lending) that might be impacted – directly or indirectly – by the implementation of the ICS? If so, please explain the potential impacts.	France Assureurs	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
72. Do you have any concerns over the availability of longer-term assets in the market to meet any increase in demand from IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	France Assureurs	See response to question 45.	Please see ICS Economic Impact Assessment report
73. Do you anticipate any increased risk to the broader financial markets (eg from re-allocations into or out of specific asset classes in response to shocks in financial markets) as a result of the implementation of the ICS? If so, please explain the potential impacts.	France Assureurs	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
74. Do you anticipate any specific benefits to the insurance market or broader financial markets as a result of the implementation of the ICS? If so, please explain the potential benefits.	France Assureurs	As per response in question 45, France Assureurs considers that the success of the ICS project will depend on its concrete implementation, as well as on the outcome of the ICS/AM comparability assessment	Please see ICS Economic Impact Assessment report
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	France Assureurs	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
76. To the extent that it can be predicted, do you anticipate impediments to implementing the requirements of the ICS? If so, please explain the potential impacts.	France Assureurs	France Assureurs considers that the ICS should be fully implemented through Solvency II (‘as is’). As a result, France Assureurs does not foresee direct impediments linked to the implementation of the ICS, assuming that Solvency II will be considered as readily compliant with the ICS.	Please see ICS Economic Impact Assessment report
77. Could any costs of implementing the ICS be absorbed by or shared with other implementation projects running concurrently (eg IFRS 17)? If so, please explain how this might be achieved.	France Assureurs	France Assureurs does not believe that these costs can be shared, considering that the European industry has already fully implemented standards like IFRS 17.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
78. Do you anticipate any other impacts from the implementation of the ICS, not covered above? If so, please explain the potential impacts.	France Assureurs	See response to question 45	Please see ICS Economic Impact Assessment report
1. Do you have comments regarding the general guiding principles of the ICS?	FWD Group Holdings Limited	We are an Internationally Active Insurance Group (IAIG). In principle, we are supportive of the IAIS's effort to develop a consolidated group-wide capital standard for IAIGs to create a common language for supervisory discussions of group solvency to enhance global convergence among group capital standards, with the goal of protecting policyholders and contributing to financial stability. However, we are concerned that the Candidate ICS contains many unexplained design elements for which evidence and empirical justifications have not been shared. Also, there are critical flaws which, in our view, need to be remedied before adoption of ICS as a PCR. The concerns we highlight in our response below may have a material adverse impact on IAIGs having a presence in Asia. With the current direction of the ICS development which may allow alternative approaches to the ICS (for example the use of an aggregation method for US insurers or the use of Solvency	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		II internal models), we believe that the impact of the adoption of the ICS as a PCR will have a bigger impact on the remaining insurers. We therefore believe that it is vital to ensure that the ICS takes into account features of the insurance markets in Asia. These elements we believe have the potential to impair the prospects of life insurers – and ultimately, as a result, millions of consumers who rely on their services.	
5. Do you have comments on the introduction of a modulation factor?	FWD Group Holdings Limited	Introduction of a modulation factor is not an appropriate approach to limit the potential overshooting; it leads to unnecessarily higher liabilities and risk charges which go well beyond the original purpose and adversely impact insurer's solvency. IAIS should consider adjusting the NDSR stress factor calibration itself, rather than change the whole General Bucket and Middle Bucket valuation curves by introducing a modulation factor.	- About *removing the modulation factor*: The modulation factor was considered necessary to limit the potential risk of an overly optimistic valuation of insurance liabilities, which could lead to increases in capital resources driven by duration mismatches of assets and liabilities when spreads increase.

Question	Respondent	Comment received	IAIS response
6. Do you have other comments regarding the Market-Adjusted Valuation?	FWD Group Holdings Limited	Management action - Additional realistic actions which have been documented with full governance, such as dynamic pricing, dynamic investment strategy etc. should be recognised within the ICS provided they are consistent with product features, current practice, and the policyholder expectations. Equity risk premium - An explicit equity risk premium over the risk-free rate for equity investments backing long term liabilities should be recognised in the discount rate. Stress on long-term forward rate (“LTFR”) - When defining stress scenarios for Interest Rate Risk (“IRR”), 10% stresses are applied on LTFR for level up/down scenarios. However, LTFR is reviewed annually by IAIS and the maximum annual change to the LTFR is limited to 15 bps. There is no theoretical / statistical support on the 10% shock on the long-term forward rate, also not in line with the 0.15% annual change cap that IAIS set; any shock to the LTFR should be limited to the cap. Vietnam entity data - IAIS does not provide the Vietnamese Dong yield curves, therefore no calculations can be done for Vietnam business without making simplifications/estimations; Asian IAIG’s	- About *taking more account of the spread of non-fixed income assets*: The data collected over the monitoring period supports the treatment provided in the ICS of spread adjustments for non-fixed income assets. - About *expanding the scope of management actions*: The approach for management actions was revised to include non-participating contracts and to make management action criteria more principle-based. - About *unrealistic stress applying to LTFR*: See Interest Rate risk related questions and resolution of comments.

Question	Respondent	Comment received	IAIS response
		features and data should be considered in the ICS development	
7. Do you have comments on the changes regarding eligibility criteria for Tier 1 Limited and Tier 2 financial instruments? Please explain your response based on actual terms and conditions of instruments commonly issued by insurers.	FWD Group Holdings Limited	Under the current criteria, Tier 1 Limited financial instruments are required to be subordinated to Tier 2 financial instruments. The rationale of this design is not sufficiently justified in the Technical Specifications.	- About *rationale for subordination of Tier 1 L to Tier 2 instruments not being clear in technical specifications*: The Level 1 and Level 2 provide instructions and guidance. They are not meant to provide the underlying rationale for the standard. The subordination of Tier 1 Limited to T2 instruments reflects the policy intention of the ICS, incorporating the objectives of T2 instruments to absorb losses in winding-

Question	Respondent	Comment received	IAIS response
			up and for T1 Limited instruments to absorb losses in both winding-up and going-concern situations.
9. Do you have other comments regarding capital resources?	FWD Group Holdings Limited	Existing grandfathering arrangement under local GWS - ICS template does not allow any local GWS grandfathering over the Monitoring Period. We consider it more appropriate to align the ICS data submission to IAIS with the existing grandfathering approved by local GWS, as otherwise it would be misleading on the IAIG's capital position. The capital instruments that are agreed under our local GWS regime should be treated as capital resources under ICS basis, i.e., should not be overridden by IAIS. Cap on Tier 2 capital resources - Tier 2 capital resources are limited to 50% of the ICS capital requirement. The limit will be lower as the "capital requirement" reduces where good risk/capital management are in place.	- About *capital instruments agreed under our local GWS regime should be treated as capital resources under ICS basis*: The IAIS decided to restrict grandfathering clauses to specific eligibility criteria for Tier 1 Limited and Tier 2 financial instruments. Broader transitional arrangements could be considered within the context of the implementation assessment of the ICS.

Question	Respondent	Comment received	IAIS response
			- About *cap on Tier 2 financial instruments penalising companies employing good risk/capital management*: That characteristic of the ICS would only impact IAIGs with a coverage ratio above 100% and will not cause any breach of the prescribed capital requirement. Therefore, the potential drawback highlighted here will have no practical implications in terms of supervisory response.
17. Do you have comments regarding the Non-Default Spread risk?	FWD Group Holdings Limited	For Candidate ICS, relative NDSR shocks to assets are based on company's own asset portfolio; however, shocks for liabilities are based on IAIS prescribed spread prescribed in the yield curve generator which will also be affected by modulation factors. There is an "inconsistency" on the NDSR shock between assets & liabilities. Plus, IAIG's own asset spread reflects the actual spread of its portfolio, varying by jurisdiction and currency. But the spreads used in the yield curve generator are	- About *shock size of the spread for assets differing from liabilities*: With regard to the magnitude of spread stresses for assets and liabilities, the data collected and analysis conducted over the monitoring period supports the treatment provided in the ICS.

Question	Respondent	Comment received	IAIS response
		the same across multiple currencies (e.g. SGD, MYR, THB, AUD, CAD, TWD, HKD etc. share the same underlying spread as USD). This magnified the inconsistency issue. The inconsistency of the shock size could potentially create an artificial mismatch of the NDSR impact between asset and liability and undermine NDSR capital requirement to reflect the underlying economic of the NDSR risk of the portfolio.	Changes of 1 bps in asset spreads do not cause a change of 1 bps in discount rates. This behavior is captured within the design of the NDSR calculation. - About *modulation factor potentially distorting the NDSR result*: With regard to potential interaction between the modulation factor and NDSR, the data collected and analysis conducted over the monitoring period supports the treatment provided in the ICS. The modulation factor has been revised with regard to extrapolation to reduce potential unexpected interactions with NDSR. The overall approach is appropriate to strike the right balance between complexity and risk sensitivity of the ICS.

Question	Respondent	Comment received	IAIS response
			- About *NDSR stress affecting assets and liabilities differently*: With regard to the magnitude of spread stresses for assets and liabilities, the data collected and analysis conducted over the monitoring period show that the treatment provided in the ICS is appropriate. Changes of 1 bps in asset spreads do not cause a change of 1 bps in discount rates. This behavior is captured within the design of the NDSR calculation. - About *differentiation of spreads for Asian currencies*: With regard to a more granular differentiation of spreads, this aspect has been investigated throughout public consultations and data

Question	Respondent	Comment received	IAIS response
			collections but is not appropriate to strike the right balance between complexity and risk sensitivity of the ICS.
19. Do you have comments on the inclusion of the Equity risk counter-cyclical measure (NAD)?	FWD Group Holdings Limited	While we fully support the aim of the NAD, we consider the current design is overly crude and may produce results substantially at odds with the intention. o An insurance group's equity risk charge depends on its specific investments, which may and often do differ substantially from the composition in the "developed", "emerging" and "other" categories in the Candidate ICS. These categories are too crude. o The group-wide supervisor is best equipped to specify the indexes to be used by IAIG's under its jurisdiction and should be empowered to specify the indexes to be used. This is a more granular approach tied to published indices for the markets in which the various portfolios are invested.	- About *design considerations*: The proposed design aims to strike a balance between complexity and risk sensitivity. - About *NAD not being sufficiently granular*: The proposed design aims to strike a balance between complexity and risk sensitivity. - About *the role of Group Wide Supervisor*: It is

Question	Respondent	Comment received	IAIS response
			preferable that a common methodology and calibration be used by all IAIGs, for the sake of consistent and comparable implementation of the NAD.
20. Do you have comments on the proposed design of the Equity risk counter-cyclical measure?	FWD Group Holdings Limited	See comments on question 19.	Noted.

Question	Respondent	Comment received	IAIS response
21. Do you have comments on whether the Equity risk counter-cyclical measure should allow for more granular calibrations to reflect geographical market specificities?	FWD Group Holdings Limited	See comments on question 19.	- About *increasing regional granularity*: The current design aims to strike a balance between complexity and risk sensitivity.
22. Do you have other comments regarding Equity risk?	FWD Group Holdings Limited	Regarding equity volatility, given the long term nature of guarantees offered by life insurers, the cost of guarantees will depend on the realized volatility rather than implied volatility over a long term. The current stress to equity implied volatility is also believed to be significantly more onerous compared to market data implied calibrations. This is also not in line (more onerous) with some other jurisdictional requirements, for example the Solvency II standard formula does not include equity volatility. In addition, a permanent change assumed under stress to equity volatility is not an appropriate treatment since volatility shows strong mean reverting properties. A permanent stress implies sustained high levels of cost of capital and equity risk premium which is not realistic. Therefore, we propose that the mean reversion of equity volatility be recognized, and the calibration to reflect either realized volatility or market consistent levels.	- About *dedicated treatment for long-term equity*: After detailed analysis, it was decided not to introduce a dedicated treatment for long-term equity. In particular, it may introduce undue complexity and subjectivity in the assessment of capital adequacy. - About *equity risk volatility component*: The methodology is deemed appropriate. Please refer to

Question	Respondent	Comment received	IAIS response
		Intra-risk diversifications and interactions should be taken into consideration while calibrating the overall risk charge. This includes capturing interaction between the level and volatility drivers when calculating the stress impact.	the ICS calibration document for more details about the ICS calibration methodology.
24. Do you have comments regarding Currency risk?	FWD Group Holdings Limited	The portion of the currency risk charge relating to currency translation should be exempt, as currency translation does not have any material impact on a IAIG's ability to meeting policyholder liabilities in each business unit, i.e., if the IAIG has sufficient capital to meet both local and ICS requirements within each country, the translation of surplus to the reporting currency (while it may alter the Group surplus) has no bearing on the Group's ability to meet policyholder liabilities in those countries. Further, this penalized holding surplus in one country. Global capital metric should ensure alignment with local risk management practices e.g., currency risk should incentivize good risk management practice including maintaining	- About *currency translation risk being exempted*: This aspect has been investigated as part of the finalisation of the ICS, but such a change was not deemed appropriate. When facing negative exchange rate movements, a currency mismatch may affect the capital resources of an IAIG.

Question	Respondent	Comment received	IAIS response
		appropriate surplus buffers in the local currency of individual business units.	
25. Do you have comments regarding Asset Concentration risk?	FWD Group Holdings Limited	The concentration risk calculation is complex and under the current formula, there always will be a minimum risk charge applied even for a well-diversified IAIG so it is difficult for an IAIG to manage and mitigate this risk. A simpler and more intuitive approach should be considered to capture the asset concentration risk.	- About *raising concerns of appropriateness*: The current approach was introduced in the 2019 field testing to address the observation that some Volunteer Groups had significant counterparty exposures. Specifically, Volunteer Groups owned assets that were highly concentrated in the form of short-term deposits at regulated banks. The current approach is intended to link the calculation of

Question	Respondent	Comment received	IAIS response
			Asset Concentration risk (ACR) to the level of credit risk underlying the investments and to better capture the level of diversification for a given level of assets. The prior approach did not factor in all assets, only those that exceeded certain exposure thresholds, and relied on an assumption of perfect diversification between Credit risk and ACR for each asset class, which was not realistic. Lastly, the current approach is intended to supplement and not overlap with the Credit risk or Equity risk charges. - About *warranting a simplification of the calculation*: The IAIS introduced the current calculation to address certain shortcomings

Question	Respondent	Comment received	IAIS response
			observed in an earlier version of the factor-based approach. The proposal for the IAIS to use a copula in lieu of the current approach would be inconsistent with the ICS standard method. If desired, the use of a copula in determining the ACR charge could be incorporated in an IAIG's supervisor-approved internal model.
27. Do you have other comments regarding Credit risk?	FWD Group Holdings Limited	Internal and/or local ratings should be permitted in the determination of allowances for credit risk. If the group can demonstrate robustness of the internal and/or local rating framework to its group supervisor's satisfaction, we see no reason why such a framework should not be permitted. ICS should explicitly permit such an approach where appropriate. Provision for the permission of such an approach could include assurance requirements such as objective and independent review of the framework.	- About *internal ratings*: The use of internal ratings is outside the SOCCA framework; however, internal ratings can be leveraged for use in a supervisor-approved internal model. - About *local ratings*: The eligibility criteria for the use of external credit ratings are established in the ICS. The

Question	Respondent	Comment received	IAIS response
			use of other ratings is outside the scope of the SOCCA framework; however, other ratings, including local ratings, can be leveraged for use in a supervisor-approved internal model.
29. Do you have comments regarding the aggregation / diversification of ICS risk charges?	FWD Group Holdings Limited	There are no explicit cross-country diversifications allowed when calculating the ICS capital requirements. Given IAIGs usually operate in different countries which provides material geographic diversification benefits, ICS does not give enough credit on that, though noting that some implicit allowances are made within, e.g. Interest rate risk by offsetting effect between different currencies. Geographical diversifications for insurance risks should be calibrated and allowed explicitly under ICS.	- About *geographical diversifications*: The approach already recognises geographical diversification within non-life risks. Regarding life risks, please refer to the life risks section of this document.

Question	Respondent	Comment received	IAIS response
32. Do you have other comments regarding non-insurance risk charges?	FWD Group Holdings Limited	Currently the capital requirement is equal to the equity charge on the equity method, which does not include a zero flooring. This will result in negative risk charge for non-financial entities with negative equity.	- About *possible negative risk charge*: The ICS was updated to consider the absolute value of equity method investments.
35. Do you have other comments regarding tax?	FWD Group Holdings Limited	A “bottom up” assessment (i.e., uses the actual local tax rates for local entities) should be allowed/considered where a group can perform or already performed such an assessment. As this reflects the group’s tax position in practice and is more consistent with the existing business units’ reporting requirements.	- About *support for an optional bottom-up approach*: This is the specified approach under the standard method. A full internal model can be developed to calculate a post-tax capital requirement.

Question	Respondent	Comment received	IAIS response
44. Do you have additional comments on the ICS?	FWD Group Holdings Limited	Understand that IAIS are developing calibration papers for the ICS capital charges, and would be helpful if we can have access to these papers or at least some technical details on the topics such as rationale for the calculation methodology and calibration of ICS parameters.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	FWD Group Holdings Limited	o Cash flowing matching and TOM may potentially discourage the sale of short-term products that are backed by longer-term investments, while the long term product is also adversely impacted due to the excessive LTFR shock o The eligibility criteria for top and middle buckets in respect of future premiums being contractually fixed or are at the discretion of the IAIG, and lapse risk charge requirement, may limit the sale of products such as unit-linked and lapse sensitive products. o The requirement on risk mitigation techniques may potentially dissuade the sale of guaranteed renewable health products as the management actions for these products are important features for managing the underlying risks o If the actual local tax rates for local entities can be allowed for (instead of the Group effective tax rate), it may encourage a	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		greater focus on the sales in the regions with a lower local tax rate.	
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	FWD Group Holdings Limited	Please see the response to question no. 45. To improve the products that are disadvantageous (from a capital perspective) under the ICS, the product design could be tweaked which may have a knock-on effect on its pricing.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
48. Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts.	FWD Group Holdings Limited	Please see the response to question no. 45.	Please see ICS Economic Impact Assessment report
49. Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	FWD Group Holdings Limited	Please see the response to question no. 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
50. Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	FWD Group Holdings Limited	The risk appetite may change due to the design on ICS on various shock parameters / calculation which changes the risk mix & the risk tolerance level of the company.	Please see ICS Economic Impact Assessment report
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	FWD Group Holdings Limited	This will be more addressed if anticipated management action for risk management and mitigations can be recognized which help resolve protection gaps.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	FWD Group Holdings Limited	Apart from the product / pricing strategy highlighted in question no. 45, there will also be impact to investment side – with the introduction of modulation factors, the recognition of corporate bond spread will be lower. Also, the exclusion of spread for long term equity exposures also affect the appetite for long term equity investments.	Please see ICS Economic Impact Assessment report
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	FWD Group Holdings Limited	Please see the response to question no. 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
56. Do you anticipate that the implementation of the ICS could lead to a change in the profitability of an IAIG's business units or insurance entities focusing on a specific product type or market segment? If so, please describe the products or market segments potentially affected.	FWD Group Holdings Limited	Please see the response to question no. 45.	Please see ICS Economic Impact Assessment report
57. Do you anticipate any circumstances in which IAIGs will need to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS? If so, please explain the potential impacts.	FWD Group Holdings Limited	The Tier 2 capital resources are limited to 50% of ICS capital requirement. IAIGs with significant Tier 2 capital resources might need to raise more capital when the cap kicks in.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
59. Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	FWD Group Holdings Limited	The introduction of modulation factor leads to unnecessarily higher liabilities, especially for IAIGs with a large proportion of government bonds would lead to a lower discount rate for base case liability.	Please see ICS Economic Impact Assessment report
63. Do you anticipate any changes to risk management practices across the insurance industry as a result of the implementation of the ICS? If so, please explain the potential impacts.	FWD Group Holdings Limited	Please see the response to question no. 50 and no. 59.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
65. Do you anticipate any impacts to the competitiveness of IAIGs relative to non-IAIGs with the implementation of the ICS?	FWD Group Holdings Limited	Yes, the unfavourable differences in design of the ICS regime would impact competitiveness of the IAIG compared to the non-IAIG not bounded by ICS.	Please see ICS Economic Impact Assessment report
66. Do you anticipate any changes to the investment strategy of IAIGs which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	FWD Group Holdings Limited	Currently there is no explicit equity risk premium over the risk-free rate for equity investments backing long term liability, which may cause IAIGs to sell equity and invest more in corporate bonds for a higher discount rate. Besides, the introduction of modulation factor leads to unnecessarily higher liabilities, especially for IAIGs with a large proportion of government bonds would lead to a lower discount rate for base case liability. This may incentivise IAIGs to sell government bonds for other investments such as corporate bonds, especially in a low interest rate environment.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
67. Do you anticipate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	FWD Group Holdings Limited	Please see the response to question no. 54 and no. 66.	Please see ICS Economic Impact Assessment report
69. Do you anticipate the implementation of the ICS altering the investment strategy or investment decisions of IAIGs in response to stressed market conditions? If so, please explain the potential impacts.	FWD Group Holdings Limited	Please see the response to question no. 66.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	FWD Group Holdings Limited	Please see the response to question no. 66.	Please see ICS Economic Impact Assessment report
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	FWD Group Holdings Limited	Yes, there will be resources required to communicate with the management and other stakeholders of the company for the final ICS specifications and its impact / implications to company's strategy.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
77. Could any costs of implementing the ICS be absorbed by or shared with other implementation projects running concurrently (eg IFRS 17)? If so, please explain how this might be achieved.	FWD Group Holdings Limited	With the implementation of IFRS 17, the cost of implementing ICS will not be easily shared with / absorbed as we anticipated further changes to the ICS specifications next year (based on this final consultation).	Please see ICS Economic Impact Assessment report
1. Do you have comments regarding the general guiding principles of the ICS?	General Insurance Association of Japan	3.2 L 1-5, “Moreover, even though ...” in the ICS Data Collection Technical Specifications is not mentioned in the consultation document. It would be beneficial if it is mentioned in the Level 2 document. 3.3 L 2-3, "In the context of Market risks, ..." and “In the context of Insurance risks, ..." in the ICS Data Collection Technical Specifications are not mentioned in the document. It would be beneficial if they are mentioned in the Level 2 document.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
2. Do you have comments regarding the perimeter of the ICS calculation?	General Insurance Association of Japan	There is no equivalent in this document to “4.1.1 GAAP and ICS Balance Sheets: instructions” in the ICS Data Collection Technical Specifications. It would be beneficial if they are also mentioned in the Level 2 document. In particular, we believe that "4.1.1.2 ICS Balance Sheets" in the specification should be mentioned.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
5. Do you have comments on the introduction of a modulation factor?	General Insurance Association of Japan	While the introduction of a modulation factor is significant in that it reflects the condition of the assets held, it is thought that some companies may not be able to handle it in terms of scheduling and resources due to the extremely large practical burden. For this reason, we would like to see a provision that reads "can be introduced" rather than a uniform mandatory introduction.	- About *removing the modulation factor*: The modulation factor was considered necessary to limit the potential risk of an overly optimistic valuation of insurance liabilities, which could lead to increases in capital resources driven by duration mismatches of assets and liabilities when spreads increase.

Question	Respondent	Comment received	IAIS response
6. Do you have other comments regarding the Market-Adjusted Valuation?	General Insurance Association of Japan	Regarding 5.1 valuation Principles L2-16, Example and "The following balance sheet items' valuation ..." below in the ICS Data Collection Technical Specifications are not mentioned in the document. It would be beneficial if they are mentioned in the Level 2 document. 5.2.1.1 General considerations L2-21, Example and 72. to 74. in the ICS Data Collection Technical Specifications part 2 are not mentioned in the consultation document. It would be beneficial if they are mentioned in the Level 2 document. In particular, "Two proxies ..." in the Technical Specifications is a concrete description of the simplified method and should be indicated in the document. 5.2.1.2 Options and guarantees L2-24, Example in the ICS Data Collection Technical Specifications is not mentioned in the document. It would be beneficial if it is mentioned in the Level 2 document. 5.2.2 Contract recognition, contract boundaries and time horizon L2-32 and L2-36, Examples in the ICS Data Collection Technical Specifications are not mentioned in the document. It would be beneficial if it is mentioned in the Level 2 document. Regarding 5.2.5.2.4 Extrapolation, Interpolation and Convergence tolerance L2-57 to L2-61, we would like to	- About *needing clarifications*: Changes are identified and described in the Level 1 and Level 2. The LOT is determined based on an assessment of the market being deep, liquid and transparent. - About *including examples as in technical specifications*: The IAIS is considering what material, such as examples or guidance, may be helpful to publish to support the implementation of the ICS.

Question	Respondent	Comment received	IAIS response
		confirm that the parameters specifically described here have not been changed from the ICS Data Collection Technical Specifications. According to the Explanatory text in 5.2.5.2.5 LTFR Components, the LOT and LTFR for major currencies will be provided by the IAIS before the introduction of the ICS. Is there any possibility that the statement that the LOT is 30 years and the table in Annex 4 showing the LOT and LTFR for each currency in the ICS Data Collection Technical Specifications will be changed? 5.2.5.3.2.1 Eligible Investments, “When determining the spread adjustment ...” in the ICS Data Collection Technical Specifications is not mentioned in the document. It would be beneficial if it is mentioned in the Level 2 document. Regarding 5.2.5.3.2.3 Middle Bucket L2-88, we would like the IAIS to indicate what substantive changes have been made to ICS 2.0 and the Candidate ICS specifications used in this year's monitoring.	

Question	Respondent	Comment received	IAIS response
9. Do you have other comments regarding capital resources?	General Insurance Association of Japan	Regarding 6.4.1 Deductions from Tier 1 capital resources L1-63 e)-g), some in the ICS Data Collection Technical Specifications are not mentioned in this document. It would be beneficial if they are mentioned in the Level 2 document. 6.4.3 Treatment of encumbered assets, "An encumbered ..." in the ICS Data Collection Technical Specifications not mentioned in the document. It would be beneficial if it is mentioned in the Level 2 document.	- About *certain items (e.g., deductions from Tier 1 capital resources) mentioned in the Technical Specifications not being mentioned in the Consultation Document and requesting that they be mentioned in Level 2*: Intended to expand on the Level 1 and 2, the language in the Technical Specifications is intended to be more detailed in support of the ICS data collection exercise.

Question	Respondent	Comment received	IAIS response
10. Do you have comments regarding the ICS risks and calculation methods?	General Insurance Association of Japan	7.2.2.5 Expense risk, 318. to 320. in the ICS Data Collection Technical Specifications provide a definition of expense risk. Therefore, it would be beneficial if it was also mentioned in the Level 2 document.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
12. Do you have comments regarding the calculation of the Life risk charges?	General Insurance Association of Japan	7.2.2.4 Lapse risk L1-99, “This includes options to ..." in the ICS Data Collection Technical Specifications provide a definition of lapse risk. Therefore, it would be beneficial if it was also mentioned in the Level 2 document. In addition, L2-160 “Options that allow ...” in the ICS Data Collection Technical Specifications should also be mentioned in the Level 2 document, since the second half of the sentence indicates upper and lower limits.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
14. Do you have comments regarding the calculation of the Catastrophe risk charges?	General Insurance Association of Japan	It is stated that “Examples of main and secondary perils are provided in the Level 2 text” in 7.2.4. Since there seems to be no description in the relevant Level 2 document, we believe that it is necessary to delete the statement or add examples to the Level 2 document. 7.2.4.4.1 Terrorist Attack L2-193, “Fatalities and disabilities ...” in the ICS Data Collection Technical Specifications provides a definition of terrorism risks. It would be beneficial if it was also mentioned in the Level 2 document. 7.2.4.4.3.3 Surety L2-198, “The net potential loss amount …” in the ICS Data Collection Technical Specifications describes the calculation method for surety. It would be beneficial if it was also mentioned in the Level 2 document. Regarding 7.2.4.7 Safeguards for Natural Catastrophe Models, paragraph 385 and 401 in the ICS Data Collection Technical Specifications part 2 should be also mentioned in the Level 2 document. This is because deleting these sentences could affect the framework where models developed by an insurance rating organization are used as standard models in future Japanese economic value-based solvency regulations. 7.2.4.7 Safeguards for Natural Catastrophe Models, “The statistical quality test …” in the ICS Data Collection Technical	- About *proposed drafting change*: This comment has been taken into account – the reference to examples of main and secondary perils being provided in the Level 2 has been removed. The IAIS is considering what material, such as examples or guidance, may be helpful to publish to support the implementation of the ICS.

Question	Respondent	Comment received	IAIS response
		Specifications refers to back-testing. It would be beneficial if it was also mentioned in the Level 2 document. In addition, “When local regulations ...” should also be mentioned in the Level 2 document since it describes the possibility of using a natural catastrophe model to calculate insurance liabilities or premium rates.	
16. Do you have comments regarding the Interest Rate risk?	General Insurance Association of Japan	7.3.2 Interest Rate risk L2-204, "Non-interest ..." in the ICS Data Collection Technical Specifications is not included in this document. It would be beneficial if it is mentioned in the Level 2 document.	- About *text covering non-interest sensitive assets being excluded from consultation*: If the reference is to non-interest sensitive assets, exclusion of the text would have no impact.

Question	Respondent	Comment received	IAIS response
25. Do you have comments regarding Asset Concentration risk?	General Insurance Association of Japan	In the current specification, asset concentration risk is calculated for each risk category and then added together. We believe that this can also be reflected by setting the correlation coefficient as a function (i.e., copula) rather than a constant when integrating each risk category.	- About *warranting a simplification of the calculation*: The IAIS introduced the current calculation to address certain shortcomings observed in an earlier version of the factor-based approach. The proposal for the IAIS to use a copula in lieu of the current approach would be inconsistent with the ICS standard method. If desired, the use of a copula in determining the ACR charge could be incorporated in an IAIG's supervisor-approved internal model.

Question	Respondent	Comment received	IAIS response
27. Do you have other comments regarding Credit risk?	General Insurance Association of Japan	7.4.1.2 Distribution of exposures by maturity, “This effective maturity ...” in the ICS Data Collection Technical Specifications is not mentioned in the document. It would be beneficial if it is mentioned in the Level 2 document.	- About *comparing consultation and technical specifications*: The IAIS is considering what material, such as examples or guidance, may be helpful to publish to support the implementation of the ICS.
33. Do you have comments regarding the use of a simplified utilisation approach for tax?	General Insurance Association of Japan	We support the changes in the candidate ICS from the ICS 2.0.	- About *support for simplified approach*: The IAIS takes note of your support for the simplified utilisation approach for tax.

Question	Respondent	Comment received	IAIS response
38. Do you have comments on the overall requirements (section 9.4.1)?	General Insurance Association of Japan	1. We propose adding the following sentence at the beginning of L1-154 as in L1-155: "Whenever internal models are allowed as an Other Method for calculating the ICS capital requirement,". 2. Regarding L1-154, the B/S used in the internal model may more appropriately reflect the reality of the IAIG than the B/S in the ICS, which emphasises minimising inappropriate pro-cyclical behaviour (ICS Principle 7) and the balance between risk sensitivity and simplicity (ICS Principle 8). In addition to this, the B/S used in the internal model may be rather conservative, and therefore, incompliance with the requirements for the calculation of the B/S in the standard method should not be a barrier to internal model approval.	- About *use of IMs to determine the balance sheet and capital resources (L1-154)*: L1-154 has been modified to - Whenever internal models are allowed as an Other Method for calculating the ICS capital requirement, the group-wide supervisor (GWS) considers how the balance sheet, used within the internal model, complies with the requirements for the calculation of the balance sheet in the standard method, currently set out within section 5 on Market-Adjusted Valuation. In doing so, the group-wide supervisor (GWS) should ensure consistency between the approaches used for the determination of capital requirements and capital resources. L2-393 has been

Question	Respondent	Comment received	IAIS response
			modified to - The methodology to calculate the ICS capital requirement is consistent with the methods to calculate the ICS balance sheet. The initial balance sheet of the internal model reconciles with the ICS balance sheet.
39. Do you have comments on the general provisions on the use of an internal model to determine regulatory capital requirements (section 9.4.2)?	General Insurance Association of Japan	1. In L2-366.c), the current description could be read as if both on-site and off-site are mandatory. We suggest the following revisions to make the on-site tone "as needed". "Internal model review process - thorough model review by the GWS on an on-site and/or off-site basis." 2. In L2-367.e), "covering materiality" should be changed to "considering materiality" to clarify the intent of the sentence here, which is to consider materiality. 3. In L2-367.k), "proposal" should be changed to "plan" since it is the IAIGs that make the disclosure, and it would be more appropriate to present a plan rather than a proposal to the supervisors. 4. In L2-367. o), "the planned future changes" appears to be	- About *clarification on the mandatory character of on-site reviews in the application process (L2-366.c))*: Text has been revised to further clarify the use of on-site inspections and off-site monitoring. - About *clarification to L2-367.e)*: Text has been changed to "take into consideration." - About *clarification to L2-367.k)*: Accepted the

Question	Respondent	Comment received	IAIS response
		duplicated with "n) Planned future changes", and therefore one of them should be deleted. 5. Regarding relation between a) to p) stated as "The application may include" and a) to d) stated as "They should include, but are not limited to" in L2-367, is it correct to understand that the former is an item that the GWS may stipulate at the time of application, and that the latter is something that should be included in the documentation at the time of application? As the relationship between the two is unclear in the current drafting, we are of the opinion that it should be clarified. 6. The current wording of L2-369, “discussions with the IAIG's staff or representatives”, seems inconsistent with “d) discussions with the IAIG's management and staff” in L2-370. Therefore, it should be revised to "discussions with the IAIG's management or staff”. 7. In L2-369, we propose to revise the phrase to "may involve on-site inspections if necessary" since on-site inspections are considered sufficient if they are conducted on an as-needed basis, not mandatory. 8. Regarding L2-381 "While most reporting will be ... filings.", what specific situation do you envision? Regarding b) ICS standard method output, we propose a flexible response based	proposed change to article L2-367.k). - About *clarification to L2-367.o)*: Accepted the proposed change to article L2-367.o). - About *clarification to L2-367*: Modified L2-367 accordingly: “L2-367. Upon completion of the pre-application process, if any, and confirmation of the GWS, the IAIG may proceed with a formal application for the approval of its internal model. Depending on the GWS request, the application may include - […]” - About *clarification to L2-369.d)*: Text has been revised to increase consistency.

Question	Respondent	Comment received	IAIS response
		on risk characteristics because it is excessive to assume "annually" when the fluctuation of ESR results is not so large every year. 9. Regarding L2-383 “public disclosure on model results and changes post-approval", we request flexibility based on risk characteristics since it would be excessive to disclose everything.	- About *clarification to L2-369*: Text has been changed to: “The review process involves off-site monitoring and may involve on-site inspections.” - About *clarification to L2-381 - frequency of regulatory filings*: Some regulatory filings could be quarterly or more frequent if deemed necessary by the GWS to account for financial market movements, for example. - About *clarification to L2-381.b) - frequency of ICS standard method output in regulatory filings*: Article L2-381 already introduces flexibility: “Reporting requirements may include,” “most reporting will be required annually.”

Question	Respondent	Comment received	IAIS response
			- About *flexibility request for public disclosure on model results and changes post-approval (L2-383)*: Article L2-383 leaves the choice to the GWS to introduce flexibility if deemed appropriate.
41. Do you have comments on the additional considerations (section 9.4.4)?	General Insurance Association of Japan	1. In L1-177, we propose to revise "The GWS ensures" to "The IAIG ensures". According to L1-159, we understand that "9.4.3 Criteria for internal model approval" is the IAIG's responsibility to ensure. 2. In L2-445, only "For financial non-insurance entities with a sectoral capital requirement" and "For non-financial entities" are mentioned, and the treatment of "financial non-insurance entities without a sectoral capital requirement" is unclear. Therefore, "For non-financial entities" should be revised to "For other non-insurance entities".	- About *paragraph L1-117 - responsibility for the validation of external models*: The onus is on the IAIG to demonstrate evidence to the GWS that there is an appropriate understanding of the validation process. - About *paragraph L2-445 - proposition on clarity*: Corrected L2-445 to: "For financial non-insurance entities with a sectoral capital requirement, the

Question	Respondent	Comment received	IAIS response
			capital requirement should be consistent with the equivalent requirements under the ICS standard method (L2-340). For other non-insurance non-financial entities, the IAIG can use an internal model if it can demonstrate that the risks being run are covered and validated within it or, failing that, the IAIG can use a partial internal model with the approach specified under the standard method for non-financial entities."
42. Do you have comments on the general provisions on the use of partial internal models (PIM) (section 9.4.5)?	General Insurance Association of Japan	1. In L1-179, we propose revising "all quantifiable risks identified" to "all material risks identified in the ICS standard method" for the following reasons: - As L1-160 states "The scope of the internal model is complete by including all material quantifiable risks", the scope of the internal model should be determined based on the materiality of risks. - As the ICP 17.12.13（17.12.11 in the consultation document） states "A partial internal model typically involves the use of	- About *paragraph L1-179 - scope of a partial internal model being limited to the risks identified by the standard method*: With regard to the scope of the internal model, the data and feedback collected over the monitoring period show that the treatment provided in

Question	Respondent	Comment received	IAIS response
		internal modelling to substitute parts of a standardised approach for the determination of regulatory capital requirements.", a partial internal model is one in which a part of the standard approach is replaced by an internal model. If an internal model is substituted for all material risks included in the standard approach, this internal model should not be treated as a partial internal model. 2. In L1-179, "partial internal model (PIM)" should be revised to "model" because it is inappropriate to refer to the PIM in the criteria for determining whether a model is the PIM. 3. Regarding L2-455, we propose a flexible response based on risk characteristics because it is excessive to assume "annually" when the fluctuation of ESR results is not so large every year.	the ICS is appropriate. - About *paragraph L1-179 - vocabulary amendment proposition*: Corrected L1-179 to: "An IAIG may use an internal model if the requirements specified in earlier sections are met. The internal model is considered partial if at least one of the conditions below is met: • The scope of the model does not cover all quantifiable risks identified; and • The scope of the model does not cover the entire insurance business within the group. For instance, a specific portfolio or an entity is not covered." - About *paragraph L2-455 - possibility of reducing the frequency of reporting*: With regard to the frequency of reporting, the data and

Question	Respondent	Comment received	IAIS response
			feedback collected over the monitoring period show that the treatment provided in the ICS is appropriate.
44. Do you have additional comments on the ICS?	General Insurance Association of Japan	To enable each IAIG to be accountable for the differences between the ICS and its internal model, we would appreciate disclosure of the basis for setting the various figures used in the ICS specifications, including stress and correlation factors, capital composition limits regarding capital resources, and haircuts for tax effect on the capital requirement. If the ICS is adopted as a PCR and introduced into solvency regulations in each country, there will be benefits in terms of harmonization and comparability of capital regulations in each country, as well as consistency in basic concepts with the ERM and IFRS for insurance companies. From this perspective, and from the perspective of ensuring a level playing field, the IAIS should promote early implementation of the ICS as a PCR by countries as group-wide supervisors of their respective IAIGs.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		In addition, when the ICS is finally adopted and standards pursuant to the ICS are applied by each authority, IAIGs should not be at a competitive disadvantage with non-IAIGs within each jurisdiction. To ensure a level-playing field, consolidated and non-consolidated regulations applicable to both IAIGs and non-IAIGs should converge on an economic value-based approach in a consistent manner.	
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	General Insurance Association of Japan	In jurisdictions where economic value-based capital regulation for non-IAIGs does not exist, IAIGs may be placed in an unfair competitive environment with non-IAIGs that are subject to relatively lax regulation after the implementation of the ICS, forcing them to change their business strategies. In Japan, economic value-based capital requirements will be applied to non-IAIGs at the same time. In addition, Japanese IAIGs have to date been implementing management controls based on economic values. Moreover, their ICS ratios, based on ICS 2.0, have remained stable over the past three years regardless of changes in the economic environment, which is well above the level at which supervisory intervention would be expected. In light of the above, the implementation of the ICS is	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		not expected to have a significant impact on the IAIGs' business strategy.	
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	General Insurance Association of Japan	Although no specific trends have been observed, the impact on interest rate-sensitive, very long-term insurance products might increase the importance of interest rate risk management, especially for insurers with such insurance portfolios, and might require consideration of asset allocation and product reassessment.	Please see ICS Economic Impact Assessment report

IAIS

Question	Respondent	Comment received	IAIS response
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	General Insurance Association of Japan	It is possible that the implementation of the ICS could have an impact, for example in cases where valuation and management changes to an economic value base, depending on the content of the current regulations and product needs in each jurisdiction, the ERM already implemented by each IAIG, and the types of products handled. Japanese IAIGs have to date been implementing management controls based on their economic values. Moreover, their ICS ratios, based on ICS 2.0, have remained stable over the past three years regardless of changes in the economic environment, which is well above the level at which supervisory intervention would be expected. In light of the above, the implementation of the ICS is not expected to have a significant impact.	Please see ICS Economic Impact Assessment report
48. Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be	General Insurance Association of Japan	Although no specific trends have been observed, it is possible that interest rate risk management becomes more important, especially for insurers with very long-term insurance portfolios, and a review of the contract terms of their products is considered.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
affected and the potential impacts.			
49. Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	General Insurance Association of Japan	Although no specific trends have been observed, it is possible that interest rate-sensitive, very long-term insurance products are affected, increasing the importance of interest rate risk management, and an exit from such products is considered.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
50. Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	General Insurance Association of Japan	See our comments on Question 47(*). (*) It is possible that the implementation of the ICS could have an impact, for example in cases where valuation and management changes to an economic value base, depending on the content of the current regulations and product needs in each jurisdiction, the ERM already implemented by each IAIG, and the types of products handled. Japanese IAIGs have to date been implementing management controls based on their economic values. Moreover, their ICS ratios, based on ICS 2.0, have remained stable over the past three years regardless of changes in the economic environment, which is well above the level at which supervisory intervention would be expected. In light of the above, the implementation of the ICS is not expected to have a significant impact.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	General Insurance Association of Japan	We believe that the impact on long-term products might affect the protection gap on, for example, pensions. Regarding the impact on the natural disaster protection gap, in cases where risk measurement is based on scenarios with short recurrence periods, the implementation of the ICS might lead to a change in risk measurement based on engineering models with higher confidence levels, and the resulting increase in risk amount might lead to a tightening of underwriting by the relevant insurer. Another possible scenario would be a tightening of underwriting in certain high-risk regions to reduce natural catastrophe risks in light of the risk amount manifested in long-term products.	Please see ICS Economic Impact Assessment report
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	General Insurance Association of Japan	Given the substitutability of the insurance sector, it is unlikely that, to a certain extent, concerns regarding product availability would arise, but if the IAIGs were to withdraw their product supply all together, it may not be possible to replace them.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
53. Do you anticipate any opportunities for an increase in the range of products available in the insurance market as a result of the implementation of the ICS? If so, please explain the potential opportunities.	General Insurance Association of Japan	We believe that new products might be devised as part of the IAIGs' ingenuity in responding to regulations, but we do not have any specific assumptions at this time.	Please see ICS Economic Impact Assessment report
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	General Insurance Association of Japan	See our comments on Question 47(*). (*) It is possible that the implementation of the ICS could have an impact, for example in cases where valuation and management changes to an economic value base, depending on the content of the current regulations and product needs in each jurisdiction, the ERM already implemented by each IAIG, and the types of products handled. Japanese IAIGs have to date been implementing management controls based on their economic values. Moreover, their ICS ratios, based on ICS 2.0, have remained stable over the past three years regardless of changes in the economic environment, which is well above the level at which supervisory intervention would be expected. In light of the above, the	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		implementation of the ICS is not expected to have a significant impact.	
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	General Insurance Association of Japan	See our comments on Question 47(*). (*) It is possible that the implementation of the ICS could have an impact, for example in cases where valuation and management changes to an economic value base, depending on the content of the current regulations and product needs in each jurisdiction, the ERM already implemented by each IAIG, and the types of products handled. Japanese IAIGs have to date been implementing management controls based on their economic values. Moreover, their ICS ratios, based on ICS 2.0, have remained stable over the past three years regardless of changes in the economic environment, which is well above the level at which supervisory intervention would be expected. In light of the above, the	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		implementation of the ICS is not expected to have a significant impact.	
56. Do you anticipate that the implementation of the ICS could lead to a change in the profitability of an IAIG's business units or insurance entities focusing on a specific product type or market segment? If so, please describe the products or market segments potentially affected.	General Insurance Association of Japan	Although no specific trends have been observed, it is possible that the profitability of super long-term insurance could change as sales are reviewed or additional hedging costs are required in terms of interest rate risk management.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
57. Do you anticipate any circumstances in which IAIGs will need to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS? If so, please explain the potential impacts.	General Insurance Association of Japan	See our comments on Question 47(*). (*) It is possible that the implementation of the ICS could have an impact, for example in cases where valuation and management changes to an economic value base, depending on the content of the current regulations and product needs in each jurisdiction, the ERM already implemented by each IAIG, and the types of products handled. Japanese IAIGs have to date been implementing management controls based on their economic values. Moreover, their ICS ratios, based on ICS 2.0, have remained stable over the past three years regardless of changes in the economic environment, which is well above the level at which supervisory intervention would be expected. In light of the above, the implementation of the ICS is not expected to have a significant impact.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
58. Do you have any concerns over the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS? If so, please explain the potential impacts.	General Insurance Association of Japan	In general, international rating agency and analysts already conduct their own economic value-based analysis and/or assessments based on each company's internal management. We believe it is unlikely that the implementation of the ICS will have a negative impact on issuance capacity.	Please see ICS Economic Impact Assessment report
59. Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	General Insurance Association of Japan	See our comments on Question 47(*). (*) It is possible that the implementation of the ICS could have an impact, for example in cases where valuation and management changes to an economic value base, depending on the content of the current regulations and product needs in each jurisdiction, the ERM already implemented by each IAIG, and the types of products handled. Japanese IAIGs have to date been implementing management controls based on their economic values. Moreover, their ICS ratios, based on ICS 2.0, have remained stable over the past three years regardless of changes in the economic environment, which is well above the level at which supervisory intervention would be expected. In light of the above, the	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		implementation of the ICS is not expected to have a significant impact.	
60. Do you anticipate any circumstances in which IAIGs might change their approach to risk mitigation as a result of the implementation of the ICS? If so, please explain the potential impacts.	General Insurance Association of Japan	See our comments on Question 47(*). (*) It is possible that the implementation of the ICS could have an impact, for example in cases where valuation and management changes to an economic value base, depending on the content of the current regulations and product needs in each jurisdiction, the ERM already implemented by each IAIG, and the types of products handled. Japanese IAIGs have to date been implementing management controls based on their economic values. Moreover, their ICS ratios, based on ICS 2.0, have remained stable over the past three years regardless of changes in the economic environment, which is well above the level at which supervisory intervention would be expected. In light of the above, the	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		implementation of the ICS is not expected to have a significant impact.	
61. Do you anticipate circumstances in which IAIGs would re-structure their business as a direct result of the implementation of the ICS? If so, please explain the potential impacts.	General Insurance Association of Japan	See our comments on Question 47(*). (*) It is possible that the implementation of the ICS could have an impact, for example in cases where valuation and management changes to an economic value base, depending on the content of the current regulations and product needs in each jurisdiction, the ERM already implemented by each IAIG, and the types of products handled. Japanese IAIGs have to date been implementing management controls based on their economic values. Moreover, their ICS ratios, based on ICS 2.0, have remained stable over the past three years regardless of changes in the economic environment, which is well above the level at which supervisory intervention would be expected. In light of the above, the	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		implementation of the ICS is not expected to have a significant impact.	
62. Do you anticipate any other changes to the operating model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	General Insurance Association of Japan	See our comments on Question 47(*). (*) It is possible that the implementation of the ICS could have an impact, for example in cases where valuation and management changes to an economic value base, depending on the content of the current regulations and product needs in each jurisdiction, the ERM already implemented by each IAIG, and the types of products handled. Japanese IAIGs have to date been implementing management controls based on their economic values. Moreover, their ICS ratios, based on ICS 2.0, have remained stable over the past three years regardless of changes in the economic environment, which is well above the level at which supervisory intervention would be expected. In light of the above, the	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		implementation of the ICS is not expected to have a significant impact.	
63. Do you anticipate any changes to risk management practices across the insurance industry as a result of the implementation of the ICS? If so, please explain the potential impacts.	General Insurance Association of Japan	See our comments on Question 47(*). (*) It is possible that the implementation of the ICS could have an impact, for example in cases where valuation and management changes to an economic value base, depending on the content of the current regulations and product needs in each jurisdiction, the ERM already implemented by each IAIG, and the types of products handled. Japanese IAIGs have to date been implementing management controls based on their economic values. Moreover, their ICS ratios, based on ICS 2.0, have remained stable over the past three years regardless of changes in the economic environment, which is well above the level at which supervisory intervention would be expected. In light of the above, the	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		implementation of the ICS is not expected to have a significant impact.	
64. Do you anticipate any benefits to the business model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential benefits.	General Insurance Association of Japan	See our comments on Question 47(*). (*) It is possible that the implementation of the ICS could have an impact, for example in cases where valuation and management changes to an economic value base, depending on the content of the current regulations and product needs in each jurisdiction, the ERM already implemented by each IAIG, and the types of products handled. Japanese IAIGs have to date been implementing management controls based on their economic values. Moreover, their ICS ratios, based on ICS 2.0, have remained stable over the past three years regardless of changes in the economic environment, which is well above the level at which supervisory intervention would be expected. In light of the above, the	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		implementation of the ICS is not expected to have a significant impact.	
65. Do you anticipate any impacts to the competitiveness of IAIGs relative to non-IAIGs with the implementation of the ICS?	General Insurance Association of Japan	When the ICS is finally adopted and standards pursuant to the ICS are applied by each authority, the IAIGs should not be at a competitive disadvantage with the non-IAIGs within each jurisdiction. To ensure a level-playing field, consolidated and non-consolidated regulations applicable to both the IAIGs and non-IAIGs should converge on an economic value-based approach in a consistent manner.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
66. Do you anticipate any changes to the investment strategy of IAIGs which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	General Insurance Association of Japan	See our comments on Question 47(*). (*) It is possible that the implementation of the ICS could have an impact, for example in cases where valuation and management changes to an economic value base, depending on the content of the current regulations and product needs in each jurisdiction, the ERM already implemented by each IAIG, and the types of products handled. Japanese IAIGs have to date been implementing management controls based on their economic values. Moreover, their ICS ratios, based on ICS 2.0, have remained stable over the past three years regardless of changes in the economic environment, which is well above the level at which supervisory intervention would be expected. In light of the above, the implementation of the ICS is not expected to have a significant impact.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
67. Do you anticipate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	General Insurance Association of Japan	While it is possible that other market participants could be affected by a change in the IAIGs' actions, we believe the impact would be limited.	Please see ICS Economic Impact Assessment report
68. Do you anticipate any impacts from the implementation of the ICS on asset concentration risk, either within IAIGs or across insurance markets? If so, please explain the potential impacts.	General Insurance Association of Japan	See our comments on Question 47(*). (*) It is possible that the implementation of the ICS could have an impact, for example in cases where valuation and management changes to an economic value base, depending on the content of the current regulations and product needs in each jurisdiction, the ERM already implemented by each IAIG, and the types of products handled. Japanese IAIGs have to date been implementing management controls based on their economic values. Moreover, their ICS ratios, based on ICS 2.0, have remained stable over the past three years regardless of changes in the economic	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		environment, which is well above the level at which supervisory intervention would be expected. In light of the above, the implementation of the ICS is not expected to have a significant impact.	
69. Do you anticipate the implementation of the ICS altering the investment strategy or investment decisions of IAIGs in response to stressed market conditions? If so, please explain the potential impacts.	General Insurance Association of Japan	See our comments on Question 47(*). (*) It is possible that the implementation of the ICS could have an impact, for example in cases where valuation and management changes to an economic value base, depending on the content of the current regulations and product needs in each jurisdiction, the ERM already implemented by each IAIG, and the types of products handled. Japanese IAIGs have to date been implementing management controls based on their economic values. Moreover, their ICS ratios, based on ICS 2.0, have remained stable over the past three years regardless of changes in the economic environment, which is well above the level at which supervisory intervention would be expected. In light of the above, the	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		implementation of the ICS is not expected to have a significant impact.	
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	General Insurance Association of Japan	Demand from ALM based on long-term liabilities is expected to increase demand for long-term assets. In Japan, we understand that the scale of long-term bonds purchases has been increasing, mainly by life insurers, in anticipation of the introduction of the economic value-based solvency regulation.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
71. Are there any other areas of the financial markets (eg derivatives or stock lending) that might be impacted – directly or indirectly – by the implementation of the ICS? If so, please explain the potential impacts.	General Insurance Association of Japan	For example, it is possible that the implementation of the ICS may lead to greater use of derivatives for risk hedging purposes than before.	Please see ICS Economic Impact Assessment report
72. Do you have any concerns over the availability of longer-term assets in the market to meet any increase in demand from IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	General Insurance Association of Japan	IAIGs with long-term insurance liabilities are likely to prefer long-term assets from an ALM perspective, but availability will depend on the size of the markets in which the IAIGs operate and timing. In Japan, there are no such concerns at this time.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
73. Do you anticipate any increased risk to the broader financial markets (eg from re-allocations into or out of specific asset classes in response to shocks in financial markets) as a result of the implementation of the ICS? If so, please explain the potential impacts.	General Insurance Association of Japan	In general, we believe that risk-sensitive solvency indicators have the potential to induce risk-reducing behaviour in the event of a shock, such as the sale of risky assets. However, whether the implementation of the ICS will increase this will depend on the relationship with existing regulations.	Please see ICS Economic Impact Assessment report
74. Do you anticipate any specific benefits to the insurance market or broader financial markets as a result of the implementation of the ICS? If so, please explain the potential benefits.	General Insurance Association of Japan	We expect that the development of a common language for supervisory discussions on IAIGs' solvency and increased global comparability of solvency regulations will help ensure a level playing field internationally. As a side effect, we believe that the accountability of each company for the differences between the ICS and its internal model will enhance stakeholders' understanding of each company's solvency position and improve their confidence in the whole sector.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	General Insurance Association of Japan	Temporary impacts could include, for example, the need to study and prepare a response to the introduction of the regulation, and to engage in dialogue with the IAIS and supervisory authorities. Depending on the extent to which simplified method is allowed in calculations and the timeline for reporting deadlines, there may also be costs for additional data preparation and the construction of calculation system. Continuous impacts could include personnel and outsourcing costs in calculation and verification. If an external audit is mandated, audit costs will also be incurred.	Please see ICS Economic Impact Assessment report
76. To the extent that it can be predicted, do you anticipate impediments to implementing the requirements of the ICS? If so, please explain the potential impacts.	General Insurance Association of Japan	No major obstacles may arise if the supervisory authorities in each jurisdiction are given appropriate discretion regarding the implementation of the regulation (timing, specifications, etc.) in their respective jurisdictions.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
77. Could any costs of implementing the ICS be absorbed by or shared with other implementation projects running concurrently (eg IFRS 17)? If so, please explain how this might be achieved.	General Insurance Association of Japan	It depends on the extent to which IFRS 17 and the ICS are considered consistent. If adjustments from IFRS 17 to the ICS can be limited to areas where the specification is intentionally different from the IFRS for the purposes of the ICS (e.g., discount rates and MOCE), some costs of implementing the ICS could be absorbed or shared by the costs of adapting to the IFRS.	Please see ICS Economic Impact Assessment report
1. Do you have comments regarding the general guiding principles of the ICS?	German Insurance Association	GDV supports the overall objective of the ICS project to create a high-quality and robust global insurance standard that promotes a sound and level global regulatory playing field. Our members have always contributed to the development of the ICS both with technical input and in the monitoring period. We particularly appreciate the inclusion of internal and partial internal models in the candidate ICS. For an effective, efficient, and robust capital standard the inclusion of internal models should remain, provided that they are calibrated to a consistent (ie the same or materially similar) confidence level, and they should be an inherent component of the core ICS standard rather than merely an implemented version of it. Internal models are a coherent and efficient mechanism to capture the risk profiles of a company and should be recognised as such. We strongly oppose the inclusion of output floors as well as requirements for double reporting using the standard formula	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		for internal model users. These would undermine the economic risk signales provided by internal models and are not needed as long as there is a robust supervisory validation process. It is currently unclear how the ICS will be compared to local regulative systems. While Solvency II follows a similar approach to ICS, it is unkown how differences between the two regulations will affect the status of compliance toward ICS. We support Solvency II to be the implementation of the ICS in the EU because Solvency II is based on a total balance-sheet/consolidated approach and is truly risk-based. It is calibrated overall to a more conservative level than the proposed candidate ICS and should be considered as an implementation of the ICS, without any further changes and with no double reporting requirements. We also remain concerned that the Aggregation Method (AM) approach is fundamentally different from the candidate ICS and risks undermining the objectives on which the ICS project was based ("common language", "single ICS that includes a common methodology", etc). These objectives were the basis of industry support for the ICS project. Concerns also remain about the lack of transparency regarding the development and comparability assessment of the AM. Currently, the proposed AM approach remains unspecified and the process that the IAIS will use to assess its comparability with the ICS is as yet publicly undocumented. This is contrary to the ICS which has extensive, multi-level technical specifications and has been subject to field testing and monitoring. For the ICS to be "fit for	

Question	Respondent	Comment received	IAIS response
		implementation as a Prescribed Capital Requirement", it is vital that the comparability assessment exercise is sufficiently robust and quantitatively substantiated to ensure the same level of policyholder protection and not to undermine the key objective of a global standard for prudential supervision.	
3. Do you have comments on the introduction of a term structure of credit spreads for discounting?	German Insurance Association	We support this change since it reflects the market reality with spreads typically differing by maturity.	- About *introducing a term structure of spreads providing benefits*: Your support for the term structure is noted.

Question	Respondent	Comment received	IAIS response
4. Do you have comments on the revised eligibility criteria for the Middle Bucket?	German Insurance Association	We support the revised eligibility criteria.	- About *general support for criteria changes*: Feedback received via the public consultation led to the adjustment of some criteria for the middle bucket.
5. Do you have comments on the introduction of a modulation factor?	German Insurance Association	We support the modulation factor.	- About *supporting the modulation factor*: Your support to the prudential merits of the modulation factor is noted.

Question	Respondent	Comment received	IAIS response
6. Do you have other comments regarding the Market-Adjusted Valuation?	German Insurance Association	On L2-62: The methodology to derive the LTFR implies a relationship between risk free rates, inflation and the central bank's inflation target. However, we currently observe a situation in which the inflation targets and the observed inflation differ significantly. Should this situation prevail, the methodology as described in L2-62 could lead to results that are counterintuitive. In this case, the methodology should be reviewed.	- About *disconnection of LTFR with observed inflation*: The data collected over the monitoring period supports the treatment provided in the ICS for LTFR, despite potential disconnects with observed inflation.
7. Do you have comments on the changes regarding eligibility criteria for Tier 1 Limited and Tier 2 financial instruments? Please explain your response based on actual terms and conditions of instruments commonly issued by insurers.	German Insurance Association	In comparison to ICS 2.0, the candidate ICS criteria for Tier 1 Limited instruments relaxed the general prohibition of all event calls other than tax and regulatory calls during the first five years (articles L2-112.e and L2-114.e). We welcome this relaxation. However, the candidate ICS only allows such other event calls subject to prior "economic" (lower cost) replacement. In the case of event calls, the requirement for the cost of replacement instruments to be lower than those of the instrument to be called is not prudentially justifiable. The occurrence of an event that gives rise to an event call means that the instrument has become inefficient for rating, accounting or other purposes. Replacing the now inefficient instrument with a new, efficient instrument may make perfect economic sense even if the replacement instrument is more costly than the now inefficient instrument.	- About *ICS requirements for capital resources potentially leading to diverging impacts across jurisdictions*: One of the aims of the ICS as a global PCR is to harmonise capital standards across jurisdictions. The IAIS is considering what material, such as examples or guidance, may be helpful to publish to support the implementation of the ICS. Regarding rating event calls, the intention is to limit

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		The terms and conditions of the new (but efficient) instrument will likely have to differ from those of the old (but inefficient) instrument, and to the extent that efficiency requires terms that increase the economic risks borne by investors, the replacement instrument will be more costly than the old (but inefficient) instrument, all else being equal. Nonetheless, an issuer may want to make use of its call right to pay a higher spread (accept higher costs) in return for increasing the efficiency of the instrument. Yet the new Tier 1 Limited criteria (Candidate ICS) would prohibit the replacement. The concept of "economic replacement" is prudentially more meaningful in the context of ordinary calls, where the instrument to be called is typically fully efficient and thus more comparable with the potential replacement instrument. In the case of event calls, the candidate ICS does not require tax and regulatory calls to be "economic" (lower cost replacement). All other customary event calls including accounting, rating and clean up calls should also be exempt from the requirement of economic replacement. We also point to the logical and prudential inconsistency of limiting event calls on the one hand, but allowing repurchases at any time (L2-112) on the other hand. Event calls have the benefit of a contractually defined call (redemption) price (typically at par). Event calls define a maximum redemption price. Limiting an issuer's ability to make use of event calls "forces" issuers to make a (more costly) repurchase instead.	extraordinary calls to events that are out of the control of the IAIG and cannot be anticipated. - About *inconsistency in the treatment of repurchases and event calls*: Although not identical, the ICS approach is similar to that of the Basel framework for banking supervision, whereby redemption is subject to more detailed limitations than repurchase.

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9. Do you have other comments regarding capital resources?	German Insurance Association	Articles L2-116 and L2-117 allow holding companies to issue senior debt instruments to third parties. To the extent that proceeds are downstreamed as equity (capital resources) to insurance subsidiaries, they are considered as "structurally subordinated", which allows the senior bond proceeds toqualify as eligible Tier 2 own funds for the purposes of the ICS capital requirement. While the practice of downstreaming of senior bond proceeds in the form of equity contributes to the subsidiary's solo own funds, it does not benefit the group, as the group internal equity contribution cancels out on a group basis and the externally raised funding (senior bond) cannot absorb losses for the purposes of the group. This is especially critical if the holding company issuing senior debt instruments is not an insurance company and would not be considered in the scope of the ICS. In this case, no double-counting would occur and the consolidation would not remove the subordinated debt from the balance sheet. Even if the ICS and the Aggregation Method developed by the US avoid double-counting by consolidating balance sheets, a holding company outside of the calculation scope would not be affected and would enable the scenario described above. Furthermore, structural subordination rests on the idea that the equity downstreamed to the subsidiary (and financed externally via the issuance of a senior bond) is effectively "locked" at the subsidiary level thanks to stringent regulatory oversight at the	- About *structural subordination assuming that debt proceeds are downstreamed to the subsidiary and effectively "locked" at the subsidiary level, thus senior debt should not be allowed as group own funds since they are not available to the wider group*: Jurisdictional rules impacting financial instruments that qualify as capital resources in the ICS are implementation issues that can be considered by the local supervisor when assessing the impact of the ICS on their local capital frameworks. - About *recommending that a certain form of PLAM be ruled out*: The conversion of a financial instrument into common equity improves

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		subsidiary (solo) level. In practice, solo regulation that is stringent enough to enforce structural subordination may well have to ignore the needs and interest of the wider group to which the relevant subsidiary (and the issuer of the senior bond) belong. In other words, the subsidiaries equity may not be available on a group wide basis (no or insufficient transferability/fungibility). As a result, allowing senior debt as group own funds based on structural subordination is in conflict with allowing the same group to benefit from the group diversification benefit when calculating ICS capital resources. We propose to disallow senior debt in group own funds, or, where an insurance group makes use of senior debt in its ICS group own funds calculation, to prohibit this group from benefitting from group diversification benefits. According to article L2-128, the conversion of a Tier 1 Limited instrument into a Tier 1 unlimited instrument would be a possible PLAM. However, this form of conversion is considered very problematic as it may accelerate a solvency crisis, since the issuance of shares in the middle of a crisis without a positive impact on the ICS ratio will put a lot of downward pressure on the share price. Note that the market will anticipate that, in addition to the share issuance resulting from PLAM, a major capital increase is likely necessary to address the solvency crisis, which exacerbates the pressure on the share	the ability of that instrument to absorb losses. As such, the inclusion of conversion in the definition of a PLAM is in line with the policy intention.

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		price, posing a significant challenge to recapitalisation. We suggest that this form of a PLAM should be ruled out.	
15. Do you have comments regarding the list of market risks considered in the ICS, the general principles to calculate them and the way to aggregate them?	German Insurance Association	The list of market risks is considered comprehensive, and the general calculation principles and approach to aggregating them are reasonable.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
17. Do you have comments regarding the Non-Default Spread risk?	German Insurance Association	We fully support the application of the Non-Default Spread Risk (NDSR) stresses to both assets and liabilities. This is a correct approach to determining the risk of fixed income investments for an insurance company with long term and stable balance sheets.	- About *overall NDSR design being correct*: The IAIS takes note of your support for the NDSR design.
18. Do you have comments on the differentiated treatment for investments in infrastructure equity?	German Insurance Association	We welcome the differentiated treatment of infrastructure equity investments.	- About *supporting the proposition*: Your support of the ICS design is noted.

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23. Do you have comments regarding Real Estate risk?	German Insurance Association	We suggest a further reduction in the Real Estate charge, currently equal to 25% decrease of real estate prices, to better align with the long-term nature and historically low market volatility of this asset class as evidenced by market data.	- About *shock level for real estate assets*: The calibration of the stress factor has been investigated throughout several public consultations and data collections.Please refer to the ICS calibration document for more details about the ICS calibration methodology.
25. Do you have comments regarding Asset Concentration risk?	German Insurance Association	We would advise considering a simple factor approach for excess of an exposure threshold which would result in a very similar impact while reducing the complexity greatly. We would also like to highlight that the approach to asset concentration risk considers the contribution of individual counterparties to credit and equity risk charges, which is in contrast to the calculation of credit and equity risk modules, that operate on an aggregated level. Thus, assumptions and loops within the process are required.	- About *raising concerns of appropriateness*: The current approach was introduced in the 2019 field testing to address the observation that some Volunteer Groups had significant counterparty exposures. Specifically, Volunteer Groups owned assets that were highly concentrated in the form of short-term deposits at regulated banks. The

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			current approach is intended to link the calculation of Asset Concentration risk (ACR) to the level of credit risk underlying the investments and to better capture the level of diversification for a given level of assets. The prior approach did not factor in all assets, only those that exceeded certain exposure thresholds, and relied on an assumption of perfect diversification between Credit risk and ACR for each asset class, which was not realistic. Lastly, the current approach is intended to supplement and not overlap with the Credit risk or Equity risk charges. - About *warranting a simplification of the calculation*: The IAIS introduced the current

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			calculation to address certain shortcomings observed in an earlier version of the factor-based approach. The proposal for the IAIS to use a copula in lieu of the current approach would be inconsistent with the ICS standard method. If desired, the use of a copula in determining the ACR charge could be incorporated in an IAIG's supervisor-approved internal model.
27. Do you have other comments regarding Credit risk?	German Insurance Association	According to article L1-131, the calculation of the credit risk charge takes management actions into account, which from our understanding includes loss-absorbing effects from policyholder participation according to article L2-40. If this understanding is correct, we strongly support this provision. Article L2-304 prescribes that collateral does not offset the reinsurance exposure but rather only allows the redistribution of the exposure to the credit rating of the collateral rather than the reinsurer. It would be more economically accurate to allow the collateral to reduce the reinsurance exposure and hence	- About *internal ratings*: The use of internal ratings is outside the SOCCA framework; however, internal ratings can be leveraged for use in a supervisor-approved internal model. - About *effect of the collateral for reinsurance*

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		the credit risk charge. This would be more reflective of the reinsurance credit risk than the redistribution approach, which seems excessively penal. We also suggest the IAIS to reconsider its decision to treat internal ratings as non-rated, according to point (b) of L2-330, providing the internal rating process is well governed. This will serve to reduce reliance on external rating agencies, support the development of robust internal risk management processes, and promote investment in emerging economies and other where ECAI ratings are not available. The treatment of internal ratings in combination with the very conservative stresses for non-rated credit exposures does not reflect the economic reality and leads to an unjustified high credit risk charge.	*exposure*: The approach taken under the ICS standard method aims to strike a balance between complexity and risk sensitivity. - About *interpretation of description about management actions*: The comment is noted.
29. Do you have comments regarding the aggregation / diversification of ICS risk charges?	German Insurance Association	We believe that the approach for aggregating ICS risks, and allowing for their diversification, is reasonable.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
33. Do you have comments regarding the use of a simplified utilisation approach for tax?	German Insurance Association	We welcome the introduction of a simplified utilisation approach for tax, however, the application of the group effective tax rate (G-ETR) on MOCE might result in less accurate results compared to the application of an average weighted tax rate of insurance entities. The G-ETR under ICS includes both insurance and non-insurance entities.	- About *applying an average weighted tax rate of insurance entities on MOCE*: Under the ICS the MOCE is calculated at group level, not insurance entity level.
34. Do you have comments regarding the option given to the supervisor to require a more complex approach for tax?	German Insurance Association	We advise against introducing additional complexities that would not meet the purpose of a minimum standard and would not be proportionate to the scope of ICS. We suggest that any alternative approach to tax other than the simplified one should follow local regulatory standards.	- About *the only option available being to follow local standards*: The ICS capital requirement is calculated at group level; this does not allow a more granular calculation.

Question	Respondent	Comment received	IAIS response
35. Do you have other comments regarding tax?	German Insurance Association	According to L1-149, the calculation of Deferred Tax Assets is based on the GAAP balance sheet. While L2-348 implies that the MOCE results in a DTA, it is unclear whether the DTA resulting from the risk margin on the GAAP balance sheet (e. g. IFRS) is removed. If not, this would exaggerate the DTA value. It should be made clear that the Deferred Tax Assets and Liabilities are based on valuation and income differences between the ICS and the underlying tax balance sheets. We suggest clarifying that article L1-149 refers to the tax balance sheet as the starting point of the DTA calculation.	- About *DTA from ICS balance sheet being based on starting tax balance sheet, not GAAP*: As a simplification, no change is assumed in the tax balance sheet. Therefore, the calculation considers only the change from the starting GAAP balance sheet to the ICS balance sheet. Also, it was decided to not change the audited GAAP deferred tax balances. Adding a reference to the tax balance sheet could be misleading.

Question	Respondent	Comment received	IAIS response
36. Do you have comments regarding Other Methods for the calculation of the ICS capital requirement?	German Insurance Association	We are strongly supportive of the recognition of IM in the ICS, provided they achieve the same level of protection with a target criterion of 99.5% VaR over a one-year time horizon and there are no additional requirements to hold capital beyond this level. IM are necessary to the management of groups whose risk profile are inappropriately reflected by the standard method, and, as a result, are necessary to the proper functioning of the ICS. IM bring benefits to the resilience of individual insurance groups and to the resilience of the sector as a whole, such as: • Supporting a holistic understanding of risks: IM play a crucial role in comprehending risks holistically, particularly for large multinational (re)insurers operating in complex risk landscapes. These models effectively capture, in the most practical way, diversification benefits and risk concentrations within diverse global portfolios and their aggregation structure accurately represents the dependence between individual risk scenarios. • Capturing the individual risk profile of a group better: IM analyse undertakings' risks in detail and their output is an adequate reflection of the company's risk profile. • Incentivizing good risk management: (Re)insurance groups thoroughly and carefully select the methods and parameters for their internal model calibration, ensuring accurate internal risk steering. The calibration process involves individual risk assessment, transparent procedures, and results in a unified risk measurement framework which is strongly anchored in the risk culture of the (re)insurer. Moreover, IM calibration improves	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		the group's risk understanding and expertise, and contributes to the development of validation tools that can later be integrated into the regular risk management processes. • Supporting financial stability: IM support financial stability in numerous ways. In particular, IM enhance the society's knowledge of risk by encouraging the development of specialised models, such as NatCat modelling, and their refinement. Not only do they offer a more sophisticated approach to capturing risk and their interdependencies, but they can also incorporate new developments with greater ease, timeliness and flexibility. By ensuring that capital requirements reflect risks, internal models enable (re)insurers to continue to play an important stabilising role for the financial industry and the economy. In the case of a macroeconomic development, the use of internal models will bring diversity in the evolution of the impact on the insurance market and will reduce herd mentality by limiting the risk of all companies undertaking similar action at the same time. Indeed, internal models contribute to solve the "problem of risk model homogeneity"[1] associated to "systemic fragility to the errors in [prescribed standard] models"[1]. • Enhancing supervisory scrutiny and risk dialogue: The process of developing and submitting internal models for approval involves a substantial level of interaction between undertakings and supervisors resulting in benefits for both sides. This comprehensive dialogue has facilitated a more structured discussion between them, and it has also fostered a	

Question	Respondent	Comment received	IAIS response
		culture of improved internal controls, better governance oversight, and enhanced documentation within companies. The requirements for model validation necessitate ongoing discussions, which are well-structured and organised, and testing of assumptions, further strengthening the understanding between undertakings and regulatory bodies. The standard method should not be viewed as superior to internal models and should not be used as a benchmark, as it would go against the very nature of IM, whilst double reporting would be unnecessary and would undermine the progress made in the insurance sector. While we appreciate the inclusion of IM in the ICS, it is also important to stress that the ICS should not include output floors and IM should be explicitly allowed as an alternative to the Standard Method and not on top of it. In light of the above, the IAIS is advised to remove references to reporting of standard method results when an internal model is used and, subsequently, to any output/capital floor or benchmarking. [1] T. Heinrich, J. Sabuc, J. D. Farmer, A simulation of the insurance industry: the problem of risk model homogeneity, Journal of Economic Interaction and Coordination, 2020.	

Question	Respondent	Comment received	IAIS response
39. Do you have comments on the general provisions on the use of an internal model to determine regulatory capital requirements (section 9.4.2)?	German Insurance Association	We are overall supportive of the use of IM to determine regulatory capital requirements, as set out in 9.4.2. However, further improvements should be made to the candidate ICS. • Internal capital target IAIGs that make use of internal models are required to demonstrate an approach to risk management which includes an internal capital target greater than the capital requirement obtained from the internal model (L2-363). This requirement disagrees with the general principle expressed in article L1-151 according to which the target capital is the same level of protection under internal models and the standard method and should thus be removed. • Standard Method benchmarking The prescribed comparison to the standard method in L2-371 is not justified. For IAIGs applying internal models, the standard method has been deemed inappropriate, which is why we would expect the results from the internal model to deviate from standard method results. Thus, a comparison has no technical justification and will not lead to meaningful insights. The additional cost of calculating the standard method repeatedly is not appropriate. • Conditional approval The GWS may approve an internal model conditionally (L2-	- About *deleting the requirement to maintain an internal capital target greater than the regulatory capital requirement (L2-363)*: Note that this criterion is not meant to increase the PCR when using an internal model. A similar concept applies to standard method users via ICP 16.14. The supervisor requires the insurer, as part of its ORSA, to analyse its ability to continue in business, and the risk management and financial resources required to do so over a longer time horizon than typically used to determine regulatory capital requirements. - About *general support of the use of IM to determine regulatory capital requirements*: Your support

Question	Respondent	Comment received	IAIS response
		375), which means that the IAIG may commence using this internal model in their calculations, but the GWS may apply further conditions on the model such as capital floors based on the standard method or more conservative parameters. An internal model should not be approved conditionally, and any model which is approved should not be changed by the GWS since the approval already implies that the internal model yields at least the same risk protection as the standard method. The application of an internal model also implies that the standard method does not reflect the risks of the undertaking appropriately, so capital floors based on this are not appropriate measures. Conditional approvals of internal models should not be included in the ICS. In particular, capital floors and similar measures based on the standard method should be ruled out. • Reporting and disclosure The disclosure of the difference between IM and SM should be limited to their respective underlying assumptions – there is no policyholder protection interests to perform an undefined comparison. Finally, we disagree that the SM output should be required as part of the IM reporting as provided by L2-381. Running two parallel systems under IM and SM would be extremely burdensome and costly, without bringing any added value.	of the use of IM to determine regulatory capital requirements is noted. - About *opposition to the use of standard method (SM) information in the internal model review process (L2-371)*: Feedback and data collected over the monitoring period show that this information can be useful for the supervisor. - About *opposition to conditional approval of the internal model (L2-374)*: Conditional approval is an alternative to a pure pass or fail and gives flexibility to both GWS and IAIGs. - About *opposition to the possibility of introducing capital floors linked to the standard method in conditional approval (L2-*

Question	Respondent	Comment received	IAIS response
			375): Capital floors based on the ICS SM could be relevant if deemed so by the GWS. Added capital add-ons to the text: "Conditions may include capital floors based on the ICS, more conservative model parameters or design features, capital add-ons, or further reviews by the GWS, the IAIG, or a third party." - About *opposition to the possibility for supervisors to modify the model in conditional approval (L2-375)*: The possibility to impose conditions on the IM is specific to the case of conditional approval where the GWS deems that the model does not yield the same risk protection as the standard method or does not reflect the IAIG's risk profile appropriately.

Question	Respondent	Comment received	IAIS response
			- About *limiting public reporting and disclosure of the differences between IM and SM upon approval to the underlying assumptions (L2-379)*: Modified L2-379 accordingly: "If the internal model is approved, the GWS works with the IAIG to communicate the decision to the public. Particular attention should be given to the clarity of the approved internal model's scope and the differences with the ICS standard method's underlying assumptions when possible." - About *opposition to regular reporting of the differences between IM and SM figures in the post-approval monitoring and control process (L2-381)*: The data submission templates are to

Question	Respondent	Comment received	IAIS response
			be agreed upon between the GWS and the IAIG. GWS can ponder cost vs. added value.
40. Do you have comments on the criteria for internal model approval (section 9.4.3)?	German Insurance Association	L2-408: An annual revision of model parameters would necessarily lead to a re-parametrisation of all model components for comparison. Such a re-parametrisation of all model components is a highly resource-intensive task with potentially little value. We suggest a lower frequency if the IAIG is compliant with all validation criteria and without any known model malfunction. L1-163: IAIGs that use a different confidence level, risk measure or time horizon are required to ensure that policyholders and beneficiaries are provided with an equivalent or higher level of protection in comparison to the standard approach. It should be made clear that this is meant with respect to the confidence level by adding "[…] equivalent or higher level of protection than VaR 99.5 % over the one-year time horizon." at the end of the paragraph.	- About *annual revision of model parameters (L2-408)*: Modified L2-408 to introduce the need for an annual review of the parameters rather than an annual revision: "L2-408. The parameterisation is reviewed at least once a year. In the event of material differences in the parameters between exercises, this is explained and justified." - About *equivalent level of*

Question	Respondent	Comment received	IAIS response
		L2-426: A full Back-Testing is highly dependent of appropriate data on realisations. There may not be this kind of appropriate data for each model component. Therefore, we think an addendum of "[…] where appropriate data is reasonably available." should be included. It may also not be feasible to maintain benchmark or alternative models on each component parallel to the model-in-use. Benchmark-Testing should be desirable but not a necessary step in model validation.	*protection of policyholders and beneficiaries (L1-163)*: The text is sufficiently clear in stressing the importance of having at least the same level of protection. - About *validation process requirements being subject to data availability (L2-426)*: The internal models' requirements allow the GWS to decide on a case-by-case basis whether the validation process of the IAIG has been satisfactory.
41. Do you have comments on the additional considerations (section 9.4.4)?	German Insurance Association	We consider the additional considerations to be overall reasonable but, nevertheless, we would suggest including criteria for the approximations of cumulative effects under L2-441 as, from a purely technological standpoint, it may not be feasible to maintain the functionality to multiple model versions. If this is a precaution to track changes to the internal model in order to prevent major changes to be introduced in the form of successive minor changes, we would advise an alternative method. Undertakings using IM should specify policies for changing the model which include a specification of minor and	- About *paragraph L2-441 - monitoring the impacts of model changes not being technologically feasible*: The Level 2 allows the use of an approximation of the cumulative effects. No criteria are requested from this approximation, but this is subject to the GWS's

Question	Respondent	Comment received	IAIS response
		major changes to the internal model. These policies should then be approved by the GWS as part of the initial approval process. Following the policy, major changes should be subject to supervisory approval, while minor changes should not be subject to approval.	judgment. The model change policy is already a requirement (see section 9.4.4.1).
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	German Insurance Association	With regards to the economic impact assessment, we do not foresee significant changes to the business models of German insurers assuming that Solvency II will be considered conforming to the ICS and internal models accepted under Solvency II will also be recognized by the ICS. Otherwise, if a direct adaptation of the ICS is assumed, we would expect significant additional costs for insurance undertakings without considerable benefit, which would lead to a restriction of the available product options. In order to reduce the imminent impact of introducing the ICS, local transitional measures should not affect the process of assessing the compatibility of local solvency regulations with the ICS. In particular, we suggest that any transitional measure that is already in effect in the local regulatory framework should not be considered when reviewing whether the framework is accepted to be an implementation of the ICS.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		Finally, the introduction of the ICS should not require double reporting in the long term, since this would lead to disproportional costs for undertakings.	
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report
48. Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
49. Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report
50. Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
53. Do you anticipate any opportunities for an increase in the range of products available in the insurance market as a result of the implementation of the ICS? If so, please explain the potential opportunities.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report
56. Do you anticipate that the implementation of the ICS could lead to a change in the profitability of an IAIG's business units or insurance entities focusing on a specific product type or market segment? If so, please describe the products or market segments potentially affected.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
57. Do you anticipate any circumstances in which IAIGs will need to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report
58. Do you have any concerns over the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
59. Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report
60. Do you anticipate any circumstances in which IAIGs might change their approach to risk mitigation as a result of the implementation of the ICS? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
61. Do you anticipate circumstances in which IAIGs would re-structure their business as a direct result of the implementation of the ICS? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report
62. Do you anticipate any other changes to the operating model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
63. Do you anticipate any changes to risk management practices across the insurance industry as a result of the implementation of the ICS? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report
64. Do you anticipate any benefits to the business model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential benefits.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
65. Do you anticipate any impacts to the competitiveness of IAIGs relative to non-IAIGs with the implementation of the ICS?	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report
66. Do you anticipate any changes to the investment strategy of IAIGs which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
67. Do you anticipate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report
68. Do you anticipate any impacts from the implementation of the ICS on asset concentration risk, either within IAIGs or across insurance markets? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
69. Do you anticipate the implementation of the ICS altering the investment strategy or investment decisions of IAIGs in response to stressed market conditions? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
71. Are there any other areas of the financial markets (eg derivatives or stock lending) that might be impacted – directly or indirectly – by the implementation of the ICS? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report
72. Do you have any concerns over the availability of longer-term assets in the market to meet any increase in demand from IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
73. Do you anticipate any increased risk to the broader financial markets (eg from re-allocations into or out of specific asset classes in response to shocks in financial markets) as a result of the implementation of the ICS? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report
74. Do you anticipate any specific benefits to the insurance market or broader financial markets as a result of the implementation of the ICS? If so, please explain the potential benefits.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report
76. To the extent that it can be predicted, do you anticipate impediments to implementing the requirements of the ICS? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
77. Could any costs of implementing the ICS be absorbed by or shared with other implementation projects running concurrently (eg IFRS 17)? If so, please explain how this might be achieved.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report
78. Do you anticipate any other impacts from the implementation of the ICS, not covered above? If so, please explain the potential impacts.	German Insurance Association	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
1. Do you have comments regarding the general guiding principles of the ICS?	Global Federation of Insurance Associations (GFIA)	General comments on the ICS consultation: The GFIA Capital Working Group welcomes the opportunity to respond to the Insurance Capital Standard (ICS) as a Prescribed Capital Requirement (PCR) consultation and provide comments. GFIA acknowledges the extensive work of the IAIS over the past 10 years and the work that has gone into the fourth consultation on the candidate ICS as a PCR. GFIA takes this opportunity to provide high-level comments on the consultation due to jurisdictional differences in opinion. n GFIA acknowledges the additions to the candidate ICS and the amendments to the accompanying draft Insurance Core Principles 14 (valuation) and 17 (capital adequacy). GFIA recognises the effort of the IAIS and the remaining challenges in trying to harmonise the views of many jurisdictions to create a comprehensive global standard and to implement it. Furthermore, GFIA acknowledges the work of the IAIS in reflecting feedback from the GFIA Capital Working Group to previous consultation responses on the ICS. GFIA urges the IAIS to seriously consider the changes stakeholders suggest that are evidence-based and point out areas where revisions in the final ICS are needed.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		n GFIA supports the inclusion of internal models in the ICS and believes that this inclusion will be of real merit. Whilst their inclusion is welcomed, it is important that internal models are included in the best form achievable. Therefore, the IAIS should not introduce any provisions that would undermine the fundamentals of internal models. n Finally, as we move towards the comparability assessment between the ICS and the Aggregation Method (AM) being developed by the United States, GFIA recognises the efforts of all involved.	
43. Do you have other comments regarding the use of internal models?	Global Federation of Insurance Associations (GFIA)	GFIA supports the inclusion of internal models in the ICS and believes that this inclusion will be of real merit. Whilst their inclusion is welcomed, it is important that internal models are included in the best form achievable. Therefore, the IAIS should not introduce any provisions that would undermine the fundamentals of internal models.	- About *support for the inclusion of internal models in the ICS*: Your support for the inclusion of internal models is noted. - About *IAIS not introducing any provisions that would undermine the fundamentals of internal models*: The treatment provided in the ICS is appropriate.

Question	Respondent	Comment received	IAIS response
1. Do you have comments regarding the general guiding principles of the ICS?	Groupama	We welcome the opportunity to provide comments to the International Association of Insurance Supervisors (IAIS) on the Insurance Capital Standard (ICS) as a Prescribed Capital Requirement (PCR). The ICS project is of particular relevance to, and has impact on, the French market given that 8 out of 52 internationally active insurance groups (IAIGs) worldwide are French. We have been supportive of the overall and initial objective of the ICS project to create a single, high-quality, and robust global insurance standard that promotes a sound and level global regulatory playing field. We recognise that this would have resulted in the same targeted level of policyholder protection and the same group supervisory triggers and ladder of intervention at any point in time to be achieved globally. However, considering the diversity of views at the IAIS on how to deliver this outcome, the objective of the ICS has evolved over time to only provide now for what the IAIS calls a "minimum standard" to be achieved even if the proposed candidate ICS is far too detailed and prescriptive for such a purpose, creating considerable obstacles for actual implementation without significant adverse consequences. In parallel, outside of the ICS scope and free from its governance, the US Aggregation Method could be accepted as an outcome-equivalent approach to ICS, freeing it from all ICS details and prescription, on a still to be defined process while the AM standard itself is still lacking transparent specifications and	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		purpose. The contrast is striking. In that sense, the achievability of this initial objective has been significantly questioned by the evolution of the nature the ICS project over the years, and the reality is now that no jurisdictions foresee the implementation of the standard as per the specifications adopted by the IAIS. Internal models : We particularly appreciate the inclusion of internal and partial internal models in the candidate ICS, and such recognition of internal models is fully in line with ICP 17. The inclusion of internal models needs to be a core component of the ICS standard, provided that they are calibrated to a consistent (ie the same or materially similar) confidence level, to allow it to perform effectively. In Europe, internal models are a proven risk management framework and tool which are inherently embedded in the solvency regimes. They are subject to extensive governance and validation requirements and approval by European supervisors. The proposals in the consultation to introduce similar requirements as part of the inclusion of internal models into the ICS are welcomed. Nevertheless, the IAIS has introduced additional supervisory overlays related to the standard method (benchmarking, output floors) that are not appropriate and which should be removed. Internal models form a coherent whole and have proven to be an efficient mechanism to better capture risk profiles of a	

Question	Respondent	Comment received	IAIS response
		company and should be recognised as such. We strongly oppose the inclusion of output floors as well as requirements for double reporting of standard formula for internal model users. These would fundamentally undermine the economic risk signals provided by internal models for risk, capital, and business management while being an unnecessary prudence bias as long as there is a robust supervisory validation process. In light of these observations, we note that we do not believe it is appropriate, or an improvement, for the IAIS to remove the following paragraph in ICP 17: "The IAIS supports the use of internal models where appropriate as they can be a more realistic, risk-responsive method of calculating capital requirements". The Candidate ICS has become too detailed and prescriptive : The ICS project has transitioned through several phases over the past years including ICS, ICS V2 for field testing and now the Candidate ICS. The consequence of all this development is that the technical specifications for the ICS are now very detailed and prescriptive. This is not suitable for what is supposed to be a minimum standard. While there remain a number of important questions relating to the jurisdictional implementation of the ICS, we are not aware of any jurisdiction that will implement the ICS as per the designs and calibrations as specified by the IAIS. The ICS therefore is more akin to a theoretical archetype than a real-world operational framework. It would be particularly surprising	

Question	Respondent	Comment received	IAIS response
		for the IAIS to conclude that the U.S. Aggregation Method provides an outcome equivalent approach to ICS, resulting in no further obligation for the US framework to comply with any of the specifications and requirements set out in the ICS L1 and L2 text, while requiring the other solvency regimes to change to adapt to the ICS on details such as additional requirements or alternative calibrations to be considered compliant. Especially, since these existing regimes, such as Solvency II, have proven their worth for several years and through various crisis, while the US Aggregation Method is still only in its development phase. The IAIS assessment of the jurisdictional implementation of the ICS should be clarified : Any implementation of the “ICS as a PCR” for existing solvency regimes that are built upon the same foundational concepts, such as Solvency II, should be assessed by the IAIS on a holistic approach, meaning general alignment on the same foundational concepts (e.g., an economic risk based, ‘market adjusted’ approach calibrated at a 1 in 200 level, allowing the use of internal models), rather than to the individual technical details in the candidate ICS. Therefore, We support Solvency II ‘as is’ to be accepted as the implementation of the ICS in the EU.. It should be considered as an implementation of the ICS, without any further changes and with no double reporting requirements. We also remain concerned that the AM approach is	

Question	Respondent	Comment received	IAIS response
		fundamentally different from the candidate ICS, and notably its foundational concepts, which has challenged several of the ICS principles noted on pp. 7 and 8 of the consultation document. Concerns remain about the lack of transparency regarding the development and comparability assessment of the Aggregation Methodology (AM). Currently, the proposed AM approach remains unspecified and the process that the IAIS will use to assess its comparability with the ICS is as yet publicly undocumented despite requests from industry and other key stakeholders. This is in strong contrast with the ICS for which extensive, multi-level technical specifications and requirements have been put forward. It is vital that the comparability assessment exercise is sufficiently robust, quantitatively substantiated and transparent. Furthermore, it is not clear how the IAIS would be able to FSAP the US Aggregation Method as it is not part of the ICS and does not fall within the remit of the IAIS. All these elements make that the ICS principles as well as any positive impact of the ICS project on the global level playing field are severely challenged. The reporting of the ICS should be done solely through the legally enforceable local framework, with no double reporting requirements. It is our understanding that when the ICS becomes a PCR, it will only exist through the means of its legally enforceable transposition in local frameworks. In the EU, this means that IAIGs aren't going to be subject to Solvency II and the ICS, but	

Question	Respondent	Comment received	IAIS response
		Solvency II is going to be the ICS for the purpose of the global colleges of supervision or any other purposes (incl. the GME). The IAIS is thus requested to confirm in its resolution of comments that no double reporting of the ICS will be required for the purpose of the global colleges of supervision or any other purposes (incl. the GME). We note that the Japanese supervisory authority has already communicated during the IAIS conference that this approach will be adopted for Japan as the way forward. In the EU we expect the same approach to be adopted.	
2. Do you have comments regarding the perimeter of the ICS calculation?	Groupama	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
3. Do you have comments on the introduction of a term structure of credit spreads for discounting?	Groupama	See response to question 10.	Noted.
4. Do you have comments on the revised eligibility criteria for the Middle Bucket?	Groupama	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
5. Do you have comments on the introduction of a modulation factor?	Groupama	See response to question 10.	Noted.
6. Do you have other comments regarding the Market-Adjusted Valuation?	Groupama	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
7. Do you have comments on the changes regarding eligibility criteria for Tier 1 Limited and Tier 2 financial instruments? Please explain your response based on actual terms and conditions of instruments commonly issued by insurers.	Groupama	See response to question 10.	Noted.
8. Do you have comments on the introduction of a limit on non-controlling interests, such as the one specified in section 6.4.4?	Groupama	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
9. Do you have other comments regarding capital resources?	Groupama	See response to question 10.	Noted.
10. Do you have comments regarding the ICS risks and calculation methods?	Groupama	The ICS as it stands is far too detailed and prejudging, as well as excluding appropriate approaches that are already in use in existing frameworks and have proven their fitness for purpose. This includes further advancements fully embedded in existing and applied frameworks such as the allowance of group or undertaking specific parameters and internal models for determining the capital requirements. Indeed, comparing the various elements of the ICS in terms of design and calibration (valuation curves, risk margin, capital instruments, capital requirements, etc.) with those in Solvency II, these practically differ on all aspects. Overall, it seems the ICS tries to reinvent the wheel when it comes to all these elements, whereas alternative, proven methods already exist.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
11. Do you have comments regarding the grouping of policies for life insurance risks?	Groupama	See response to question 10.	Noted.
12. Do you have comments regarding the calculation of the Life risk charges?	Groupama	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
13. Do you have comments regarding the calculation of the Non-life risk charges?	Groupama	See response to question 10.	Noted.
14. Do you have comments regarding the calculation of the Catastrophe risk charges?	Groupama	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
15. Do you have comments regarding the list of market risks considered in the ICS, the general principles to calculate them and the way to aggregate them?	Groupama	See response to question 10.	Noted.
16. Do you have comments regarding the Interest Rate risk?	Groupama	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
17. Do you have comments regarding the Non-Default Spread risk?	Groupama	See response to question 10.	Noted.
18. Do you have comments on the differentiated treatment for investments in infrastructure equity?	Groupama	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
19. Do you have comments on the inclusion of the Equity risk counter-cyclical measure (NAD)?	Groupama	See response to question 10.	Noted.
20. Do you have comments on the proposed design of the Equity risk counter-cyclical measure?	Groupama	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
21. Do you have comments on whether the Equity risk counter-cyclical measure should allow for more granular calibrations to reflect geographical market specificities?	Groupama	See response to question 10.	Noted.
22. Do you have other comments regarding Equity risk?	Groupama	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
23. Do you have comments regarding Real Estate risk?	Groupama	See response to question 10.	Noted.
24. Do you have comments regarding Currency risk?	Groupama	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
25. Do you have comments regarding Asset Concentration risk?	Groupama	See response to question 10.	Noted.
26. Do you have comments on the differentiated treatment for investments in infrastructure debt?	Groupama	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
27. Do you have other comments regarding Credit risk?	Groupama	See response to question 10.	Noted.
28. Do you have comments regarding Operational risk?	Groupama	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
29. Do you have comments regarding the aggregation / diversification of ICS risk charges?	Groupama	See response to question 10.	Noted.
30. Do you have comments regarding the optionality given to group-wide supervisors to require a calculation based on the Basel III approach for calculating risk charges for non-insurance non-banks financial entities?	Groupama	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
31. Do you have comments regarding the optionality given to group-wide supervisors to require an additional risk charge for non-insurance, non-bank financial entities without a sectoral capital requirement where an operational risk charge would not capture all material risks?	Groupama	See response to question 10.	Noted.
32. Do you have other comments regarding non-insurance risk charges?	Groupama	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
33. Do you have comments regarding the use of a simplified utilisation approach for tax?	Groupama	See response to question 10.	Noted.
34. Do you have comments regarding the option given to the supervisor to require a more complex approach for tax?	Groupama	See response to question 10.	Noted.

Question	Respondent	Comment received	IAIS response
35. Do you have other comments regarding tax?	Groupama	See response to question 10.	Noted.
36. Do you have comments regarding Other Methods for the calculation of the ICS capital requirement?	Groupama	We are strongly supportive of the recognition of IM in the ICS, provided they achieve the same level of protection with a target criterion of 99.5% VaR over a one-year time horizon and there are no additional requirements to hold capital beyond this level. IM are necessary to the management of groups whose risk profile are inappropriately reflected by the standard method, and, as a result, are necessary to the proper functioning of the ICS. IM bring benefits to the resilience of individual insurance groups and to the resilience of the sector as a whole, such as: • Supporting a holistic understanding of risks: IM play a crucial role in comprehending risks holistically, particularly for large multinational (re)insurers operating in complex risk landscapes. These models effectively capture, in the most practical way, diversification benefits and risk concentrations within diverse global portfolios and their aggregation structure accurately	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		represents the dependence between individual risk scenarios. • Capturing the individual risk profile of a group better: IM analyse undertakings' risks in details and their output is an adequate reflection of the company's risk profile. • Incentivizing good risk management: (Re)insurance groups thoroughly and carefully select the methods and parameters for their internal model calibration, ensuring accurate internal risk steering. The calibration process involves individual risk assessment, transparent procedures, and results in a unified risk measurement framework which is strongly anchored in the risk culture of the (re)insurer. Moreover, IM calibration improves the group's risk understanding and expertise, and contributes to the development of validation tools that can later be integrated into the regular risk management processes. • Supporting financial stability: IM support financial stability in numerous ways. In particular, IM enhance the society's knowledge of risk by encouraging the development of specialised models, such as NatCat modelling, and their refinement. Not only do they offer a more sophisticated approach to capturing risk and their interdependencies, but they can also incorporate new developments with greater ease, timelines and flexibility. By ensuring that capital requirements reflect risks, internal models enable (re)insurers to continue to play an important stabilising role for the financial industry and the economy. • In the case of a macroeconomic development, the use of internal models will bring diversity in the evolution of the impact	

Question	Respondent	Comment received	IAIS response
		on the insurance market, treating risks in a more bespoke way and limiting the risk of all companies undertaking similar action at the same time. • On the other hand, internal models contribute to solve the “problem of risk model homogeneity” associated to “systemic fragility to the errors in [prescribed standard] models” .Enhancing supervisory scrutiny and risk dialogue: The process of developing and submitting internal models for approval involves a substantial level of interaction between undertakings and supervisors resulting in benefits for both sides. This comprehensive dialogue has facilitated a more structured discussion between them, and it has also fostered a culture of improved internal controls, better governance oversight, and enhanced documentation within companies. The requirements for model validation necessitate ongoing discussions, which are well-structured and organised, and testing of assumptions, further strengthening the understanding between undertakings and regulatory bodies. The use of the standard method to benchmark internal models and to require double reporting seems inappropriate, as it would go against the very nature of IM, whilst double reporting would be unnecessary. While We appreciate the inclusion of IM in the ICS, it is also important to stress that the ICS should not include output floors, and IM should be explicitly allowed as an alternative to the Standard Method and not on top of it. We also regret that the ICS as a candidate doesn’t recognise	

Question	Respondent	Comment received	IAIS response
		the possibility to use Group Specific Parameters (GSP) or Undertaking Specific Parameters (USP). Such features are already being accepted and recognised in other advanced frameworks, such as Solvency II, as they are proven to be appropriate tools to allow for better reflection of the risk profile of a group and/or undertaking, under clear conditions. Overall, we consider that features such as GSP, USP and internal models to be a clear sign of the level of maturity of a prudential framework and the capacity for insurers to rely on them should not be compromised by the ICS. Especially as a minimum framework, the ICS should facilitate and promote such advancements in regulatory frameworks. In light of the above, the IAIS is advised to remove references to reporting of standard method results when an internal model is used and, subsequently, to any output/capital floor or benchmarking.	
38. Do you have comments on the overall requirements (section 9.4.1)?	Groupama	We welcome the recognition of IM in the ICS, although further improvements should be made to the candidate ICS to properly capture the benefits of IM (see questions below for more detail).	- About *recognition of internal models (IM) in ICS being welcome*: Your support of the use of IM to determine regulatory capital requirements is noted.

Question	Respondent	Comment received	IAIS response
39. Do you have comments on the general provisions on the use of an internal model to determine regulatory capital requirements (section 9.4.2)?	Groupama	We are overall supportive of the use of IM to determine regulatory capital requirements, as set out in 9.4.2. However, further improvements could be made to the candidate ICS. • Standard Method benchmarking : o We strongly disagree with the view that the standard method should be a benchmark for internal models (L2-371), as the only benchmark should be the risk-profile of the group and not the SM which has already been deemed as inappropriate. In that respect, the supervisory process should focus on ensuring that the IM is in line with the risk profile of the group, not about comparing it with the standard method. SM benchmarking is not justified and will not yield meaningful insights, while carrying additional unnecessary costs. o On a similar context, the approval of an IM should not be based on the SM risk categories (L2-372). The appropriateness of an IM should be assessed against the risk profile of the group, and it would be counterproductive to try to standardise IMs using the SM, as the SM has been deemed inappropriate for IAIGs applying internal models. The freedom of modelling should be ensured by the ICS. • Internal capital target : o In addition, We disagree with L2-363: IM should aim at having an internal capital target at the same VaR level as the standard method (99.5% VaR over a one-year horizon), not achieve a capital target greater than that. Indeed, this would	- About *deleting the requirement to maintain an internal capital target greater than the regulatory capital requirement (L2-363)*: Note that this criterion is not meant to increase the PCR when using an internal model. A similar concept applies to standard method users via ICP 16.14. The supervisor requires the insurer, as part of its ORSA, to analyse its ability to continue in business, and the risk management and financial resources required to do so over a longer time horizon than typically used to determine regulatory capital requirements. - About *general support of the use of IM to determine regulatory capital requirements*: Your support

Question	Respondent	Comment received	IAIS response
		inappropriately override ICS principle 10 and the general principle of L1-151 that provides that the target capital is the same level of protection under IM and the SM. Therefore, we suggest the removal of this requirement. • Conditional approval o The introduction of a conditional approval (L2-374), especially with the option to define capital floors (see also below) based on the ICS, is seen as critical. We do not see the need or benefit to add this as a possible outcome of the approval process. • Capital floors o We strongly oppose the imposition of capital floors to IM capital requirements as a pre-condition for their approval (L2-375). In particular, capital floors based on the ICS do not appropriately reflect the risk profile of the undertaking and would go against the purpose of internal models. While capital add-ons could be temporarily justified, it is not the case for capital floors. In that respect, capital floors and similar measures based on the standard method should be ruled out. o Moreover, any model which is approved should not be changed by the GWS since the approval already implies that the internal model yields at least the same risk protection as the standard method while reflecting the IAIG’s risk profile more appropriately.	of the use of IM to determine regulatory capital requirements is noted. - About *opposition to the use of standard method (SM) information in the internal model review process (L2-371)*: Feedback and data collected over the monitoring period show that this information can be useful for the supervisor. - About *opposition to the use of standard method (SM) risk categories comparison in the internal model review process (L2-372)*: Feedback and data collected over the monitoring period show that this information can be useful for the supervisor. L2-368 does not imply that the internal model needs to follow the structure of the

Question	Respondent	Comment received	IAIS response
		• Reporting and disclosure o The disclosure of the difference between IM and SM should be limited to their respective underlying assumptions – there is no policyholder protection interests to perform an undefined comparison. o Finally, We disagree that the SM output should be required as part of the IM reporting as provided by L2-381. Running two parallel systems under IM and SM would be extremely burdensome and costly, without bringing any added value.	ICS standard method. - About *opposition to conditional approval of the internal model (L2-374)*: Conditional approval is an alternative to a pure pass or fail and gives flexibility to both GWS and IAIGs. - About *opposition to the possibility of introducing capital floors linked to the standard method in conditional approval (L2-375)*: Capital floors based on the ICS SM could be relevant if deemed so by the GWS. Added capital add-ons to the text: "Conditions may include capital floors based on the ICS, more conservative model parameters or design features, capital add-ons, or further reviews by the GWS, the IAIG, or a third party."

Question	Respondent	Comment received	IAIS response
			- About *opposition to the possibility for supervisors to modify the model in conditional approval (L2-375)*: The possibility to impose conditions on the IM is specific to the case of conditional approval where the GWS deems that the model does not yield the same risk protection as the standard method or does not reflect the IAIG's risk profile appropriately. - About *limiting public reporting and disclosure of the differences between IM and SM upon approval to the underlying assumptions (L2-379)*: Modified L2-379 accordingly: "If the internal model is approved, the GWS works with the IAIG to communicate the decision to the public. Particular

Question	Respondent	Comment received	IAIS response
			attention should be given to the clarity of the approved internal model's scope and the differences with the ICS standard method's underlying assumptions when possible." - About *opposition to regular reporting of the differences between IM and SM figures in the post-approval monitoring and control process (L2-381)*: The data submission templates are to be agreed upon between the GWS and the IAIG. GWS can ponder cost vs. added value.

Question	Respondent	Comment received	IAIS response
40. Do you have comments on the criteria for internal model approval (section 9.4.3)?	Groupama	See response to question 10.	Noted.
44. Do you have additional comments on the ICS?	Groupama	• Any implementation of the “ICS as a PCR” for those existing solvency regimes that are built upon the same foundational concepts (e.g., an economic risk based, ‘market adjusted’ approach calibrated at a 1 in 200 level, allowing the use of internal models), should be assessed by the IAIS on a holistic approach, rather than the individual technical details. These existing solvency regimes are part of a coherent package with other relevant regulations in the jurisdictions and in line with political objectives; details/ individual principles must be viewed in that broader context. • The inclusion and benefits of internal models are essential for the overall soundness of the ICS and should neither be impaired by supervisory overlays based on the standard method nor different approaches for available and required capital. • The reporting of the ICS should be done solely through the	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		legally enforceable local framework, with no double reporting requirements. Global convergence should not be achieved at the expense of local fragmentation, i.e., IAIG v. solo/local group regimes in IAIS member jurisdictions. • The initial high-level principles for ICS developments have not kept up with the evolution of the ICS project so the expected potential impact on markets and competition equally has changed. We have followed the developments on the ICS in the last decade, including the start of the project and the subsequent developments of ICS 1.0 and 2.0 and the emergence of the comparability assessment. It was originally envisaged that for the Insurance Capital Standard (ICS) project to achieve its prime objective, as laid out by the IAIS, it must lead to a single, high-quality, and robust global insurance standard that promotes a sound, global regulatory level playing field. Effectively, this would result in the same targeted level of policyholder protection and triggering the same supervisory actions by the group supervisor and at the same point in time under stressed conditions. However, this objective has proven not to be achievable and therefore the objective and nature of the ICS project has necessarily changed in recent years. This has significant consequences for the benefits (and drawbacks) of an ICS and equally has a fundamental impact on how implementation should be approached. This is especially true for the EU where the more advanced and proven Solvency II framework is	

Question	Respondent	Comment received	IAIS response
		already in place for several years. Indeed, the reality is that no jurisdictions foresee the implementation of the standard as per the specifications adopted by the IAIS. Nevertheless, we observe the steps made by the IAIS over time continue to anchor the ICS in a high level of detail and prescription, which we consider incompatible with the nature of a minimum standard and a simple comparison shows that almost on all aspects the ICS deviates from the provenand carefully deliberated Solvency II framework. The aspect of governance should be mentioned in this respect. Any standards developed by the IAIS do not benefit from political scrutiny and as such may provide high-level guidelines for local regimes but are not suitable for 'as is' adoption of any details on design and calibration put forward in the ICS. The political scrutiny and legislative processes ensure a framework is balanced on the level of prudence and fit for purpose in practice, on jurisdictional level and in light of the broader context a framework needs to operate in, such as the wider economy and the broader legislative framework. For this reason, the IAIS is requested to clarify that, also given the similarity to foundational concepts underlying the ICS, Solvency II, 'as is', will be fully accepted as the local implementations of the ICS, should European legislators wish to do so, without the need of potential adjustments or any detailed comparisons per element. This is an essential, but still missing, clarification within the ICS set-up. This question of the relationship with Solvency II is	

Question	Respondent	Comment received	IAIS response
		fundamental for the EU insurance industry. Without specifying it in the detailed questions on designs and parameters in this consultation, the European industry does not believe the ICS provides a better or more appropriate standard than Solvency II, , on the contrary. It is important that this is acknowledged by IAIS, while at the same time limiting the prescriptive nature of the standard, given that this is a minimum standard. Exemplary of the concerns and unclarity around implementation and impact is the fact that despite EU IAIG's supporting and participating actively since the start of the ICS project, the EU participation to the monitoring period faded after the redirection of the ICS project with ICS 2.0. This is particularly relevant as in parallel the EU Solvency II review is in progress and already further divergences can be seen between choices made in ICS and Solvency II highlighting the practical dynamic that ICS needs to embrace with a more flexible, principles-based approach for similar frameworks. Indeed, we would expect that the Solvency II regime, pre- and post-review, is considered fully compliant with the ICS as it relies by nature on the same principles and should not lead to any further review of the EU solvency framework Therefore, the ICS should not create new requirements that are not adopted/accepted by the political level in the Solvency II review. The European supervisory community had its opportunity to feed into the Solvency II review process via a request for advice from the European Commission in 2019, and it is now the mandate for the political level to decide how the	

Question	Respondent	Comment received	IAIS response
		Solvency II framework should be amended. This process should not be undermined via the ICS project. Indeed, the ICS should avoid intervening in legislative processes in such a manner and ensure any outcomes from legislative reviews by the political level are accommodated under the ICS. If not, the ICS will not be implementable and/or sustainable in the European context without important drawbacks and negative economic and competitive impacts. We continue to question the need for the detailedness and prescriptiveness with the ICS to be positioned as a minimum standard and equally with the fact that it effectively provides second-guesses on the design and calibration of similar frameworks. Solvency II is a well-designed and proven framework and should be deemed the local implementations of the ICS. Solvency II has been scrutinized by the political level to assess appropriateness in the wider context. The lack of this key part of framework development with regard to the ICS is already reflected by signs of supervisory gold-plating in the various ICS requirements (e.g., on internal models, please refer to Q36/39). Besides the lack of clarity on implementation, a second key point that we want to make a special mention for is support for the inclusion of internal models in the ICS. We have always considered that the ICS cannot be effective or sound without the inclusion of internal models and therefore were surprised there were discussions on its inclusion in ICS at all. The concept is already firmly embedded in ICP 17 and as such	

Question	Respondent	Comment received	IAIS response
		already fully endorsed by the IAIS and its members. Indeed, several existing regimes already successfully have integrated internal models. It would not be suitable or viable for the ICS not to include internal models on the same basis. However, we note that the updated ICS document includes additional supervisory overlays based on standard method that go beyond and against the basic principles set out in ICP 17. Such additional requirements are not appropriate. Full or partial internal models are requested, even required, by European supervisors when the standard method is not considered a suitable basis. This is the case in practice for almost all large insurance groups. This also means that the standard method is not a good benchmark for internal models. Any double reporting requirements would not make sense and would not take into account the costly, long and detailed internal model development and supervisory approval processes. Such reporting also ignores that via use tests the internal models must be used in practice in ALM and risk management. Any restrictions or overlays to internal model outcomes will only result in a deviation from the targeted confidence level of the capital requirements and thus a direct violation of what the ICS aims to achieve. Finally, but not unimportant in light of the work of the IAIS, internal models are essential to counter systemic risk. Indeed, if all IAIGs would manage their business on the same standard method it would create the largest systemic risk for the global insurance industry. In the respective questions on internal models, we provide more details on our specific views	

Question	Respondent	Comment received	IAIS response
		on this key element. Concluding, We believe important concerns and uncertainties continue to exist as set out in detail in this response and which are also related to the potential impact of ICS on markets and competition.	
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	Groupama	It is difficult to assess the exact impact of the implementation of the ICS for the business strategy of IAIGs. However, if Solvency II, as expected, is accepted as the implementation of ICS, we do not expect significant changes to the business models of EU IAIGs. Nonetheless, in the event that the ICS imposes duplication of requirements and creates an additional layer of supervision, material costs would be incurred in terms of IT infrastructure, resources and capital, which could have significant wider implications including on product pricing and product availability.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
48. Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report
49. Do you anticipate the implementation of the ICS resulting in an IAIG’s withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
50. Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	Groupama	We do not expect a direct correlation between the ICS implementation and closing protection gaps on the basis that Solvency II 'as is' will be the implementation in the EU. Indeed, we only foresee a limited impact on product availability, which is therefore unlikely to reduce the protection gap. However, should the ICS negatively impact pricing and product availability, this might actually lead to an increase of the protection gap.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	Groupama	We do not expect the ICS to compensate a reduction in product availability by other market participants. As a matter of fact, existing regulations are already aiming to ensure a level playing field and ICS should not distort existing competition and level playing field.	Please see ICS Economic Impact Assessment report
53. Do you anticipate any opportunities for an increase in the range of products available in the insurance market as a result of the implementation of the ICS? If so, please explain the potential opportunities.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	Groupama	See response to question 45. We believe that this will depend on the concrete implementation of the ICS.	Please see ICS Economic Impact Assessment report
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
56. Do you anticipate that the implementation of the ICS could lead to a change in the profitability of an IAIG's business units or insurance entities focusing on a specific product type or market segment? If so, please describe the products or market segments potentially affected.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report
57. Do you anticipate any circumstances in which IAIGs will need to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
58. Do you have any concerns over the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report
59. Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
60. Do you anticipate any circumstances in which IAIGs might change their approach to risk mitigation as a result of the implementation of the ICS? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report
61. Do you anticipate circumstances in which IAIGs would re-structure their business as a direct result of the implementation of the ICS? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
62. Do you anticipate any other changes to the operating model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report
63. Do you anticipate any changes to risk management practices across the insurance industry as a result of the implementation of the ICS? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
64. Do you anticipate any benefits to the business model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential benefits.	Groupama	In addition to the obvious advantage of having a globally accepted standard, if implemented in all jurisdictions to the same standard which enables consistent comparisons across IAIGs from various jurisdictions, We do not anticipate any other significant benefits arising from the implementation of the ICS. However, considering that no jurisdictions appear to have committed to implement the IAIS as per the technical specifications defined by the IAIS, and the development of the comparability with the Aggregation Method developed by the US, this question might not be completely relevant. See response to question 45 for more details.	Please see ICS Economic Impact Assessment report
65. Do you anticipate any impacts to the competitiveness of IAIGs relative to non-IAIGs with the implementation of the ICS?	Groupama	See response to question 45. We believe that the ICS project should not harm the competitiveness of IAIGs nor significantly disadvantage them when compared to non-IAIGs.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
66. Do you anticipate any changes to the investment strategy of IAIGs which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report
67. Do you anticipate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
68. Do you anticipate any impacts from the implementation of the ICS on asset concentration risk, either within IAIGs or across insurance markets? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report
69. Do you anticipate the implementation of the ICS altering the investment strategy or investment decisions of IAIGs in response to stressed market conditions? If so, please explain the potential impacts.	Groupama	See response to question 45. Moreover, We believe that insurers, due to their long-term nature, have the capacity to hold assets until maturity making them resilient to short-term fluctuations and therefore, their ALM strategy is not highly impacted during stressed market conditions.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report
71. Are there any other areas of the financial markets (eg derivatives or stock lending) that might be impacted – directly or indirectly – by the implementation of the ICS? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
72. Do you have any concerns over the availability of longer-term assets in the market to meet any increase in demand from IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report
73. Do you anticipate any increased risk to the broader financial markets (eg from re-allocations into or out of specific asset classes in response to shocks in financial markets) as a result of the implementation of the ICS? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
74. Do you anticipate any specific benefits to the insurance market or broader financial markets as a result of the implementation of the ICS? If so, please explain the potential benefits.	Groupama	As per response in question 45, We consider that the success of the ICS project will depend on its concrete implementation, as well as on the outcome of the ICS/AM comparability assessment.	Please see ICS Economic Impact Assessment report
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
76. To the extent that it can be predicted, do you anticipate impediments to implementing the requirements of the ICS? If so, please explain the potential impacts.	Groupama	We consider that the ICS should be fully implemented through Solvency II (‘as is’). As a result, We do not foresee direct impediments linked to the implementation of the ICS, assuming that Solvency II will be considered as readily compliant with the ICS.	Please see ICS Economic Impact Assessment report
77. Could any costs of implementing the ICS be absorbed by or shared with other implementation projects running concurrently (eg IFRS 17)? If so, please explain how this might be achieved.	Groupama	We do not believe that these costs can be shared, considering that the European industry has already fully implemented standards like IFRS 17.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
78. Do you anticipate any other impacts from the implementation of the ICS, not covered above? If so, please explain the potential impacts.	Groupama	See response to question 45.	Please see ICS Economic Impact Assessment report
1. Do you have comments regarding the general guiding principles of the ICS?	Institute of International Finance	The Institute of International Finance (IIF) and its insurance members appreciate the opportunity to respond to the IAIS's consultation on the candidate Insurance Capital Standard (ICS) as a Prescribed Capital Requirement (PCR) (the ICS Consultation) and the related Consultations on ICP 14 (Valuation) and ICP 17 (Capital Adequacy) (the ICP Consultations) (collectively, the Prudential Capital Consultations). The IIF has several key observations on the Prudential Capital Consultations, which we hope you will find helpful. The lengthy and resource-intensive process of developing the ICS and the related ICPs has been valuable in terms of extensive dialogue among IAIS supervisors on the fundamental components of a framework for insurance prudential capital that assesses the capital adequacy and capital resources of an	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		insurance group and regulatory frameworks in general. Supervisory discussions and information sharing have resulted in the adoption of new local capital frameworks and/or group capital standards in several jurisdictions. The engagement has also promoted the understanding of different jurisdictional approaches to insurance prudential capital frameworks and has allowed for the evolution of a 'common language' that describes key elements that should be reflected in a prudential capital framework and that can serve as the basis for cross-jurisdictional dialogue (e.g. through the Supervisory College process). Focusing specifically on the ICS, it is important to acknowledge that a single global capital standard based on a uniform methodology is aspirational and not necessary to promote sound group supervision, given both the international and jurisdictional progress in enhancing prudential oversight. Individual jurisdictions have and will continue to develop their own approaches to capital, for both groups and solo insurers, that meet the needs of their markets. For these reasons, we believe a more principles-based approach must be taken towards the ICS, which we further detail below. We appreciate the IAIS's inclusion of stakeholders in a number of these discussions, as well as through the consultative process. Our comments on the Prudential Capital Consultations focus first on some overarching considerations that we believe	

Question	Respondent	Comment received	IAIS response
		should be reflected in a principles-based approach to developing the key components of a framework for prudential capital. We then discuss some specific issues that relate to the ICS Consultation. Overarching Comments The Insurance Core Principles (ICPs) are the appropriate vehicle for adopting the needed flexible, principles-based approach to assessing the adequacy of insurance prudential capital and capital resources and identifying the key elements of an insurance prudential capital framework. We applaud the IAIS's flexible and non-prescriptive principles-based approach to assessing capital adequacy and resources that is reflected in ICP 14 and ICP 17. The ICPs should be the vehicle for providing high-level principles that reflect the key elements to be considered for regulatory frameworks to assess the quality and quantity of capital resources available to meet those levels, in light of the goals of policyholder protection and financial stability. The candidate ICS or any successor version of the ICS should serve solely as a theoretical example of a prudential capital framework that is closely aligned to the high-level principles of ICPs 14 and 17. Identifying the ICPs as the vehicle for providing the key elements of an insurance prudential capital framework reflects the reality that a true single global insurance capital standard is	

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		both unwarranted and unlikely to come to fruition at this point in time, given that it is recognized that the ICS will be implemented through a range of jurisdictional approaches that reflect market and jurisdictional specificities. As noted above, the work on the ICS has led to several jurisdictions developing or enhancing local frameworks. Given the multiplicity of jurisdictional approaches, the detailed and prescriptive candidate ICS cannot function as a minimum standard. However, in its policy development and testing, the candidate ICS has provided a useful benchmark to promote cross-jurisdictional understanding and a level of comfort in various jurisdictional approaches. Looking ahead, the candidate ICS might serve as a theoretical example of a prudential capital framework that is closely aligned to ICPs 14 and 17. The same high-level principles should be applied to all insurers and insurance groups, and dual reporting standards and requirements should be avoided. Applying the same high-level principles across companies, insurance groups, and jurisdictions is in keeping with the important and fundamental principle of ‘same activity, same risk, same treatment,’ which minimizes the risk of inefficiencies in risk management and competitive distortions. In contrast, applying different prescriptive standards and rules could create different constraints on an insurer’s and a group’s ability to conduct the same activity. Applying consistent, high-level principles also avoids undue complexity that may make it difficult for the	

Question	Respondent	Comment received	IAIS response
		insurer's board, senior management, supervisors and stakeholders to fully understand the risk profile of a particular company or group (or the sector as a whole) or to make rational decisions in light of the company's or group's risk profile and risk appetite. The application of the same high-level principles across an insurance group should not lead to dual standards or reporting requirements at the group and legal entity levels. The adoption of a principles-based approach should obviate the need for dual standards or any reporting based on the ICS, as the ICS would serve only as a theoretical example of one possible framework for assessing prudential capital adequacy and resources, rather than as a 'one size fits all' prescriptive framework. We encourage the IAIS to address IIF members' concerns with respect to the governance of the ICS. The IAIS has an important role to play in setting high-level supervisory standards for the insurance sector that can be implemented in individual IAIS member jurisdictions. Notably, in most IAIS member jurisdictions, the authority and mandate to develop capital and other prudential standards do not reside with the supervisory authorities. Rather, decisions are taken through political and legislative processes in order to better ensure a framework design and calibration that is fit for purpose in the jurisdiction, taking into consideration the broader	

Question	Respondent	Comment received	IAIS response
		context of the local economy and markets. The decisions that result from these political and legislative processes are then implemented through regulatory and supervisory actions that are often subject to public review and opportunity to comment. The intention of the IAIS to allow the IAIS Executive Committee to revise Level 2 text on a relatively frequent basis (see Section 2.1 of the ICS Consultation) is inconsistent with the IAIS's role as a high-level supervisory standard setter. The expanded ability to revise the Level 2 text could have the effect of modifying the overarching principles and concepts of the ICS set out in Level 1 text. The exercise of this authority would likely exacerbate the difficulties of implementing an increasingly stringent and granular standard that may not be fit for purpose in many jurisdictions. The IAIS should explicitly acknowledge that the ICS will be implemented through a range of approaches. The design and calibration of the ICS should not be prescriptive and should reflect the reality that the ICS will be implemented through a range of jurisdictional approaches. In the publication of any final standard, it is important for the IAIS to acknowledge that the ICS will be implemented differently across insurance markets, including through the local adoption of the aggregation method given the IAIS's commitment to assess the AM as an alternative implementation of the ICS. While this is mentioned in Section 11.4 of the ICS Consultation in the	

Question	Respondent	Comment received	IAIS response
		context of the impact assessment, it needs to be expressed in Section 2 of the document, which discusses the development and implementation of the ICS. Multiple jurisdictions have developed or are developing their own appropriate approaches to insurance capital frameworks, including for group supervision. Part of the nature of the development of any prudential standard is that the standard reflects the wider economic, market, legal and political context of the jurisdiction in which it is being developed and implemented; that is, the development of a prudential standard is not simply a technical exercise. It is important for the IAIS to acknowledge this concept in the final ICS. To not recognize this reality and to not provide for flexible jurisdictional ICS implementation could lead to a less than fully accurate characterization of the ICS, with adverse impacts when, for example, jurisdictions are subject to Financial Sector Assessment Program (FSAP) reviews. The failure to recognize local market specificities and the wider context in which a capital framework functions could also render the ICS unimplementable in some jurisdictions. Therefore, the IAIS should adopt a flexible and pragmatic approach to ICS implementation, based on an assessment of the degree of alignment with the foundational concepts of the ICPs, rather than an assessment of conformance to the detailed design and calibration of the candidate ICS (or any successor). A principles-based approach would avoid the negative economic	

Question	Respondent	Comment received	IAIS response
		impacts of adopting a highly detailed and prescriptive standard that is not fit for purpose. The introduction of prescriptive standardized rules that are not fit for purpose could give rise to financial market disruptions that may create financial stability concerns. The use of internal models is embedded in ICP 17 and should therefore adhere to the principles of ICP 17. The use of properly vetted internal models for determining capital requirements and capital resources is already embedded in ICP 17. Internal models have been adopted in a number of jurisdictional supervisory frameworks for group supervision. Indeed, we note that a number of major insurance jurisdictions have permitted (or required, when the standard method is found to be inappropriate) internal models on this basis and many IAIGs utilize internal models. Moreover, jurisdictions that recognize internal models apply a 'use test' under which the insurer needs to demonstrate that the model is used in practice for risk management purposes. The ICS Consultation includes several prescriptive supervisory overlays to the use of internal models that do not meet the principles of ICP 17. For example, dual reporting requirements (i.e. reporting both internal model-based capital requirements and requirements under the standard method) do not provide decision-useful information to supervisors or insurers, as standard methods are potentially misaligned with bespoke	

Question	Respondent	Comment received	IAIS response
		internal models that are tailored to the risk profile of an insurer. Insurers should not be subject to dual reporting requirements based on the ICS. We strongly encourage the IAIS to refrain from imposing any reporting requirements based on the ICS and its implementation or impact. Dual reporting arrangements likely would replicate jurisdictional requirements and would impose a significant burden on both insurers and their supervisors without a proportionate benefit. Rather, they would give rise to significant adverse effects and inefficiencies in capital management, as discussed above. Rather, IAIS supervisors should seek to understand how various jurisdictions may choose to implement the ICS, with a view towards developing a more comprehensive understanding of the capital adequacy and risk management of insurers that have significant operations in their jurisdiction but for which they are not the group supervisor.	

Question	Respondent	Comment received	IAIS response
2. Do you have comments regarding the perimeter of the ICS calculation?	Institute of International Finance	The ICS should be a theoretical example of an insurance capital framework and, thus, granular calibration of the ICS is not required. However, if a technical ICS were retained, greater transparency into the ICS calibration is critical. As noted above, the ICPs are the appropriate vehicle for adopting the needed flexible, principles-based approach to assessing capital adequacy and capital resources. However, if a technical ICS were retained, we encourage the IAIS to provide greater transparency into the calibration of the ICS and to seek comment on key aspects of the calibration prior to finalizing the ICS. There has been insufficient detail provided on the calibration of several risk factors, including the interest rate risk charge and the changes in the calibration for two-country specific life risks in China and Japan. The ICS was calibrated in a 'low for long' interest rate environment that has radically changed in nearly all of the markets in which insurers conduct their activities.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
12. Do you have comments regarding the calculation of the Life risk charges?	Institute of International Finance	There has been insufficient detail provided on the calibration of several risk factors, including the interest rate risk charge and the changes in the calibration for two-country specific life risks in China and Japan. The ICS was calibrated in a 'low for long' interest rate environment that has radically changed in nearly all of the markets in which insurers conduct their activities.	- About *mortality risk and longevity risk needing opinion about calibration*: Please refer to the ICS calibration document for more details about the ICS calibration methodology. When the standard method does not reflect the IAIG's actual risk profile, the ICS allows for the use of a (partial) internal model to capture diversification more adequately, subject to the GWS approval.
16. Do you have comments regarding the Interest Rate risk?	Institute of International Finance	The ICS should be a theoretical example of an insurance capital framework and, thus, granular calibration of the ICS is not required. However, if a technical ICS were retained, greater transparency into the ICS calibration is critical. As noted above, the ICPs are the appropriate vehicle for adopting the needed flexible, principles-based approach to assessing capital adequacy and capital resources. However, if a technical ICS were retained, we encourage the IAIS to provide greater transparency into the calibration of the ICS and to seek comment on key aspects of the calibration prior to finalizing the	- About *asking for greater transparency into the calibration*: Please refer to the ICS calibration document for more details about the ICS calibration methodology.

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		ICS. There has been insufficient detail provided on the calibration of several risk factors, including the interest rate risk charge and the changes in the calibration for two-country specific life risks in China and Japan. The ICS was calibrated in a ‘low for long’ interest rate environment that has radically changed in nearly all of the markets in which insurers conduct their activities.	
36. Do you have comments regarding Other Methods for the calculation of the ICS capital requirement?	Institute of International Finance	The use of internal models is embedded in ICP 17 and should therefore adhere to the principles of ICP 17. The use of properly vetted internal models for determining capital requirements and capital resources is already embedded in ICP 17. Internal models have been adopted in a number of jurisdictional supervisory frameworks for group supervision. Indeed, we note that a number of major insurance jurisdictions have permitted (or required, when the standard method is found to be inappropriate) internal models on this basis and many IAIGs utilize internal models. Moreover, jurisdictions that recognize internal models apply a ‘use test’ under which the insurer needs to demonstrate that the model is used in practice for risk management purposes. The ICS Consultation includes several prescriptive supervisory overlays to the use of internal models that do not meet the	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		principles of ICP 17. For example, dual reporting requirements (i.e. reporting both internal model-based capital requirements and requirements under the standard method) do not provide decision-useful information to supervisors or insurers, as standard methods are potentially misaligned with bespoke internal models that are tailored to the risk profile of an insurer.	
39. Do you have comments on the general provisions on the use of an internal model to determine regulatory capital requirements (section 9.4.2)?	Institute of International Finance	The use of internal models is embedded in ICP 17 and should therefore adhere to the principles of ICP 17. The use of properly vetted internal models for determining capital requirements and capital resources is already embedded in ICP 17. Internal models have been adopted in a number of jurisdictional supervisory frameworks for group supervision. Indeed, we note that a number of major insurance jurisdictions have permitted (or required, when the standard method is found to be inappropriate) internal models on this basis and many IAIGs utilize internal models. Moreover, jurisdictions that recognize internal models apply a 'use test' under which the insurer needs to demonstrate that the model is used in practice for risk management purposes. The ICS Consultation includes several prescriptive supervisory overlays to the use of internal models that do not meet the	- About *prescriptive supervisory overlays contradicting principles of ICP 17*: ICP 17 does not contradict the use of prescriptive supervisory overlays.

Question	Respondent	Comment received	IAIS response
		principles of ICP 17. For example, dual reporting requirements (i.e. reporting both internal model-based capital requirements and requirements under the standard method) do not provide decision-useful information to supervisors or insurers, as standard methods are potentially misaligned with bespoke internal models that are tailored to the risk profile of an insurer.	
40. Do you have comments on the criteria for internal model approval (section 9.4.3)?	Institute of International Finance	See our response to Q. 39.	Noted.

Question	Respondent	Comment received	IAIS response
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	Institute of International Finance	Greater transparency is needed with respect to the expected economic impact assessment of the candidate ICS. We applaud the IAIS for conducting an economic impact assessment of the candidate ICS in 2023 and 2024. However, we encourage the IAIS to provide more transparency into the economic impact assessment methodology and to discuss with stakeholders how that assessment will be reflected in the final standard. Specifically, more clarity on how the ICS impacts different insurance markets, the products offered in those markets and the risk-based pricing of those products, would be helpful. Moreover, as part of that assessment, it should be noted that continued jurisdictional flexibility to implement the ICS, including through the adoption of alternative frameworks as an implementation of the ICS, can mitigate the expected deleterious economic impacts that the ICS would otherwise have on those markets. In addition to the four impacts that are to be evaluated under Section 11 of the ICS Consultation, we would add a fifth impact on different insurance markets and risk-based product offerings. The IAIS should measure the impact of the candidate ICS on different markets and products in order to determine whether the ICS is producing the correct 'signals' or incentives for the protection of policyholders and fair, safe and stable insurance markets, consistent with the IAIS mandate.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		The impacts of the ICS on insurance markets, including local market competition effects and product offerings, have a direct bearing on policyholder protection. We encourage the IAIS to consider explicitly the impact of the ICS on the availability of insurance cover, particularly coverage that is essential to the conduct of everyday life (e.g., auto insurance) or the conduct of business (e.g., liability coverage). This may be implicit in the evaluation of the impacts that the implementation of the ICS may have on insurance products mentioned in Section 11 of the ICS Consultation, but we encourage the IAIS to make these considerations more explicit in the final version of the ICS. We strongly encourage the IAIS to take a holistic view of the impacts of the ICS. The analysis of the impacts of the ICS on insurance markets and products should consider not only insurance regulatory and supervisory changes and refinements, but also economic and political developments, central bank policies, geopolitical dynamics and climate policies. Absent a pragmatic approach to implementation, the ICS could give rise to adverse economic impacts in various markets and jurisdictions and could exacerbate existing protection gaps or even create new gaps in insurance availability and coverage.	

Question	Respondent	Comment received	IAIS response
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	Institute of International Finance	See our response to Q. 45	Please see ICS Economic Impact Assessment report
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	Institute of International Finance	See our response to Q. 45	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
49. Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	Institute of International Finance	See our response to Q. 45	Please see ICS Economic Impact Assessment report
50. Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	Institute of International Finance	See our response to Q. 45	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	Institute of International Finance	See our response to Q. 45	Please see ICS Economic Impact Assessment report
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	Institute of International Finance	See our response to Q. 45	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
1. Do you have comments regarding the general guiding principles of the ICS?	Insurance Europe	Insurance Europe welcomes the opportunity to provide comments to the International Association of Insurance Supervisors (IAIS) on the Insurance Capital Standard (ICS) as a Prescribed Capital Requirement (PCR). The ICS project is of particular relevance to, and has an impact on, the European industry (EU member states, Switzerland and the UK) given that 28 out of 52 internationally active insurance groups (IAIGs) worldwide (ie, the majority) are European and that European (re)insurers are active globally. Insurance Europe supports the initial objective of the ICS project to create a high-quality and robust global insurance standard that promotes a sound and level global regulatory playing field. It recognises that the IAIS is developing the ICS with the aim of “creating a common language for supervisory discussions” with the “ultimate goal of a single ICS that includes a common methodology by which one ICS achieves comparable — ie, similar but not identical — outcomes across jurisdictions” and that its objective is “to enhance global convergence among group capital standards”. However, given the diversity of views at the IAIS on how to deliver this outcome, the objective of the ICS has evolved over time to now only provide what the IAIS calls a “minimum standard” to be achieved through various methodologies, using the ICS as a reference or the Aggregation Method (AM) as an	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		outcome equivalent. In that sense, the achievability of the initial objective is significantly put into question by the evolution of the nature of the ICS project. Internal models Insurance Europe particularly appreciates the inclusion of internal and partial internal models in the candidate ICS. For an effective, efficient, and robust capital standard, the inclusion of internal models should remain, provided that they are calibrated to a consistent (ie, the same or materially similar) confidence level, and they should be an inherent component of the core ICS standard rather than merely an implemented version of it. In Europe, internal models are a proven risk-management framework and tool which are inherently embedded in the solvency regimes. They are subject to extensive governance and validation requirements and approval by European supervisors. The proposals in the consultation to introduce similar requirements as part of the inclusion of internal models in the ICS are welcomed. Internal models form a coherent whole and have proven to be an efficient mechanism to better capture the risk profiles of a company and should be recognised as such. Insurance Europe strongly opposes the inclusion of output floors as well as requirements for double reporting using the standard formula	

Question	Respondent	Comment received	IAIS response
		for internal model users. These would undermine the economic risk signals provided by internal models and are not needed as long as there is a robust supervisory validation process. Technical specifications of the candidate ICS standard model The ICS project has transitioned through several phases over the years, including the ICS, ICS 2.0 for field testing and now the candidate ICS. In addition, there has been extensive data collection and quantitative testing through the field-testing exercises and the monitoring period. The consequence of all these developments is that the technical specifications for the ICS have become overly detailed and prescriptive. While there remain a number of important questions relating to the jurisdictional implementation of the ICS, Insurance Europe is not aware of any jurisdiction that will implement the ICS to the letter, using the technical specifications designed and calibrated by the IAIS. The ICS therefore is more of a theoretical example than a specific operational framework, like all other Insurance Core Principles. As such, the level of detail and granularity of the technical specifications seem to contradict the “example” approach. Implementational alignments at that level of detail, if that is what the IAIS is indeed aiming for, are actually an impediment to broader scale convergence (see ‘Jurisdictional implementation of the ICS’ below). One aspect of the technical specifications that remains an outstanding concern is the margin over current estimates	

Question	Respondent	Comment received	IAIS response
		(MOCE). Putting aside Insurance Europe's long-held view that the MOCE should have been based on a cost of capital approach, the MOCE calibrations in the consultation create an unjustified and excessive prudential buffer. This underestimates the available capital, reducing risk-taking capacity for insurers and adversely impacting customer choice, products or prices. The proposed calibrations of the MOCE should therefore be materially reduced. Jurisdictional implementation of the ICS Insurance Europe supports Solvency II, Solvency UK and the Swiss Solvency Test (SST) as the implementations of the ICS in the EU, the UK and Switzerland respectively. These frameworks are based on a total balance-sheet/consolidated approach, are underpinned by economic valuation principles and convergent own fund criteria and are similarly risk-based in terms of target calibration. As such, they should be considered as an implementation of the ICS, without any further changes and with no double reporting requirements. What implementation of the ICS will mean in practice and how this will be assessed is currently unclear. The IAIS in its consultation indicates that implementation of the ICS will vary significantly between IAIGs and supervisors and across regions due to different local circumstances but it is unclear, given the current prescriptiveness of the ICS, how such flexibility over implementation will be incorporated in the final standard.	

Question	Respondent	Comment received	IAIS response
		From Insurance Europe's point of view, the goal of the ICS is to create a common methodology that leads to comparable outcomes across jurisdictions. To be considered a success, the ICS needs to be truly global and can only be considered global if all major jurisdictions commit to implementing it consistently. Insurance Europe also remains concerned that the AM approach is fundamentally different from the candidate ICS and risks undermining the objectives on which the ICS project was based ("common language", "single ICS that includes a common methodology", etc). These objectives were the basis of industry support for the ICS project. Concerns also remain about the lack of transparency regarding the development and comparability assessment of the AM. Currently, the proposed AM approach remains unspecified and the process that the IAIS will use to assess its comparability with the ICS is as yet publicly undocumented. This is contrary to the ICS, which has extensive, multi-level technical specifications and has been subject to field testing and monitoring. For the ICS to be "fit for implementation as a Prescribed Capital Requirement", it is vital that the comparability assessment exercise is sufficiently robust and quantitatively substantiated and transparent to ensure the same level of policyholder protection and not to undermine the key objective of a global standard for prudential supervision implemented across all major jurisdictions.	

Question	Respondent	Comment received	IAIS response
		There should be no double reporting requirements. When the ICS becomes a PCR, it is understood that it will only exist through the means of its legally enforceable transposition into local frameworks. Therefore, it should be the solvency requirements from the recognised frameworks that are used for the purpose of the global colleges of supervision or any other purposes (including the global monitoring exercise).	
3. Do you have comments on the introduction of a term structure of credit spreads for discounting?	Insurance Europe	Insurance Europe takes note of the introduction of a term structure of credit spreads for discounting. The benefits would be a more accurate reflection of the spread structure in the discounting. However, further assessment of this change to the methodology is needed to assess whether the benefits justify the additional complexity of such an approach. Nevertheless, to mitigate any potential complexities stemming from this approach, the ICS could indicate both a term and a level structure, as the latter is widely used by other solvency regimes and can be a reasonable alternative to the term structure.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
4. Do you have comments on the revised eligibility criteria for the Middle Bucket?	Insurance Europe	Insurance Europe welcomes the efforts made by the IAIS in revising the eligibility criteria with the aim of reducing their restrictiveness for certain products. - Removal of criterion to manage the portfolio of assets and liabilities separately. - Reconsideration of the requirements on surrender options and lapse risk.	- About *general support for criteria changes*: Feedback received via the public consultation led to the adjustment of some criteria for the middle bucket.
5. Do you have comments on the introduction of a modulation factor?	Insurance Europe	Insurance Europe recognises that the inclusion of a mechanism to mitigate against durational overshooting can be merited from a prudential perspective.	- About *supporting the modulation factor*: Your support to the prudential merits of the modulation factor is noted.

Question	Respondent	Comment received	IAIS response
6. Do you have other comments regarding the Market-Adjusted Valuation?	Insurance Europe	Insurance Europe recognises the efforts that have been made to develop the MAV approach to better recognise the long-term nature of the insurance business model. However, the result of these efforts is a relatively complex and prescriptive set of draft technical specifications. When finalising the standard, the IAIS should consider whether this level of granularity remains necessary and justified. Discount curves — Insurance Europe would like to reemphasise the importance of recognising the long-term nature of the insurance sector and its capacity to avoid forced sales, making it less vulnerable to short-term market fluctuations. Insurance Europe broadly welcomes the changes the IAIS has made to integrate this characteristic in the design of the discount curves to avoid introducing any unintended volatility. Insurance Europe supports a methodology to derive the discount rate that does not introduce artificial volatility. While the MAV approach proposed by the IAIS is potentially more complex than methods used by other prudential frameworks, it appears that the proposed approach to the derivation of the discount curve has the potential for effective implementation. On L2-62: The methodology to derive the LTFR implies a relationship between risk-free rates, inflation and the central	- About *expanding the scope of management actions*: The approach for management actions was revised to include non-participating contracts and to make management action criteria more principle-based. - About *disconnection of LTFR with observed inflation*: The data collected over the monitoring period supports the treatment provided in the ICS for LTFR, despite potential disconnects with observed inflation. - About *MOCE being based on cost of capital*: The data collected over the monitoring period supports the treatment provided in the ICS for MOCE.

Question	Respondent	Comment received	IAIS response
		bank's inflation target. However, Insurancee Europe currently sees a situation in which the inflation targets and the observed inflation differ significantly. Should this situation prevail, the methodology as described in L2-62 could lead to results that are counterintuitive. In this case, the methodology should be reviewed. MOCE — Despite Insurance Europe's long-held view that the MOCE should have been based on a cost of capital approach, the MOCE calibrations in the consultation lead to a level that is too high. In this regard, Insurance Europe declares its support for a lower calibration of the percentiles that would result in a significant reduction in the size of the MOCE for both life and non-life business. An appropriately calibrated MOCE would enhance insurers' capacity to take on risks and invest in the economy, while remaining sufficiently prudent. In addition, as noted by the IAIS, "The MOCE covers the inherent uncertainty in the cash flows related to insurance obligations. As such, MOCE considers all uncertainties attached to these obligations." However, these uncertainties are already covered by the PCR which is calculated to a 99.5% VaR so the risk to policyholders from these uncertainties is already assessed elsewhere in the framework. Management actions — Insurance Europe also considers that there should be an appropriate recognition, in L2-40 and L2-	- About *MOCE calibration being too high*: The data collected over the monitoring period supports the treatment provided in the ICS for MOCE. - About *MAV specifications being complex and prescriptive*: The granularity of specifications was investigated via public consultations and data collections, and the current level of granularity is deemed appropriate for the ICS as a global standard.

Question	Respondent	Comment received	IAIS response
		140, of the value of premium increase management actions for life reinsurance business in line with their economic value. Premium increases for reinsurance have the same economic impact as a reduction in discretionary benefits, since premiums and claims are paid simultaneously on a reinsurance treaty and the reinsurance premium increase has the same impact on net cashflow as a reduction in benefits paid. Under the treaty, reinsurance claim payments will be met on the basis that reinsurance premiums are paid. There are no such restrictions in terms of the reflection of management actions for life reinsurance business in similar but more stringent capital frameworks such as Solvency II.	
7. Do you have comments on the changes regarding eligibility criteria for Tier 1 Limited and Tier 2 financial instruments? Please explain your response based on actual terms and conditions of instruments commonly issued by insurers.	Insurance Europe	The extensive and detailed ICS requirements in the area of capital resources can potentially lead to diverging impacts per jurisdiction — immediately after implementation as well as over time — keeping in mind that local rules around such instruments can differ significantly. For the established solvency standards in Europe, ie, Solvency II, Solvency UK and SST specifically, the local valuation and eligibility rules for determination of available capital resources should apply and be used as an implementation of the ICS to preserve the coherence of these existing frameworks. Insurance Europe has the following specific remarks regarding capital resources: In comparison to ICS 2.0, the candidate ICS criteria for Tier 1	- About *ICS requirements for capital resources potentially leading to diverging impacts across jurisdictions*: One of the aims of the ICS as a global PCR is to harmonise capital standards across jurisdictions. The IAIS is considering what material, such as examples or guidance, may be helpful to publish to support the implementation of the ICS.

Question	Respondent	Comment received	IAIS response
		Limited instruments relaxed the general prohibition of all event calls other than tax and regulatory calls during the first five years (articles L2-112.e and L2-114.e). Insurance Europe welcomes this relaxation. However, the candidate ICS only allows such other event calls subject to prior "economic" (lower cost) replacement. In the case of event calls, the requirement for the cost of replacement instruments to be lower than those of the instrument to be called is not prudentially justifiable. The occurrence of an event that gives rise to an event call means that the instrument has become inefficient for rating, accounting or other purposes. Replacing the now inefficient instrument with a new, efficient instrument may make perfect economic sense even if the replacement instrument is more costly than the now inefficient instrument. The terms and conditions of the new (but efficient) instrument will likely have to differ from those of the old (but inefficient) instrument, and to the extent that efficiency requires terms that increase the economic risks borne by investors, the replacement instrument will be more costly than the old (but inefficient) instrument, all else being equal. Nonetheless, an issuer may want to make use of its call right to pay a higher spread (accept higher costs) in return for increasing the efficiency of the instrument. Yet the new Tier 1 Limited criteria (Candidate ICS) would prohibit the replacement. The concept of "economic replacement" is prudentially more meaningful in the context of ordinary calls, where the	Regarding rating event calls, the intention is to limit extraordinary calls to events that are out of the control of the IAIG and cannot be anticipated. - About *inconsistency in the treatment of repurchases and event calls*: Although not identical, the ICS approach is similar to that of the Basel framework for banking supervision, whereby redemption is subject to more detailed limitations than repurchase. - About *recognition of Tier 2 non-paid-up capital resources not depending on an IAIG's legal form or ownership*: Contrary to public companies, mutual groups are typically unable to issue common equity. By including a limited

Question	Respondent	Comment received	IAIS response
		instrument to be called is typically fully efficient and thus more comparable with the potential replacement instrument. In the case of event calls, the candidate ICS does not require tax and regulatory calls to be "economic" (lower cost replacement). All other customary event calls including accounting, rating and clean-up calls should also be exempt from the requirement of economic replacement. Insurance Europe also points to the logical and prudential inconsistency of limiting event calls on the one hand, but allowing repurchases at any time (L2-112) on the other hand. Event calls have the benefit of a contractually defined call (redemption) price (typically at par). Event calls define a maximum redemption price. Limiting an issuer's ability to make use of event calls "forces" issuers to make a (more costly) repurchase instead. The recognition of Tier 2 non-paid-up capital resources should not depend on an IAIGs legal form or ownership as various insurers have access to non-paid-up capital that is external to the group, such as letters of credit. Tier 2 non-paid-up capital resources should form part of the Tier 2 capital resources and should be subject to the normal capital composition limits. The current 10% limit for Tier 2 non-paid-up capital resources is overly restrictive and can clash with jurisdictional solvency frameworks, ie, could create an unlevel playing field locally if IAIGs are subject to more restrictive limits than non-IAIGs and solo entities.	recognition of non-paid-up capital, the ICS takes into account the specificities of mutual IAIGs. - About *10% limit for Tier 2 non-paid-up capital resources being overly restrictive*: The data analysis performed during the ICS monitoring period did not show any unintended effects of applying a 10% limit for Tier 2 non-paid-up capital. - About *restriction in Tier 2 financial resources for residual maturities less than 5 years leading to uncertainty and should be removed*: The amortisation or lock-in requirement for instruments approaching maturity ensures some permanence of capital resources. As the requirements are

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		Specifically, regarding capital composition limits the following is noted: There should be no distinction in capital composition limits for mutuals and non-mutuals, in order to avoid an unlevel-playing field. The Tier 1 limited capital composition limit of 10% of the ICS capital requirement is too onerous and clashes with jurisdictional solvency frameworks, ie, it creates an unlevel playing field locally if IAIGs are subject to more restrictive limits than non-IAIGs and solo entities. Finally, the determination of capital resources should not amount to an assessment of the features of the assets/liabilities that are included in computing the excess of assets over liabilities, or the underlying items in the undertaking's financial statements. As a result, Insurance Europe believes that L1-60b should be deleted.	transparent and predictable, no uncertainty is expected. - About *capital composition limits being the same for mutual and non-mutuals*: Contrary to public companies, mutual groups are typically unable to issue common equity. By including a limited recognition of non-paid-up capital, the ICS takes into account the specificities of mutual IAIGs. - About *Tier 1 Limited limit of 10% being too restrictive and clashing with jurisdictional solvency frameworks*: The data analysis during the ICS monitoring period did not show any unintended effects of the limit for Tier 1 Limited instruments. It should also be noted that the limit is

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			higher (up to 15%) when Tier 1 Limited instruments feature a Principal Loss Absorbency Mechanism (PLAM). - About *deleting the exclusion of encumbered assets from Tier 1 capital resources as they are clearly loss-absorbing in going concern*: According to L1-68, encumbered assets that are excluded from Tier 1 capital are recognised as Tier 2. The downgrading of a portion of encumbered assets from Tier 1 to Tier 2 capital is a prudential measure to acknowledge the lack of immediate availability of some assets under stressed conditions.

Question	Respondent	Comment received	IAIS response
9. Do you have other comments regarding capital resources?	Insurance Europe	Articles L2-116 and L2-117 allow holding companies to issue senior debt instruments to third parties. To the extent that proceeds are downstreamed as equity (capital resources) to insurance subsidiaries, they are considered as "structurally subordinated", which allows the senior bond proceeds to qualify as eligible Tier 2 own funds for the purposes of the ICS capital requirement. While the practice of downstreaming senior bond proceeds in the form of equity contributes to the subsidiary's solo own funds, it does not benefit the group, as the group internal equity contribution cancels out on a group basis and the externally raised funding (senior bond) cannot absorb losses for the purposes of the group. This is especially critical if the holding company issuing senior debt instruments is not an insurance company and would not be considered within the scope of the ICS. In this case, no double-counting would occur and the consolidation would not remove the subordinated debt from the balance sheet. Even if the ICS and the Aggregation Method developed by the US avoid double-counting by consolidating balance sheets, a holding company outside the calculation scope would not be affected and would enable the scenario described above. Furthermore, structural subordination rests on the idea that the	- About *structural subordination assuming that debt proceeds are downstreamed to the subsidiary and effectively "locked" at the subsidiary level, thus senior debt should not be allowed as group own funds since they are not available to the wider group*: Jurisdictional rules impacting financial instruments that qualify as capital resources in the ICS are implementation issues that can be considered by the local supervisor when assessing the impact of the ICS on their local capital frameworks. - About *recommending that a certain form of PLAM be ruled out*: The conversion of a financial instrument into common equity improves

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		equity downstreamed to the subsidiary (and financed externally via the issuance of a senior bond) is effectively "locked" at the subsidiary level thanks to stringent regulatory oversight at the subsidiary (solo) level. In practice, solo regulation that is stringent enough to enforce structural subordination may well have to ignore the needs and interest of the wider group to which the relevant subsidiary (and the issuer of the senior bond) belongs. In other words, the subsidiaries' equity may not be available on a group-wide basis (no or insufficient transferability/fungibility). As a result, allowing senior debt as group own funds based on structural subordination is in conflict with allowing the same group to benefit from group diversification when calculating ICS capital resources. Insurance Europe proposes to disallow senior debt in group own funds, or, where an insurance group makes use of senior debt in its ICS group own funds calculation, to prohibit this group from benefitting from group diversification benefits. According to article L2-128, the conversion of a Tier 1 Limited instrument into a Tier 1 unlimited instrument would be a possible PLAM. However, this form of conversion is considered very problematic, as it may accelerate a solvency crisis, since the issuance of shares in the middle of a crisis without a positive impact on the ICS ratio will put a lot of downward pressure on the share price. Note that the market will anticipate that, in addition to the share issuance resulting from PLAM, a major capital increase is likely to be necessary to address the	the ability of that instrument to absorb losses. As such, the inclusion of conversion in the definition of a PLAM is in line with the policy intention.

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		solvency crisis, which exacerbates the pressure on the share price, posing a significant challenge to recapitalisation. Insurance Europe suggests that this form of a PLAM should be ruled out.	
10. Do you have comments regarding the ICS risks and calculation methods?	Insurance Europe	It is essential that internal models (IM) are fully accepted if calibrated to a consistent (ie, the same or a materially similar) confidence level. The IAIS should therefore not prescribe additional requirements, such as capital floors, standard method benchmarking and reporting or internal capital targets that surpass the standard method's requisites. The ICS should not include output floors for IM. They need to comply with extensive design and calibration standards to substantiate the calibration to the set confidence level. As a result, any deviation, eg, through an output floor, would be inappropriate and go against sound supervisory practices. Similarly, deviations from the standard model results are to be expected for IM users because IMs are made to capture the idiosyncratic nature of each individual IAIG's business model.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		Double reporting (ie, of the IM numbers and standard model numbers) would only create cost and confusion. It could undermine the purpose of IM and their thorough and costly approval processes as well as undermining the sound and effective supervision of IMs.	
11. Do you have comments regarding the grouping of policies for life insurance risks?	Insurance Europe	The suggested considerations for grouping life insurance risks are reasonable.	- About *support for criteria for HRGs*: Your support for criteria for HRGs is noted.

Question	Respondent	Comment received	IAIS response
12. Do you have comments regarding the calculation of the Life risk charges?	Insurance Europe	Insurance Europe takes note of the calibration of the stress factors for mortality and longevity. With regards to mortality risk, however, Insurance Europe considers applying flat mortality shocks to all geographies and age groups simultaneously to be unrealistic. More appropriate would be an approach that allows for diversification across geographies and across age groups. In addition, offsetting effects should be considered because it would be more appropriate if the shocks were also applied to policies where an increase in mortality rates would lead to an increase in the NAV. Furthermore, capital charges for mortality and longevity should not be cumulative as it is highly unlikely that both shocks would materialise together. Therefore, Insurance Europe suggests adopting the maximum of mortality and longevity capital charges. Regarding morbidity/disability risk — the additional granularity within the ICS approach can result in complexity. Regarding lapse risk — Insurance Europe believes that the current mass lapse stress factors are unnecessarily high. High surrenders at a certain moment or over a short period are very unlikely, particularly for life insurers, because policyholders usually buy life insurance products not only for investment	- About *mortality risk and longevity risk needing geographic and age groups diversification*: The comments have been taken into account when finalising the ICS. The design of the Mortality and Longevity risk modules is intended to strike a balance between complexity and risk sensitivity. The granularity of the segmentation has also considered the availability of data to produce a meaningful level of calibration. When the standard method does not reflect the IAIG's actual risk profile, the ICS allows for the use of a (partial) internal model to capture diversification more adequately, subject to the GWS approval.

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		purposes but also for protection against old-age poverty or to protect family members in the event of their own death.	- About *mortality risk and longevity risk needing recognition of offsetting effects*: Offsetting effects recognised in Life risks have been limited within HRGs since they encompass a collection of policies with similar characteristics. - About *mortality risk and longevity risk needing to be mutually exclusive:* Since mortality rates can be affected by intertwined factors (eg demographic, medical, technological, social, or economic developments), both scenarios may occur simultaneously. The Life risks correlation matrix is introduced to recognise a certain diversification effect between Mortality and Longevity risks.

Question	Respondent	Comment received	IAIS response
			- About *lapse risk needing recalibration for mass lapse component*: The stress factors were initially determined based on the various solvency frameworks of IAIS member jurisdictions along with expert judgment. Subsequently, during field testing and monitoring period of the ICS, additional data collections were carried out to review the appropriateness of the stress factors and update the stress factors where relevant credible data have been received. Please refer to the ICS calibration document for more details about the ICS calibration methodology. When the standard method does not reflect the IAIG's actual risk profile, the ICS allows for the use of a (partial) internal

Question	Respondent	Comment received	IAIS response
			model to capture diversification more adequately, subject to the GWS approval. Specifically, on mass lapse, this aspect has been investigated throughout public consultations and data collections. The differentiation of the stress factors by the specified geographical segmentation in the ICS standard method was chosen to strike a balance between complexity and risk sensitivity. The granularity of the segmentation has also considered the availability of data to produce a meaningful level of calibration. - About *morbidity/disability risk needing lower level of granularity*: The design of the Morbidity/disability risk

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			module is intended to strike a balance between complexity and risk sensitivity.
13. Do you have comments regarding the calculation of the Non-life risk charges?	Insurance Europe	Insurance Europe generally supports the methodology to calculate the non-life risk charges. Insurance Europe would advise the IAIS to consider some regional diversification benefits within the area of EEA and Switzerland (such as northern Europe, eastern Europe, etc.). It also suggests the recalibration of the premium risk factors for general liability and non-proportional casualty and MAT and reserve risk factors for legal expenses as these seem to be excessively calibrated. The excessive calibrations highlight the challenge of accurately reflecting the underlying risks, especially in the context of risks that are considered as more complex. This further emphasizes the need to incorporate internal models into the final ICS, as they offer a more accurate and precise depiction of an insurance company's risk profile.	- About *regional diversification within the EU*: The ICS aligns with local approaches, which in the case of Solvency II does not allow for such diversification. - About *recalibration of some LOBs*: Please refer to the ICS calibration document for more details about the ICS calibration methodology.

Question	Respondent	Comment received	IAIS response
15. Do you have comments regarding the list of market risks considered in the ICS, the general principles to calculate them and the way to aggregate them?	Insurance Europe	The list of market risks is considered comprehensive and the general calculation principles and approach to aggregating them are reasonable.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
17. Do you have comments regarding the Non-Default Spread risk?	Insurance Europe	Insurance Europe fully supports the application of the Non-Default Spread Risk (NDSR) stresses to both assets and liabilities. This is a correct approach to determining the risk of fixed income investments for an insurance company with long-term and stable balance sheets.	- About *overall NDSR design being correct*: The IAIS takes note of your support for the NDSR design.

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19. Do you have comments on the inclusion of the Equity risk counter-cyclical measure (NAD)?	Insurance Europe	Care should be taken when including measures such as the counter-cyclical measure that basis risk inherent in some designs does not create, rather than mitigate, additional solvency volatility for insurers.	- About *basis risk*: This aspect has been investigated as part of the finalisation of the ICS. The treatment provided in the ICS has been deemed appropriate.
20. Do you have comments on the proposed design of the Equity risk counter-cyclical measure?	Insurance Europe	Insurance Europe does not have additional comments on the design of NAD but would advise that its application is made optional based on the undertaking's own professional judgement.	- About *NAD application being optional*: Options should be avoided to the extent possible in a global standard.

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22. Do you have other comments regarding Equity risk?	Insurance Europe	Insurance Europe would encourage the IAIS to consider the inclusion of another category of long-term investment in equity, such as long-term equity and/or strategic equity, with suitable risk charges that represent the actual risks of such investments. This investment class is well recognised in other prudential frameworks (eg, Solvency II) and it is in line with insurers' ALM strategy.	- About *dedicated treatment for long-term equity*: After detailed analysis, it was decided not to introduce a dedicated treatment for long-term equity. In particular, it may introduce undue complexity and subjectivity in the assessment of capital adequacy.
23. Do you have comments regarding Real Estate risk?	Insurance Europe	Insurance Europe suggests a further reduction in the Real Estate charge, currently equal to a 25% decrease of real estate prices, to better align with the long-term nature and historically low market volatility of this asset class as evidenced by market data.	- About *shock level for real estate assets*: The calibration of the stress factor has been investigated throughout several public consultations and data collections.Please refer to the ICS calibration document for more details about the ICS calibration methodology.

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24. Do you have comments regarding Currency risk?	Insurance Europe	In the ICS, currency risk is assessed against the reporting currency of an IAIG. While this approach represents a shareholder protection perspective, a more appropriate approach to reflect a policyholder perspective would be to assess currency risk against a currency basket that is representative of the currencies in which claims arise. Nevertheless, the ICS should be formulated in a way that leaves implementing jurisdictions the flexibility to also choose such an approach to currency risk.	- About *currency risk being measured against a currency basket instead of the reporting currency*: This aspect has been investigated as part of the finalisation of the ICS, but such a change was not deemed appropriate.
25. Do you have comments regarding Asset Concentration risk?	Insurance Europe	Insurance Europe would also advise considering a simple factor approach for exceeding of an exposure threshold which would result in a very similar impact while reducing the complexity greatly. Insurance Europe would also like to highlight that the approach to asset concentration risk considers the contribution of individual counterparties to credit and equity risk charges, which is in contrast to the calculation of credit and equity risk modules that operate on a more aggregated level. Thus, a certain level of assumptions and loops within the process are required.	- About *raising concerns of appropriateness*: The current approach was introduced in the 2019 field testing to address the observation that some Volunteer Groups had significant counterparty exposures. Specifically, Volunteer Groups owned assets that were highly concentrated in the form of short-term deposits at regulated banks. The current approach is intended to link the calculation of

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			Asset Concentration risk (ACR) to the level of credit risk underlying the investments and to better capture the level of diversification for a given level of assets. The prior approach did not factor in all assets, only those that exceeded certain exposure thresholds, and relied on an assumption of perfect diversification between Credit risk and ACR for each asset class, which was not realistic. Lastly, the current approach is intended to supplement and not overlap with the Credit risk or Equity risk charges. - About *warranting a simplification of the calculation*: The IAIS introduced the current calculation to address certain shortcomings

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			observed in an earlier version of the factor-based approach. The proposal for the IAIS to use a copula in lieu of the current approach would be inconsistent with the ICS standard method. If desired, the use of a copula in determining the ACR charge could be incorporated in an IAIG's supervisor-approved internal model.
26. Do you have comments on the differentiated treatment for investments in infrastructure debt?	Insurance Europe	Insurance Europe supports the differentiated treatment of investments in infrastructure debt within credit risk.	- About *supporting the differentiated treatment development*: Your support for the design is noted.

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27. Do you have other comments regarding Credit risk?	Insurance Europe	Insurance Europe suggests the IAIS reconsider its decision to treat internal ratings as non-rated, according to point (b) of L2-330, providing the internal rating process is well governed. This will serve to reduce reliance on external rating agencies, support the development of robust internal risk management processes and promote investment in emerging economies and others where ECAI ratings are not available. The treatment of internal ratings in combination with the very conservative stresses for non-rated credit exposures does not reflect the economic reality and leads to an unjustifiably high credit risk charge. According to Article L1-131, the calculation of the credit risk charge takes management actions into account, which from Insurance Europe's understanding includes loss-absorbing effects from policyholder participation according to L2-40. Article L2-304 prescribes that collateral does not offset the reinsurance exposure but rather only allows the redistribution of the exposure to the credit rating of the collateral rather than the reinsurer. It would be more economically accurate to allow the collateral to reduce the reinsurance exposure and hence the credit risk charge, which is also how it is treated under Solvency II. This would be more reflective of the reinsurance credit risk than the redistribution approach, which seems excessively punitive.	- About *internal ratings*: The use of internal ratings is outside the SOCCA framework; however, internal ratings can be leveraged for use in a supervisor-approved internal model. - About *effect of the collateral for reinsurance exposure*: The approach taken under the ICS standard method aims to strike a balance between complexity and risk sensitivity. - About *interpretation of description about management actions*: The comment is noted.

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28. Do you have comments regarding Operational risk?	Insurance Europe	Insurance Europe notes that the IAIS has decided to reflect operational risk in the ICS by imposing factor-based capital charges. As recognised in IAIS ICP 17.7.4, however, operational risk is less readily quantifiable than other risks and is subject to data and valuation challenges. In view of this, ICP 17.7.4 also provides for supervisory tools other than imposing capital charges to control operational risk. This should be reflected in the ICS in order to ensure consistency between IAIGs and non-IAIG insurance undertakings. While always arbitrary to some extent, Insurance Europe believes that compared to other frameworks and under the premise that this is the way a jurisdiction chooses to supervise operational risk, the overall approach to the calculation of operational risk is reasonable. However, Insurance Europe would advise that the IAIS: - Considers the gross earned premiums as a premium and growth exposure instead of gross written premiums. Generally, gross earned premiums are a better proxy indicator for operational risk exposure as earned premium patterns are linked to the insurer's core business activities as well as the underlying overall risk of products. - Liability is not a good representation of operational risk for products where the policyholder bears the investment risk. Insurance Europe would suggest using the expenses of these products as a proxy.	- About *a principle-based operational risk*: For the ICS, the choice has been made to provide simple and prescriptive instructions. This is therefore the case for operational risk calculation. This is deemed appropriate for the purpose of a global standard for IAIGs. - About *possible better risk indicators*: The chosen indicators are deemed to be correct for the purpose of operational risk calculation. They have been extensively tested through field testing and monitoring of the ICS.

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29. Do you have comments regarding the aggregation / diversification of ICS risk charges?	Insurance Europe	Insurance Europe takes note of the approach for aggregating ICS risks, and the way that their diversification is allowed in the ICS standard method. However, the prescribed, top-down aggregation matrices are rather coarse and might be a bad reflection of the dependencies within an IAIG's risk profile. In order to reflect dependencies more appropriately, it is important that aggregation/diversification may be calculated in the ICS using supervisor-approved internal models.	- About *aggregation matrices and internal models*: The impact of aggregation / diversification could be calculated with an internal model, subject to approval by the GWS.
33. Do you have comments regarding the use of a simplified utilisation approach for tax?	Insurance Europe	Insurance Europe welcomes the introduction of a simplified utilisation approach for tax, but the application of the group effective tax rate (G-ETR) on MOCE might result in less accurate results than the application of an average weighted tax rate of insurance entities. This is more similar to Solvency II, where an entity-specific tax rate is applied to the Risk Margin. The G-ETR under the ICS includes both insurance and non-insurance entities.	- About *applying an average weighted tax rate of insurance entities on MOCE*: Under the ICS the MOCE is calculated at group level, not insurance entity level.

Question	Respondent	Comment received	IAIS response
34. Do you have comments regarding the option given to the supervisor to require a more complex approach for tax?	Insurance Europe	Insurance Europe strongly advises against introducing additional complexities that would not meet the purpose of a minimum standard and would not be proportionate to the scope of the ICS. Insurance Europe suggests that any alternative approach to tax other than the simplified one, should follow local regulatory standards.	- About *the only option available being to follow local standards*: The ICS capital requirement is calculated at group level; this does not allow a more granular calculation.
35. Do you have other comments regarding tax?	Insurance Europe	According to L1-149, the calculation of Deferred Tax Assets is based on the GAAP balance sheet. While L2-348 implies that the MOCE results in a DTA, it is unclear whether the DTA resulting from the risk margin on the GAAP balance sheet (eg, IFRS) is removed. If not, this would exaggerate the DTA value. It should be made clear that the Deferred Tax Assets and Liabilities are based on valuation and income differences between the ICS and the underlying tax balance sheets. Insurance Europe suggests clarifying that article L1-149 refers to the tax balance sheet as the starting point of the DTA calculation.	- About *DTA from ICS balance sheet being based on starting tax balance sheet, not GAAP*: As a simplification, no change is assumed in the tax balance sheet. Therefore, the calculation considers only the change from the starting GAAP balance sheet to the ICS balance sheet. Also, it was decided to not change the audited GAAP deferred tax balances. Adding a

Question	Respondent	Comment received	IAIS response
			reference to the tax balance sheet could be misleading.
36. Do you have comments regarding Other Methods for the calculation of the ICS capital requirement?	Insurance Europe	Insurance Europe is strongly supportive of the recognition of IM in the ICS, provided they achieve the same level of protection with a target criterion of 99.5% VaR over a one-year time horizon and there are no additional requirements to hold capital beyond this level. IM are necessary to the management of groups whose risk profile are inappropriately reflected by the standard method and, as a result, are necessary to the proper functioning of the ICS. IM bring benefits to the resilience of individual insurance groups and to the resilience of the sector as a whole, such as: - Supporting a holistic understanding of risks: IM play a crucial role in understanding risks holistically, particularly for large multinational (re)insurers operating in complex risk landscapes. These models effectively capture, in the most practical way, the diversification of benefits and risk concentrations within diverse	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		global portfolios and their aggregation structure accurately represents the dependence between individual risk scenarios. - Better capturing the individual risk profile of a group: IM analyse undertakings' risks in detail and their output is an adequate reflection of the company's risk profile. - Incentivising good risk management: (Re)insurance groups thoroughly and carefully select the methods and parameters for their internal model calibration, ensuring accurate internal risk steering. The calibration process involves individual risk assessment and transparent procedures and it results in a unified risk measurement framework that is strongly anchored in the risk culture of the (re)insurer. Moreover, IM calibration improves the group's risk understanding and expertise, and contributes to the development of validation tools that can later be integrated into the regular risk management processes. - Supporting financial stability: IM support financial stability in numerous ways. In particular, IM enhance the society's knowledge of risk by encouraging the development of specialised models, such as natcat modelling, and their refinement. Not only do they offer a more sophisticated approach to capturing risk and their interdependencies, but they can also incorporate new developments with greater ease, timeliness and flexibility. By ensuring that capital requirements reflect risks, internal models enable (re)insurers to continue to play an important stabilising role for the financial industry and the economy. In the case of a macroeconomic development, the use of IM will bring diversity in the evolution of the impact	

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		on the insurance market, treating risks in a more bespoke way and limiting the risk of all companies undertaking similar action at the same time. Further advantages of an individual risk measure are the reduction of herd mentality and the possibility to consider new developments quickly and flexibly. Indeed, IM contribute to solving the "problem of risk model homogeneity" associated with "systemic fragility to the errors in [prescribed standard] models" . - Enhancing supervisory scrutiny and risk dialogue: The process of developing and submitting IM for approval involves a substantial level of interaction between undertakings and supervisors resulting in benefits for both sides. This comprehensive dialogue has facilitated a more structured discussion between them, and it has also fostered a culture of improved internal controls, better governance oversight and enhanced documentation within companies. The requirements for model validation necessitate ongoing discussions, which are well-structured and organised, and the testing of assumptions, further strengthening the understanding between undertakings and regulatory bodies. While Insurance Europe appreciates the inclusion of IM in the ICS, it is also important to stress that the ICS should not include output floors, as mentioned above (see Q10), and IM should be explicitly allowed as an alternative to the Standard Method and not on top of it.	

Question	Respondent	Comment received	IAIS response
		Insurance Europe also regrets that the candidate ICS does not recognise the possibility to use Group Specific Parameters (GSP) or Undertaking Specific Parameters (USP). Such features are already being accepted and recognised in other advanced frameworks, such as Solvency II, as they are proven to be appropriate tools to allow for better reflection of the risk profile of a group and/or undertaking, under clear conditions. Overall, Insurance Europe considers features such as GSP, USP and internal models to be a clear sign of the level of maturity of a prudential framework and the capacity for insurers to rely on them should not be compromised by the ICS. In light of the above, the IAIS is advised to remove references to reporting of standard method results when an internal model is used and, subsequently, to any output/capital floor or benchmarking.	

Question	Respondent	Comment received	IAIS response
38. Do you have comments on the overall requirements (section 9.4.1)?	Insurance Europe	Insurance Europe welcomes the recognition of IM in the ICS, although further improvements should be made to the Candidate ICS to properly capture the benefits of IM (see questions below for more detail).	- About *recognition of internal models (IM) in ICS being welcome*: Your support of the use of IM to determine regulatory capital requirements is noted.
39. Do you have comments on the general provisions on the use of an internal model to determine regulatory capital requirements (section 9.4.2)?	Insurance Europe	Insurance Europe is generally supportive of the use of IM to determine regulatory capital requirements, as set out in 9.4.2. However, further improvements could be made to the candidate ICS. Standard Method (SM) benchmarking - Insurance Europe strongly disagrees with the view that the standard method should be a benchmark for internal models (L2-371), as the only benchmark should be the risk profile of the group and not the SM which has already been deemed inappropriate. In this respect, the supervisory process should focus on ensuring that the IM is in line with the risk profile of the group, not about comparing it with the standard method. SM benchmarking is not justified and will not yield meaningful insights, while carrying additional unnecessary costs. - Similarly, the approval of an IM is currently based on the SM	- About *deleting the requirement to maintain an internal capital target greater than the regulatory capital requirement (L2-363)*: Note that this criterion is not meant to increase the PCR when using an internal model. A similar concept applies to standard method users via ICP 16.14. The supervisor requires the insurer, as part of its ORSA, to analyse its ability to continue in business, and the risk management and

Question	Respondent	Comment received	IAIS response
		risk categories (L2-372). It is clear that IM must also cover all risks of the SM if they are material for the IAIG. However, it should be clear from the article that this is the intention rather than a standardisation of IM according to the SM. The freedom of modelling should be ensured by the ICS. Internal capital target - In addition, Insurance Europe disagrees with L2-363: IM should aim to have an internal capital target at the same VaR level as the standard method (99.5% VaR over a one-year horizon), not achieve a capital target greater than that. Indeed, this would inappropriately override ICS principle 10 and the general principle of L1-151 that provides that the target capital is the same level of protection under IM and the SM. Therefore, Insurance Europe suggests the removal of this requirement. Conditional approval - The introduction of a conditional approval (L2-374), especially with the option to define capital floors (see also below) based on the ICS, is seen as critical. Insurance Europe does not see the need for or benefit from adding this as a possible outcome of the approval process. Capital floors - Insurance Europe strongly opposes the imposition of capital floors to IM capital requirements as a pre-condition for their approval (L2-375). In particular, capital floors based on the ICS	financial resources required to do so over a longer time horizon than typically used to determine regulatory capital requirements. - About *general support of the use of IM to determine regulatory capital requirements*: Your support of the use of IM to determine regulatory capital requirements is noted. - About *opposition to the use of standard method (SM) information in the internal model review process (L2-371)*: Feedback and data collected over the monitoring period show that this information can be useful for the supervisor. - About *opposition to the use of standard method (SM) risk categories*

Question	Respondent	Comment received	IAIS response
		do not appropriately reflect the risk profile of the undertaking and would go against the purpose of IM. While capital add-ons could be temporarily justified, it is not the case for capital floors. In this respect, capital floors and similar measures based on the standard method should be ruled out. - Moreover, any model that is approved should not be changed by the GWS since the approval already implies that the IM yields at least the same risk protection as the standard method while reflecting the IAIG's risk profile more appropriately. Reporting and disclosure - The disclosure of the difference between IM and SM should be limited to their respective underlying assumptions — there is no policyholder protection interest in performing an undefined comparison. - Finally, Insurance Europe disagrees that the SM output should be required as part of the IM reporting as provided by L2-381. Running two parallel systems under IM and SM would be extremely burdensome and costly, without bringing any added value.	*comparison in the internal model review process (L2-372)*: Feedback and data collected over the monitoring period show that this information can be useful for the supervisor. L2-368 does not imply that the internal model needs to follow the structure of the ICS standard method. - About *opposition to conditional approval of the internal model (L2-374)*: Conditional approval is an alternative to a pure pass or fail and gives flexibility to both GWS and IAIGs. - About *opposition to the possibility of introducing capital floors linked to the standard method in conditional approval (L2-375)*: Capital floors based on the ICS SM could be

Question	Respondent	Comment received	IAIS response
			relevant if deemed so by the GWS. Added capital add-ons to the text: “Conditions may include capital floors based on the ICS, more conservative model parameters or design features, capital add-ons, or further reviews by the GWS, the IAIG, or a third party.” - About *opposition to the possibility for supervisors to modify the model in conditional approval (L2-375)*: The possibility to impose conditions on the IM is specific to the case of conditional approval where the GWS deems that the model does not yield the same risk protection as the standard method or does not reflect the IAIG’s risk profile appropriately. - About *limiting public*

Question	Respondent	Comment received	IAIS response
			reporting and disclosure of the differences between IM and SM upon approval to the underlying assumptions (L2-379): Modified L2-379 accordingly: "If the internal model is approved, the GWS works with the IAIG to communicate the decision to the public. Particular attention should be given to the clarity of the approved internal model's scope and the differences with the ICS standard method's underlying assumptions when possible." - About *opposition to regular reporting of the differences between IM and SM figures in the post-approval monitoring and control process (L2-381)*: The data submission templates are to be agreed upon between the GWS and the IAIG.

Question	Respondent	Comment received	IAIS response
			GWS can ponder cost vs. added value.
40. Do you have comments on the criteria for internal model approval (section 9.4.3)?	Insurance Europe	L2-408: An annual revision of model parameters would necessarily lead to a re-parametrisation of all model components for comparison. Such a re-parametrisation of all model components is a highly resource-intensive task with potentially little value. Insurance Europe suggest a lower frequency if the IAIG is compliant with all validation criteria and without any known model malfunction. L1-163: IAIGs that use a different confidence level, risk measure or time horizon are required to ensure that policyholders and beneficiaries are provided with an equivalent or higher level of protection in comparison to the standard approach. It should be made clear that this is meant with respect to the confidence level by adding “[…] equivalent or higher level of protection than VaR 99.5% over the one-year time horizon.” at the end of the paragraph. This is the	- About *annual revision of model parameters (L2-408)*: Modified L2-408 to introduce the need for an annual review of the parameters rather than an annual revision: “L2-408. The parameterisation is reviewed at least once a year. In the event of material differences in the parameters between exercises, this is explained and justified.” - About *equivalent level of*

Question	Respondent	Comment received	IAIS response
		confidence level applicable in Solvency II and Solvency UK while the TVaR 99% confidence level applicable in SST is deemed equivalent or more conservative in some situations. L2-426: A full Back-Testing is highly dependent on appropriate data on realisations. There may not be this kind of appropriate data for each model component. Therefore, Insurance Europe thinks an addendum of "[…] where appropriate data is reasonably available." should be included. It may also not be feasible to maintain benchmark or alternative models on each component parallel to the model-in-use. Benchmark-testing is desirable but not a necessary step in model validation.	*protection of policyholders and beneficiaries (L1-163)*: The text is sufficiently clear in stressing the importance of having at least the same level of protection. - About *validation process requirements being subject to data availability (L2-426)*: The internal models' requirements allow the GWS to decide on a case-by-case basis whether the validation process of the IAIG has been satisfactory.
41. Do you have comments on the additional considerations (section 9.4.4)?	Insurance Europe	Insurance Europe would like to note that the additional considerations are generally reasonable but, nevertheless, it would suggest including criteria for the approximations of cumulative effects under L2-441 as, from a purely technological standpoint, it may not be feasible to maintain the functionality in multiple model versions.	- About *paragraph L2-441 - monitoring the impacts of model changes not being technologically feasible*: The Level 2 allows the use of an approximation of the cumulative effects. No criteria are requested from this approximation, but this is subject to the GWS's

Question	Respondent	Comment received	IAIS response
			judgment. The model change policy is already a requirement (see section 9.4.4.1).
44. Do you have additional comments on the ICS?	Insurance Europe	See general comments above.	Noted.

Question	Respondent	Comment received	IAIS response
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	Insurance Europe	It is difficult to assess the exact impact of the implementation of the ICS on the business strategy of IAIGs. However, if Solvency II, Solvency UK or SST, as expected, are the implementation of ICS, Insurance Europe does not expect significant changes to the business models of European IAIGs. Nonetheless, in the event that the ICS imposes a duplication of requirements and creates an additional layer of supervision, material costs would be incurred in terms of IT infrastructure, resources and capital, which could have significant wider implications including on product pricing and product availability. In order to reduce the imminent impact of introducing the ICS, local transitional measures should not affect the process of assessing the compatibility of local solvency regulations with the ICS. In particular, Insurance Europe suggests that any transitional measure that is already in effect in the local regulatory framework should not be considered when reviewing whether the framework is accepted as an implementation of the ICS.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	Insurance Europe	See response to question 45.	Please see ICS Economic Impact Assessment report
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	Insurance Europe	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
48. Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts.	Insurance Europe	Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts. See response to question 45.	Please see ICS Economic Impact Assessment report
49. Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	Insurance Europe	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
50. Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	Insurance Europe	See response to question 45.	Please see ICS Economic Impact Assessment report
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	Insurance Europe	Insurance Europe does not expect a direct correlation between the ICS implementation and closing protection gaps on the basis that Solvency II “as is” will be the implementation in the EU. Indeed, Insurance Europe only foresees a limited impact on product availability, which is therefore unlikely to reduce the protection gap. However, should the ICS negatively impact pricing and product availability, this might actually lead to an increase in the protection gap.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	Insurance Europe	Insurance Europe does not expect the ICS to lead to any compensation for a reduction in product availability by other market participants. Indeed, existing regulations already aim to ensure a level playing field and the ICS should not distort existing competition and level playing fields.	Please see ICS Economic Impact Assessment report
53. Do you anticipate any opportunities for an increase in the range of products available in the insurance market as a result of the implementation of the ICS? If so, please explain the potential opportunities.	Insurance Europe	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	Insurance Europe	See response to question 45. Insurance Europe believes that this will depend on the concrete implementation of the ICS.	Please see ICS Economic Impact Assessment report
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	Insurance Europe	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
56. Do you anticipate that the implementation of the ICS could lead to a change in the profitability of an IAIG's business units or insurance entities focusing on a specific product type or market segment? If so, please describe the products or market segments potentially affected.	Insurance Europe	See response to question 45.	Please see ICS Economic Impact Assessment report
57. Do you anticipate any circumstances in which IAIGs will need to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS? If so, please explain the potential impacts.	Insurance Europe	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
58. Do you have any concerns over the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS? If so, please explain the potential impacts.	Insurance Europe	See response to question 45.	Please see ICS Economic Impact Assessment report
59. Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	Insurance Europe	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
60. Do you anticipate any circumstances in which IAIGs might change their approach to risk mitigation as a result of the implementation of the ICS? If so, please explain the potential impacts.	Insurance Europe	See response to question 45.	Please see ICS Economic Impact Assessment report
61. Do you anticipate circumstances in which IAIGs would re-structure their business as a direct result of the implementation of the ICS? If so, please explain the potential impacts.	Insurance Europe	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
62. Do you anticipate any other changes to the operating model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	Insurance Europe	See response to question 45.	Please see ICS Economic Impact Assessment report
63. Do you anticipate any changes to risk management practices across the insurance industry as a result of the implementation of the ICS? If so, please explain the potential impacts.	Insurance Europe	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
64. Do you anticipate any benefits to the business model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential benefits.	Insurance Europe	In addition to the obvious advantage of having a globally accepted standard, if implemented in all jurisdictions to the same standard which enables consistent comparisons across IAIGs from various jurisdictions, Insurance Europe does not anticipate any other significant benefits arising from the implementation of the ICS. However, considering that no jurisdictions appear to have committed to implement the ICS as per the technical specifications defined by the IAIS, and the development of the comparability with the Aggregation Method developed by the US, this question might not be entirely relevant. See response to question 45 for more details.	Please see ICS Economic Impact Assessment report
65. Do you anticipate any impacts to the competitiveness of IAIGs relative to non-IAIGs with the implementation of the ICS?	Insurance Europe	See response to question 45. Insurance Europe believes that the ICS project should neither harm the competitiveness of IAIGs nor significantly disadvantage them when compared to non-IAIGs.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
66. Do you anticipate any changes to the investment strategy of IAIGs which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	Insurance Europe	See response to question 45	Please see ICS Economic Impact Assessment report
67. Do you anticipate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	Insurance Europe	See response to question 45	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
68. Do you anticipate any impacts from the implementation of the ICS on asset concentration risk, either within IAIGs or across insurance markets? If so, please explain the potential impacts.	Insurance Europe	See response to question 45	Please see ICS Economic Impact Assessment report
69. Do you anticipate the implementation of the ICS altering the investment strategy or investment decisions of IAIGs in response to stressed market conditions? If so, please explain the potential impacts.	Insurance Europe	See response to question 45. Moreover, Insurance Europe believes that insurers, due to their long-term nature, have the capacity to hold assets until maturity, making them resilient to short-term fluctuations and their ALM strategy is therefore not highly impacted during stressed market conditions.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	Insurance Europe	See response to question 45	Please see ICS Economic Impact Assessment report
71. Are there any other areas of the financial markets (eg derivatives or stock lending) that might be impacted – directly or indirectly – by the implementation of the ICS? If so, please explain the potential impacts.	Insurance Europe	See response to question 45	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
72. Do you have any concerns over the availability of longer-term assets in the market to meet any increase in demand from IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	Insurance Europe	See response to question 45	Please see ICS Economic Impact Assessment report
73. Do you anticipate any increased risk to the broader financial markets (eg from re-allocations into or out of specific asset classes in response to shocks in financial markets) as a result of the implementation of the ICS? If so, please explain the potential impacts.	Insurance Europe	See response to question 45	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
74. Do you anticipate any specific benefits to the insurance market or broader financial markets as a result of the implementation of the ICS? If so, please explain the potential benefits.	Insurance Europe	As per the response to question 45, Insurance Europe considers that the success of the ICS project will depend on its concrete implementation, as well as on the outcome of the ICS/AM comparability assessment. To reap the full benefits of the ICS, it will be important that the ICS becomes a truly global standard, implemented by most jurisdictions.	Please see ICS Economic Impact Assessment report
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	Insurance Europe	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
76. To the extent that it can be predicted, do you anticipate impediments to implementing the requirements of the ICS? If so, please explain the potential impacts.	Insurance Europe	Insurance Europe considers that the ICS should be fully implemented through Solvency II, Solvency UK and the SST ("as is"). As a result, Insurance Europe does not foresee direct impediments linked to the implementation of the ICS, assuming that Solvency II will be considered compliant with the ICS.	Please see ICS Economic Impact Assessment report
77. Could any costs of implementing the ICS be absorbed by or shared with other implementation projects running concurrently (eg IFRS 17)? If so, please explain how this might be achieved.	Insurance Europe	Insurance Europe does not believe that these costs can be shared, given that the European industry has already fully implemented standards such as IFRS 17.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
78. Do you anticipate any other impacts from the implementation of the ICS, not covered above? If so, please explain the potential impacts.	Insurance Europe	See response to question 45.	Please see ICS Economic Impact Assessment report
1. Do you have comments regarding the general guiding principles of the ICS?	International Actuarial Association (IAA)	In general, the IAA has little experience currently of the detailed impact of ICS due to the confidential reporting of results to the group-wide supervisor. However, the IAA welcomes the introduction of a global capital standard and will continue to consider its impact as experience of the ICS becomes more widely discussed. At this stage it is difficult to give specific comments on the details of the calculations. However, we are aware of one comment on the factor for the long-term single-payment (category 2) morbidity/disability risk in Japan which has increased from 8% to 15% in the proposed ICS. This may reflect the increase in claims as a result of the COVID-19 pandemic. In Japan, some COVID-19 patients are forced to stay in places other than hospitals (for example their own homes or hotels reserved by local governments). Insurers paid	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		morbidity claims as they deemed such stays as hospitalizations. The increase of the claims can be seen as caused by the one-time change of the policy of the government, so it is questionable whether to reflect it to the risk factor as normally claims are mainly of hospitalization and hospitalization (category 1) factor which have not changed. So, it may not be the case. Whilst this is just one example, there is a principle of how and what experience should be reflected in the risk factors, and what the process is to change the factors.	
29. Do you have comments regarding the aggregation / diversification of ICS risk charges?	International Actuarial Association (IAA)	The IAA believes it would be helpful for the IAIS to provide greater transparency on the calibration of diversification in the candidate ICS and to seek comment on key aspects of the calibration prior to finalizing the ICS. For example, it would be good to understand how the interest rate risk charge was calibrated, given that it may have been calibrated in a ‘low for long’ interest rate environment which has radically changed in nearly all the markets in which insurers conduct their activities. In addition, the IAA would refer the IAIS to the work of the IAA "Working Party on Risk Aggregation with Correlation Matrices". This shows that, dependent on marginal distributions and copulas involved, the linear correlations to be put into the standard methods' correlation matrix may differ by a factor of 2. More specifically, 25% correlation for normal margins and copula produces the same effect as 12% correlation for more	- About *transparency on the calibration*: Please refer to the ICS calibration document for more details about the ICS calibration methodology. - About *the possible inappropriateness of a one-size-fits-all correlation approach*: The design of the correlation matrix is intended to strike a balance between complexity and risk sensitivity. If the GWS believes that it is important

Question	Respondent	Comment received	IAIS response
		extreme (skewed) margins and copulas (more tail dependence). This indicates that applying a one size fits all correlation approach may well be inappropriate in the context of insurers absorbing the tail risks they are exposed to.	to avoid issues by applying a one-size-fits-all correlation approach, the GWS may allow IAIGs to use an internal model to reflect appropriately their risk profile.
1. Do you have comments regarding the general guiding principles of the ICS?	Legal and General	We are generally supportive of the guiding principles of ICS. However, we strongly advocate the allowance of internal ratings (where appropriate) in the ICS Rating Categories framework in section 3.4. The current ICS treatment of not recognising internal ratings, and hence treating them as unrated assets, is penal and inconsistent with Solvency II (and Solvency UK), resulting in significantly higher liabilities (under the “top bucket” approach) and a higher credit risk capital requirement (under the standard method) The ICS ratings approach does not recognise the practical difficulties of obtaining ECAI ratings for some direct investments (e.g. restructured commercial properties and equity release mortgages). Further, the penal ICS treatment could discourage IAIGs from investing in the real economy, as these assets are often direct, illiquid and unrated.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		Firms that have an independent internal rating approach that is comparable to ECAIs and already use this under their local capital regime (e.g. Solvency II), should be permitted to use internal ratings under ICS. We note that firms' rating approaches for these assets are subject to extensive regulatory oversight and audit review.	
6. Do you have other comments regarding the Market-Adjusted Valuation?	Legal and General	We are supportive of the use of market-adjusted valuation (MAV) framework and we strongly support the 'top bucket' adjustment, which is comparable to the Solvency II Matching Adjustment. However, as discussed in our response to Question 1, we believe that internal ratings should be allowed under ICS.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
16. Do you have comments regarding the Interest Rate risk?	Legal and General	The ICS interest rate capital methodology, which features a combination of five stresses, is overly complex, which makes it difficult to calculate and to analyse movements in capital from the previous reporting period. Further, the design makes it challenging to anticipate how the ICS position will move under a range of stresses to the balance sheet. ICS interest rate risk is also calibrated too strongly in our view – the stress level is significantly higher than our own view of the 1 in 200 rates stress (used in our Internal Model) and the Solvency II standard formula.	- About *IRR module being complex*: The interest rate risk calculation has been simplified by removing the twist scenarios.
17. Do you have comments regarding the Non-Default Spread risk?	Legal and General	We are not supportive of the change made in Candidate ICS to introduce a percentage of spread element to the non-default spread risk calculation. The change results in a significantly higher NDSR versus ICS v2.0 as at YE22. Further, the approach introduces procyclicality, as the capital requirement would increase in an adverse economic scenario where spreads widen and other asset values decrease. We note that approaches of this type were proposed and discarded during the discussion of the recent Solvency UK reforms.	- About *procyclicality of NDSR upward stress*: To avoid potential procyclicality, the upstress was revised to include a 150 bp cap on the spread movement.

Question	Respondent	Comment received	IAIS response
27. Do you have other comments regarding Credit risk?	Legal and General	As mentioned in our previous responses, we advocate the allowance of internal ratings in the credit capital calculation, consistent with Solvency II. Not allowing internal credit ratings unfairly penalises direct investments where obtaining an ECAI rating is difficult or prohibitively expensive.	- About *internal ratings*: The use of internal ratings is outside the SOCCA framework; however, internal ratings can be leveraged for use in a supervisor-approved internal model.
28. Do you have comments regarding Operational risk?	Legal and General	Operational risk is treated simplistically under ICS and is calibrated strongly, resulting in an onerous capital charge. The capital requirement is particularly onerous for unit-linked business held within a life insurance company structure, where the ICS capital is based on a percentage of BEL (including unit BEL, where investment risk is born by policyholders. We do not believe that the size of BEL for unit-linked business, is a good indicator of the exposure to operational risk. Whilst some operational errors may be proportional to unit balances (such as a universal unit pricing error), most are independent. Further, the ICS approach does not reflect the effectiveness of a company's risk management structures and controls. Finally, the strength of the ICS calibration potentially puts IAIGs with significant unit-linked business at a disadvantage relative to	- About *operational risk being too simple*: The current methodology is assumed to strike the right balance between complexity and risk sensitivity. - About *operational risk being too strict for unit-linked business*: The current methodology is deemed appropriate for unit-linked business and has been extensively tested through

Question	Respondent	Comment received	IAIS response
		similar business held by investment managers covered by the IFPR regime.	field testing and monitoring of the ICS.
32. Do you have other comments regarding non-insurance risk charges?	Legal and General	The capital requirement for non-insurance non-banking financial entities is overly complicated and prudent. We advocate the use of local sectoral capital requirements for these entities without any additional add-on where the local sectoral regime is deemed to be suitably robust. Using the sectoral capital requirement aligns with Solvency II and would ease the reporting burden, particularly for companies with a relatively small holding in these entities.	- About *non-insurance charge being overly complex and prudent*: Local sectoral requirements are used in most circumstances.

Question	Respondent	Comment received	IAIS response
33. Do you have comments regarding the use of a simplified utilisation approach for tax?	Legal and General	Whilst the simplification of the ICS tax calculation introduced in Candidate ICS is welcome, the general 80% utilisation factor that was added is overly restrictive. We understand that this factor is designed to replace the 20% limit in ICS v 2.0 and act as a proxy for the average utilisation percentage. However, companies that are capable of performing a more accurate tax supportability assessment should have the option to use these results to apply a restriction (where applicable) instead of adopting the general 80% utilisation rate. We highlight that the changes to Candidate ICS resulted in a significantly worse outcome for our firm at year-end 2022 versus both the local regime (Solvency II) and ICS v 2.0.	- About *support for simplified approach*: The IAIS takes note of your support for the simplified utilisation approach for tax. - About *allowing the use of a more supportable assessment vs 20% haircut*: This is the specified approach under the standard method. A full internal model can be developed to calculate a post-tax capital requirement.
34. Do you have comments regarding the option given to the supervisor to require a more complex approach for tax?	Legal and General	As per our response to question 33, we believe a more complex supportability assessment should be allowed. However, this optionality should be driven by the company rather than the supervisor. Further, if the option is taken up, the 80% general factor should not retained as a maximum as currently proposed in Candidate ICS. The 80% factor is designed to be a simple proxy average and hence is redundant if a more complex calculation is performed. By design, the proposed approach of retaining the 80% factor can only result	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		in a worse outcome if the more complex option is taken, which is unnecessarily prudent.	
36. Do you have comments regarding Other Methods for the calculation of the ICS capital requirement?	Legal and General	We believe that a measure should be introduced to allow overseas business to be incorporated into the Group ICS balance sheet on a local statutory basis, subject to materiality limits and where those businesses are not currently included in the internal model that the Group uses for local regulatory reporting. This measure would be similar to Deduction & Aggregation (D&A) waivers under Solvency II and would avoid bringing into scope smaller overseas units of an IAIG, where the cost of performing ICS calculations would be disproportionate. Additionally this would avoid an IAIG having to operate two internal models with all of the attendant cost and divergence of model approval process.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
37. Do you have comments regarding SOCCA processes?	Legal and General	We advocate the use of internal ratings in both the base balance sheet and the credit risk capital, in line with Solvency II. Whilst the SOCCA process allows some flexibility for supervisors to adjust credit assessments for unrated assets, the application and framework is too narrow and the requirements are overly restrictive. Where firms already use internal ratings under Solvency II, they should be allowed to carry over the ratings to ICS, which would replace the SOCCA process.	- About *allowing the use of internal ratings in the ICS*: This aspect has been investigated as part of the finalisation of the ICS. It was not deemed appropriate. The use of internal ratings is outside the SOCCA framework; however, internal ratings can be leveraged for use in an internal model, as currently envisioned in the Candidate ICS.
38. Do you have comments on the overall requirements (section 9.4.1)?	Legal and General	We are very supportive of the use of internal models in ICS, as we believe this will allow firms to better align their capital requirements with their underlying risk exposures. However, we emphasise the need for a pragmatic approach to allow for differences between the base ICS and the local regime (Solvency II) balance sheets.	- About *recognition of internal models (IM) in ICS being welcome*: Your support of the use of IM to determine regulatory capital requirements is noted. - About *use of IMs to determine the balance sheet and capital resources (L1-154)*: L1-154 has been

Question	Respondent	Comment received	IAIS response
			modified to - Whenever internal models are allowed as an Other Method for calculating the ICS capital requirement, the group-wide supervisor (GWS) considers how the balance sheet, used within the internal model, complies with the requirements for the calculation of the balance sheet in the standard method, currently set out within section 5 on Market-Adjusted Valuation. In doing so, the group-wide supervisor (GWS) should ensure consistency between the approaches used for the determination of capital requirements and capital resources. L2-393 has been modified to - The methodology to calculate the ICS capital requirement is consistent with the methods to calculate the

Question	Respondent	Comment received	IAIS response
			ICS balance sheet. The initial balance sheet of the internal model reconciles with the ICS balance sheet.
39. Do you have comments on the general provisions on the use of an internal model to determine regulatory capital requirements (section 9.4.2)?	Legal and General	The approval requirements appear broadly reasonable for firms seeking internal model approval for the first time. However, firms that already have an approved internal model under Solvency II (or an equivalent regime) should be allowed to use their internal model for ICS without further approval. Undergoing a second approval process for ICS would be burdensome and time consuming for firms and their regulator for little benefit. Based on our experience, seeking approval for an ICS-specific internal model is likely to take several years and significantly delay the implementation of ICS. Further, a dual approval approach could result in firms being required to maintain two separate internal models, which would add significant cost and complexity. In addition, we do not consider it appropriate to impose ICS-based capital floors to the capital requirements calculated with	- About *opposition to the possibility of introducing capital floors linked to the standard method in conditional approval (L2-375)*: Capital floors based on the ICS SM could be relevant if deemed so by the GWS. Added capital add-ons to the text: “Conditions may include capital floors based on the ICS, more conservative model parameters or design features, capital add-ons, or further reviews by the GWS,

Question	Respondent	Comment received	IAIS response
		the internal model as a condition of approval (L2-375). Conditional floors would potentially introduce excess prudence, lack transparency, and could lead to inconsistencies in the capital requirement calculation. Any material internal model limitations should be addressed through monitoring, internal validation, sensitivity testing, and firm-driven temporary adjustments (if needed).	the IAIG, or a third party." - About *approval requirements for already approved Solvency II (or equivalent) internal model*: The ICS constitutes the minimum standard to be achieved and GWS should implement or propose to implement it locally. Depending on the local regime, a new internal model approval could be needed but it might not be the case.
40. Do you have comments on the criteria for internal model approval (section 9.4.3)?	Legal and General	As per our response to Question 39, the requirements appear broadly reasonable, but these should not apply to firms with an approved internal model under Solvency II.	- About *endorsement of the criteria*: Your comment about the appropriateness of the criteria is noted. - About *already approved internal models*: The ICS constitutes the minimum standard to be achieved and GWS should implement or

Question	Respondent	Comment received	IAIS response
			propose to implement it locally. Depending on the local regime, a new internal model approval could be needed but it might not be the case.
78. Do you anticipate any other impacts from the implementation of the ICS, not covered above? If so, please explain the potential impacts.	Legal and General	We highlight the importance of avoiding dual reporting following the implementation of ICS where possible, as this would add significant costs to affected firms. Where the local regime is equivalent to, or stronger than ICS, we believe that the existing capital regime should be the local implementation of ICS with no requirement for dual reporting.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
1. Do you have comments regarding the general guiding principles of the ICS?	National Association of Mutual Insurance Companies	The National Association of Mutual Insurance Companies ("NAMIC") welcomes the opportunity to comment on the consultation document on the Insurance Capital Standard as a Prescribed Capital Requirement (hereinafter "Consultation Document"). NAMIC consists of more than 1,500 member companies, including seven of the top 10 property/casualty insurers in the United States. The association supports local and regional mutual insurance companies on main streets across America as well as many of the country's largest national insurers. NAMIC member companies write $357 billion in annual premiums and represent 69 percent of homeowners, 56 percent of automobile, and 31 percent of the business insurance markets. Through its advocacy programs NAMIC promotes public policy solutions that benefit member companies and the policyholders they serve and fosters greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies. NAMIC members have a keen interest in IAIS efforts to protect those policyholders in the most cost-effective and efficient manner possible, recognizing that added costs to the system result in higher costs to the policyholders. NAMIC appreciates the IAIS efforts to address some of the issues mutual insurance groups face that may differ from public insurance groups regarding the Insurance Capital Standard ("ICS"). NAMIC	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		acknowledge that the ICS will not be implemented in the US and therefore offers these general thoughts on the Consultation Document and the comparability assessment as a whole. Capital is a necessary component of any solvency regime, but the ICS has several limitations in its approach. The ICS can disguise risk within entities and among entities due to its top-down consolidated approach. Additionally, the ICS fails to consider jurisdictional differences in regulatory regimes and markets, and it lacks the ability to address long-term guarantee products. It bears keeping in mind that the global insurance markets under existing capital and regulatory regimes have withstood a historic real-life stress test the past several years. The Aggregation Method ("AM") is a Comparable Supervisory Tool to the ICS NAMIC believes that the AM is a comparable supervisory tool to the ICS and this finding will alleviate any discussion of dual-regulatory reporting to this regard. NAMIC understands the IAIS' desire to achieve a consistent, comparable group capital standard for internationally active insurance groups ("IAIG"). The IAIS' stated purpose of the comparability exercise is to "assess whether the [AM] provides comparable outcomes to the [ICS]." It does not state that the AM and ICS produce identical results nor do the standards have to mirror each other to achieve the stated desire. The IAIS should focus on the use	

Question	Respondent	Comment received	IAIS response
		of the AM in broader supervisory outcomes, i.e., does the AM allow the supervisor to intervene at an appropriate time and with the appropriate action to assure that plans were in place to mitigate the impact of undue risk and protect policyholders? The AM's aggregation-based construct recognizes the practical reality that capital flows between the legal entities of a group and is subject to many potential regulatory and practical restrictions. Risk diversification is provided only to the extent that is recognized within legal entities – not across them. Any concerns relating to economic jurisdictions like the U.S. are mitigated to the extent that the AM is implemented in those jurisdictions and found comparable. U.S. IAIGs likely have significant amounts of U.S. business written through insurers subject to state-supervision, which already has a high level of prudence. The group capital calculation (GCC), in combination with the other tools such as the information on Schedule Y, enterprise risk information on Form F, and the Own Risk and Solvency Assessment, can be used to implement the AM for US Internationally Active Insurance Groups (IAIGs). A supervisor can identify possible sources of contagion within a group because of the aggregation construct of AM and the tools listed above. There is a level of transparency into the location and function of capital within a group that is not available in a consolidated approach. Additionally, the AM's implementation through the tools listed above is broadly applicable to all insurance groups	

Question	Respondent	Comment received	IAIS response
		(non-IAIG and IAIG) whereas the ICS only applies to IAIGs, creating an unlevel playing field with non-IAIGs whose risk profile for capital purposes is similar. ICS Should Take into Account Internal Models in the Comparability Assessment Internal models should be included in the ICS, as well as in the comparability assessment. The use of an internal model by a group can provide a better indication of the capital requirement because the model is a better fit for the unique business model of the group than would be possible using a standard method. On the comparability assessment, the exclusion of internal models would mean that US IAIGs would be assessed for comparability purposes against a higher level of capital, based on the ICS standard reference method calculation, than other jurisdictions which allow internal models would be required to maintain. The exclusion on internal models would hold the AM to a higher standard than what would be implemented in many other jurisdictions. ICS Should Be Principles-Based and Outcomes-Focused Every country has a unique regulatory system with unique features that influence the solvency of the companies doing business in that regulatory environment. The level of supervision of insurers across the globe is sound and while the	

Question	Respondent	Comment received	IAIS response
		means are different, they have all found effective ways to supervise their insurance industry considering their unique political and rule-making environments. Any effort to designate a single capital standard should be principle-based, outcomes-focused and fluid enough to recognize these very major differences in approach. It should not depend on specific numeric outcomes to prove outcomes comparability. A successful global effort would not create unnecessary competitive issues for companies domiciled in one well-supervised jurisdiction over companies from another. The IAIS should focus on enhancing mutual understanding of different regulatory approaches and not let perfect be the enemy of good. NAMIC will remain engaged with their respective member companies, with the IAIS, and with “Team USA” – the staff of the National Association of Insurance Commissioners (NAIC), state insurance regulators, the Federal Reserve Board of Governors and the Federal Insurance Office who are involved in work at the IAIS on the ICS and the AM – to support strong, effective, and efficient regulation of the global insurance sector.	

Question	Respondent	Comment received	IAIS response
2. Do you have comments regarding the perimeter of the ICS calculation?	National Association of Mutual Insurance Companies	N/A	-
3. Do you have comments on the introduction of a term structure of credit spreads for discounting?	National Association of Mutual Insurance Companies	N/A	-

Question	Respondent	Comment received	IAIS response
4. Do you have comments on the revised eligibility criteria for the Middle Bucket?	National Association of Mutual Insurance Companies	N/A	-
5. Do you have comments on the introduction of a modulation factor?	National Association of Mutual Insurance Companies	N/A	-

Question	Respondent	Comment received	IAIS response
6. Do you have other comments regarding the Market-Adjusted Valuation?	National Association of Mutual Insurance Companies	N/A	-
7. Do you have comments on the changes regarding eligibility criteria for Tier 1 Limited and Tier 2 financial instruments? Please explain your response based on actual terms and conditions of instruments commonly issued by insurers.	National Association of Mutual Insurance Companies	N/A	-

Question	Respondent	Comment received	IAIS response
8. Do you have comments on the introduction of a limit on non-controlling interests, such as the one specified in section 6.4.4?	National Association of Mutual Insurance Companies	N/A	-
9. Do you have other comments regarding capital resources?	National Association of Mutual Insurance Companies	N/A	-

Question	Respondent	Comment received	IAIS response
10. Do you have comments regarding the ICS risks and calculation methods?	National Association of Mutual Insurance Companies	See comments on internal models	Noted.
11. Do you have comments regarding the grouping of policies for life insurance risks?	National Association of Mutual Insurance Companies	N/A	-

Question	Respondent	Comment received	IAIS response
12. Do you have comments regarding the calculation of the Life risk charges?	National Association of Mutual Insurance Companies	N/A	-
13. Do you have comments regarding the calculation of the Non-life risk charges?	National Association of Mutual Insurance Companies	N/A	-

Question	Respondent	Comment received	IAIS response
14. Do you have comments regarding the calculation of the Catastrophe risk charges?	National Association of Mutual Insurance Companies	N/A	-
15. Do you have comments regarding the list of market risks considered in the ICS, the general principles to calculate them and the way to aggregate them?	National Association of Mutual Insurance Companies	N/A	-

Question	Respondent	Comment received	IAIS response
16. Do you have comments regarding the Interest Rate risk?	National Association of Mutual Insurance Companies	N/A	-
17. Do you have comments regarding the Non-Default Spread risk?	National Association of Mutual Insurance Companies	N/A	-

Question	Respondent	Comment received	IAIS response
18. Do you have comments on the differentiated treatment for investments in infrastructure equity?	National Association of Mutual Insurance Companies	N/A	-
19. Do you have comments on the inclusion of the Equity risk counter-cyclical measure (NAD)?	National Association of Mutual Insurance Companies	N/A	-

Question	Respondent	Comment received	IAIS response
20. Do you have comments on the proposed design of the Equity risk counter-cyclical measure?	National Association of Mutual Insurance Companies	N/A	-
21. Do you have comments on whether the Equity risk counter-cyclical measure should allow for more granular calibrations to reflect geographical market specificities?	National Association of Mutual Insurance Companies	N/A	-

Question	Respondent	Comment received	IAIS response
22. Do you have other comments regarding Equity risk?	National Association of Mutual Insurance Companies	N/A	-
23. Do you have comments regarding Real Estate risk?	National Association of Mutual Insurance Companies	N/A	-

Question	Respondent	Comment received	IAIS response
24. Do you have comments regarding Currency risk?	National Association of Mutual Insurance Companies	N/A	-
25. Do you have comments regarding Asset Concentration risk?	National Association of Mutual Insurance Companies	See comments on the AM's treatment of capital among groups	Noted.

Question	Respondent	Comment received	IAIS response
26. Do you have comments on the differentiated treatment for investments in infrastructure debt?	National Association of Mutual Insurance Companies	N/A	-
27. Do you have other comments regarding Credit risk?	National Association of Mutual Insurance Companies	N/A	-

Question	Respondent	Comment received	IAIS response
28. Do you have comments regarding Operational risk?	National Association of Mutual Insurance Companies	N/A	-
29. Do you have comments regarding the aggregation / diversification of ICS risk charges?	National Association of Mutual Insurance Companies	N/A	-

Question	Respondent	Comment received	IAIS response
30. Do you have comments regarding the optionality given to group-wide supervisors to require a calculation based on the Basel III approach for calculating risk charges for non-insurance non-banks financial entities?	National Association of Mutual Insurance Companies	N/A	-
31. Do you have comments regarding the optionality given to group-wide supervisors to require an additional risk charge for non-insurance, non-bank financial entities without a sectoral capital requirement where an operational risk charge would not capture all material risks?	National Association of Mutual Insurance Companies	N/A	-

Question	Respondent	Comment received	IAIS response
32. Do you have other comments regarding non-insurance risk charges?	National Association of Mutual Insurance Companies	N/A	-
33. Do you have comments regarding the use of a simplified utilisation approach for tax?	National Association of Mutual Insurance Companies	N/A	-

Question	Respondent	Comment received	IAIS response
34. Do you have comments regarding the option given to the supervisor to require a more complex approach for tax?	National Association of Mutual Insurance Companies	N/A	-
35. Do you have other comments regarding tax?	National Association of Mutual Insurance Companies	N/A	-

Question	Respondent	Comment received	IAIS response
36. Do you have comments regarding Other Methods for the calculation of the ICS capital requirement?	National Association of Mutual Insurance Companies	N/A	-
37. Do you have comments regarding SOCCA processes?	National Association of Mutual Insurance Companies	N/A	-

Question	Respondent	Comment received	IAIS response
38. Do you have comments on the overall requirements (section 9.4.1)?	National Association of Mutual Insurance Companies	Internal models should be included in the ICS, as well as in the comparability assessment. The use of an internal model by a group can provide a better indication of the capital requirement because the model is a better fit for the unique business model of the group than would be possible using a standard method. On the comparability assessment, the exclusion of internal models would mean that US IAIGs would be assessed for comparability purposes against a higher level of capital, based on the ICS standard reference method calculation, than other jurisdictions which allow internal models would be required to maintain. The exclusion on internal models would hold the AM to a higher standard than what would be implemented in many other jurisdictions	- About *recognition of internal models (IM) in ICS being welcome*: Your support of the use of IM to determine regulatory capital requirements is noted. - About *appetite to add IM in the comparability assessment*: This is an implementation and assessment topic.
39. Do you have comments on the general provisions on the use of an internal model to determine regulatory capital requirements (section 9.4.2)?	National Association of Mutual Insurance Companies	See above.	Noted.

Question	Respondent	Comment received	IAIS response
40. Do you have comments on the criteria for internal model approval (section 9.4.3)?	National Association of Mutual Insurance Companies	N/A	-
41. Do you have comments on the additional considerations (section 9.4.4)?	National Association of Mutual Insurance Companies	M/A	-

Question	Respondent	Comment received	IAIS response
42. Do you have comments on the general provisions on the use of partial internal models (PIM) (section 9.4.5)?	National Association of Mutual Insurance Companies	N/A	-
43. Do you have other comments regarding the use of internal models?	National Association of Mutual Insurance Companies	N/A	-

Question	Respondent	Comment received	IAIS response
44. Do you have additional comments on the ICS?	National Association of Mutual Insurance Companies	N/A	-
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	The ICS only applies to IAIGs, creating an unlevel playing field with non-IAIGs whose risk profile for capital purposes is similar.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
48. Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report
49. Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
50. Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report
53. Do you anticipate any opportunities for an increase in the range of products available in the insurance market as a result of the implementation of the ICS? If so, please explain the potential opportunities.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
56. Do you anticipate that the implementation of the ICS could lead to a change in the profitability of an IAIG’s business units or insurance entities focusing on a specific product type or market segment? If so, please describe the products or market segments potentially affected.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report
57. Do you anticipate any circumstances in which IAIGs will need to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
58. Do you have any concerns over the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report
59. Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
60. Do you anticipate any circumstances in which IAIGs might change their approach to risk mitigation as a result of the implementation of the ICS? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report
61. Do you anticipate circumstances in which IAIGs would re-structure their business as a direct result of the implementation of the ICS? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
62. Do you anticipate any other changes to the operating model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report
63. Do you anticipate any changes to risk management practices across the insurance industry as a result of the implementation of the ICS? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
64. Do you anticipate any benefits to the business model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential benefits.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report
65. Do you anticipate any impacts to the competitiveness of IAIGs relative to non-IAIGs with the implementation of the ICS?	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
66. Do you anticipate any changes to the investment strategy of IAIGs which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report
67. Do you anticipate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
68. Do you anticipate any impacts from the implementation of the ICS on asset concentration risk, either within IAIGs or across insurance markets? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report
69. Do you anticipate the implementation of the ICS altering the investment strategy or investment decisions of IAIGs in response to stressed market conditions? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report
71. Are there any other areas of the financial markets (eg derivatives or stock lending) that might be impacted – directly or indirectly – by the implementation of the ICS? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
72. Do you have any concerns over the availability of longer-term assets in the market to meet any increase in demand from IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report
73. Do you anticipate any increased risk to the broader financial markets (eg from re-allocations into or out of specific asset classes in response to shocks in financial markets) as a result of the implementation of the ICS? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
74. Do you anticipate any specific benefits to the insurance market or broader financial markets as a result of the implementation of the ICS? If so, please explain the potential benefits.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
76. To the extent that it can be predicted, do you anticipate impediments to implementing the requirements of the ICS? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report
77. Could any costs of implementing the ICS be absorbed by or shared with other implementation projects running concurrently (eg IFRS 17)? If so, please explain how this might be achieved.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
78. Do you anticipate any other impacts from the implementation of the ICS, not covered above? If so, please explain the potential impacts.	National Association of Mutual Insurance Companies	N/A	Please see ICS Economic Impact Assessment report
1. Do you have comments regarding the general guiding principles of the ICS?	Northwestern Mutual	Northwestern Mutual appreciates the opportunity to provide comments on the Insurance Capital Standard (ICS) as a Prescribed Capital Requirement. While Northwestern Mutual does not maintain an international insurance business, we have long recognized the significance of the development of international insurance group capital and valuation standards. As one of the largest life insurers in the United States and having maintained the highest available financial strength ratings throughout the company's modern history, we have a strong interest in the development of appropriate and effective measures of insurer financial strength. As we have observed previously, the ICS is a remarkably complex and significant undertaking and there are no precedents for the effort to establish a globally comparable insurance capital and valuation regime. Its consequences are likely to reach far beyond the field of IAIGs. Given this, and as	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		in previous submissions, we offer comments on a limited number of the consultation questions from our perspective as a U.S. mutual life insurer whose primary liabilities arise from the participating individual whole life insurance purchased by our policyowners. If the ICS in its current form were to apply to our business, we would anticipate substantial and inappropriate spurious volatility of the company's capital and ICS ratio, and a degree of conservatism that exceeds its targeted confidence level. The costs of this result would be pressure to move away from the traditional participating whole life (PWL) products that make up the majority of our liabilities. PWL, with its combination of mortality protection, conservative guarantees, and sharing of risk with the policyholder through participation features, has helped generations of families meet their financial security needs while being recognized by rating agencies and others as a safe / low risk product from an insurer solvency perspective. From that perspective, in our targeted responses to this consultation, we address the elements of the ICS where adjustments are most needed to better reflect the actual risk characteristics of the firm's insurance business and supporting investment portfolio, in particular with respect to participating life insurance products such as PWL. Without such adjustments, the ICS cannot achieve its objective of promoting sound risk management and prudentially sound behavior. Therefore, it is of paramount importance to take the appropriate time to ensure it reflects the nuances of all business models	

Question	Respondent	Comment received	IAIS response
		including mutual companies with participating products in the US.	
2. Do you have comments regarding the perimeter of the ICS calculation?	Northwestern Mutual	We are supportive of the continued recognition of the importance of statutory accounting as an amortized cost framework throughout the ICS and the ICPs. We understand that GAAP Plus has been removed from the current ICS, but that development and inclusion could be revisited. As stated in our prior submissions, we support the development and implementation of the GAAP Plus approach.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
3. Do you have comments on the introduction of a term structure of credit spreads for discounting?	Northwestern Mutual	We are appreciative of the introduction of the term structure for credit spreads but note the need for further testing of its calibration. We also reiterate our concerns with over-reliance on cash flow matching and potential basis risk within the existing Three-Bucket approach and recommend changes as outlined in response to Q4. The alternative valuation approach recommended in our prior response submissions (also described in our response to Q6 of this consultation) would reduce basis risk and improve the consistency between asset and liability valuations through company specific discount rates. In addition, the alternative approach would not create inappropriate incentives for companies to increase their exposure to riskier assets. For example, riskier investment strategies will lead to higher risk charges being deducted from the gross discount rates.	- About *introducing a term structure of spreads providing benefits*: Your support for the term structure is noted. - About *suggesting a discounting approach based on company-specific rates*: This aspect of IAIG-specific discount rates was investigated but did not strike the right balance between complexity and risk sensitivity in the ICS.

Question	Respondent	Comment received	IAIS response
4. Do you have comments on the revised eligibility criteria for the Middle Bucket?	Northwestern Mutual	These comments come from our perspective as a US mutual life insurance company whose primary liabilities are for US participating whole life insurance products (PWL). Because under the Three-Bucket approach the classification of liabilities by bucket and the discount rates that apply to each bucket are interrelated, we again include over-arching comments on the methodology to highlight concerns with the way the Three Bucket approach treats PWL. As stated in past submissions, we believe that PWL belongs in the Top Bucket based on its risk profile. The current Top and Middle Bucket criteria place too much emphasis on cash flow matching. This limited view of risk disregards that asset and liability risks can be well matched even if cash flows do not appear to be and generates an excessive level of conservatism in the liability valuation. The IAIS should ensure that the criteria are designed and written such that insurance liabilities are first classified based on their fundamental risk attributes, and then consistently remain in the same Bucket regardless of the external economic environment. In other words, the ability to qualify for the Middle Bucket should not change based on external economic factors – such as changes in interest rates. This is coupled with the need for each Bucket's individual and collective criteria to remain relevant and impactful. The ICS development process	- About *support for criterion D changes*: Your support of the changes to criterion D is noted. - About *support for criterion E changes*: Criterion E has been further clarified to ensure a clear understanding of future premiums and their treatment within the middle bucket. - About *addressing unstable and procyclical results*: A criterion addressing the continuity of middle bucket eligibility was added to reduce potential volatility, allowing a portfolio that qualified for the middle bucket the previous three years to qualify for one more year even if not all criteria are met.

Question	Respondent	Comment received	IAIS response
		has been extensive, and components have been adjusted, layered, and relocated. As a result, some components that may have been previously impactful are now redundant, unnecessary, or confusing. Absent a more comprehensive change to the liability classification framework, and in light of these considerations, we also provide comments on the comprehensive existing Middle Bucket eligibility criterion within paragraph L2-69. We have no comments on criterion a. We believe criterion b is redundant and unnecessary given criterion c and criterion d. Criterion d ensures that the market value of assets is sufficiently large to support the market value of the liabilities. Since the market value of liabilities in criterion d's comparison reflects surrender options and includes conservatism through the use of the General Bucket yield curve, it is unclear what purpose the asset value vs. surrender value comparison in criterion b serves. In addition, criterion c considers lapse risk for the liabilities using extremely conservative surrender assumptions. Thus, it is unclear why the comparison of asset values to an unrealistic immediate and full surrender of all liabilities in criterion b is necessary. While criterion b might have been more meaningful in prior versions of the Middle Bucket criteria, that is no longer the case given how the other criteria have evolved. We therefore propose removing criterion b.	- About *redundant criteria*: The redundancy of criteria was investigated, but removing some criteria was considered insufficiently prudent when using higher discount rates and therefore was not deemed appropriate. - About *setting criterion C at 10%*: Changes to criteria B, C, and D were investigated as part of the finalisation of the ICS but did not provide a sufficient level of prudence when using higher discount rates and therefore were not deemed appropriate. - About *clarifying premium at IAIG discretion in criterion E*: Criterion E has been revised to clarify the treatment of premiums at the discretion of the IAIG

Question	Respondent	Comment received	IAIS response
		We believe that the criterion c requirement that the ICS Lapse risk charge not exceed 5% of the current estimate of the liabilities discounted using the risk-free yield curve could lead to non-representative results in certain environments for PWL. Our concern results from the required Mass Lapse stress in 7.2.2.4.2 (L2-163), which applies a 30% mass lapse shock for all retail products. Additional comments on this stress are included in Q12. If the Mass Lapse stress in 7.2.2.4.2 is not reduced, the maximum threshold within criterion c should be increased to at least 10% to increase the likelihood of appropriate bucketing treatment and to limit the potential for liabilities oscillating between buckets as external conditions change. We appreciate the updates to criterion d, as the General Bucket yield curve is an improvement over the previously specified “risk-free yield curve.” This will alleviate the mismatch between assets (whose market values implicitly include a spread) and liabilities (which would only be discounted at the risk-free rate). However, as noted above and in past submissions, we believe “own asset” dictated yield curves would be the most representative to utilize for this criterion. We appreciate the revisions within criterion e. However, we recommend that the text be further clarified consistent with our understanding of the intent that paid-up additions (PUA) from	within the middle bucket. - About *clarifying criterion E*: Criterion E has been revised to clarify the treatment of future premiums and their unbundling for the middle bucket.

Question	Respondent	Comment received	IAIS response
		policyholder dividends should qualify as premiums that are "at the discretion of the IAIG" and thus would not be subject to unbundling. Because the dividend payment and amount are at the discretion of the IAIG, but the use of the dividend to fund PUA to a policy remains at the discretion of the policyholder, the revised language may yet be slightly ambiguous. In order to reduce this ambiguity, we recommend adjusting to, "are dependent on the discretion of the IAIG". We also suggest updating the second sentence to say, "Policyholder options to pay additional future premiums which are dependent on the discretion of the IAIG do not disqualify…." In general, we emphasize that the assets backing PUA from dividends already exist and that therefore PUA from dividends do not meet the intent of a "future premium" definition. As the second sentence of criterion e addresses policyholder options to pay additional premiums, it may be unclear how to treat policyholder options to stop paying or reduce premiums, such as a partial policy lapse/surrender. We note that lapse risk as it relates to Middle Bucket criteria is already addressed in criterion c, and we do not believe criterion e is intended to exclude liabilities where policyholders can reduce premium payments with a corresponding reduction in coverage. Thus, we recommend creating a footnote for the second sentence of criterion e that reads, "Policyholder options to stop paying	

Question	Respondent	Comment received	IAIS response
		premiums subject to a reduction in coverage do not disqualify liabilities from the Middle Bucket."	
5. Do you have comments on the introduction of a modulation factor?	Northwestern Mutual	While we appreciate the concern leading to the creation of this factor, we are concerned with the amount of complexity it introduces to the methodology, as well as introduction at this stage in the process. We would need additional time to evaluate various scenarios to fully comment on the appropriateness of the factor, to determine whether the factor contributes further excessive conservatism to the liability valuation, or to offer thoughts on modifications to the factor. Given the complexity of establishing the ICS to be a globally comparable insurance capital and valuation regime, the process has involved the layering of many factors to correct concerns or unintended results. The heavy reliance on cash flow matching throughout the ICS (e.g., the Three-Bucket approach) and the excessive volatility of a Market Adjusted Valuation creates the need for several additional factors, in this	- About *removing the modulation factor*: The modulation factor was considered necessary to limit the potential risk of an overly optimistic valuation of insurance liabilities, which could lead to increases in capital resources driven by duration mismatches of assets and liabilities when spreads increase.

Question	Respondent	Comment received	IAIS response
		case the modulation factor, to address false solvency signals presented in the myriad of environments and scenarios. Other frameworks, such as an approach predicated on a more holistic view of risk (e.g., how well the effective duration of assets and liabilities are aligned), and considerate of the amount of risk transferred to policyholders versus retained by the insurer, would be better equipped to address concerns that lead to the introduction of multiple factors to reduce unusual or unintended results.	
6. Do you have other comments regarding the Market-Adjusted Valuation?	Northwestern Mutual	In a prescriptive Market-Adjusted Valuation approach such as the ICS, we emphasize the importance of the consistency adjustments required by section 5.2.1.4 Future discretionary benefits. These adjustments for future discretionary benefits, where the projection of policy dividends is made consistent with the applicable yield curve, are crucially important to arrive at an appropriate valuation for participating products when subject to a prescribed discount curve. Due to their importance, we believe that the two paragraphs that define and set the expectation for future discretionary benefits, L2-29 and L2-30, should be moved to Level 1 text. Looking at the MAV's liability segmentation approach and as stated in Q4, we have concern with the classification of liabilities under the Three Bucket concept. We are specifically concerned with the treatment of US participating whole life	- About *reviewing bucket criteria*: The data collected over the monitoring period supports the treatment provided in the ICS for Top Bucket criteria.

Question	Respondent	Comment received	IAIS response
		products (PWL). We believe PWL should be eligible for the Top Bucket. Liabilities in the Top Bucket can be valued with recognition of own-asset spreads, and eligibility requires that a product demonstrate that its projected asset and liability cash flows are well matched which strongly immunizes against future changes in interest rates. While this may be an appropriate test for some products issued by insurance companies, we believe this is an inappropriate test for PWL. The investment strategy for PWL is generally centered around fulfilling the contractual guarantees and then creating value for policyholders, regardless of changes in interest rates. Switching to a cash flow matching strategy to satisfy this eligibility requirement would reduce the expected dividends the insurer can pay and diminish the attractiveness of participating products, without meaningfully changing the risks retained by the insurance company. The participating policyholder absorbs the investment positioning risk if the insurer can pay dividends. The insurer's financials are immunized in different interest rate environments as the experience can be passed through to policyholders. In this sense, although the rigid cash flow matching contemplated by the Top Bucket is not achieved or appropriate, the case for using own assets and spreads in valuing PWL is stronger than that for many products meeting the specific Top Bucket requirements.	

Question	Respondent	Comment received	IAIS response
		We have previously suggested replacing the Three-Bucket approach with criteria that provide a more holistic view of risk and consider the amount of risk transferred to policyowners versus retained by the insurer, for example, how well the effective duration of assets and liabilities are aligned. Any duration mismatch between asset and liability cash flows will lead to fluctuations in available capital without distortions arising from inconsistent assumptions applied to parts of the balance sheet or the application of current changes in market interest rates to decades of projected cash flows. It will also reflect in the ICS a firm's current level of assumed risk and the price of bearing that risk. Another solution would consider how sensitive cash flows are to shocks to all key risk factors, not just interest rates. This more comprehensive approach would not necessarily add overly burdensome complexity to the valuation approach, as the sensitivity measure could be tied directly to the scenarios used to calculate the ICS capital requirement. These alternative approaches that utilize company-specific discount curves and reasonable projections of anticipated dividends, tailored to reflect asset portfolio participation and shared risks, are more appropriate for PWL. Northwestern Mutual continues to recommend a company-specific approach for PWL, consistent with recommendations delivered in our prior ICS review submissions.	

Question	Respondent	Comment received	IAIS response
7. Do you have comments on the changes regarding eligibility criteria for Tier 1 Limited and Tier 2 financial instruments? Please explain your response based on actual terms and conditions of instruments commonly issued by insurers.	Northwestern Mutual	Our response to the question on financial instruments is centered on section 6.2.3 and on surplus notes, a capital instrument that exhibits a high degree of loss absorbency and that is an important source of external capital for US mutual life insurers. To qualify as surplus under statutory accounting in the U.S., surplus notes are subordinated to other insurance policy and contract holders. Surplus notes are viewed as long-term capital by insurers when issued, that is, they are generally issued with longer dated maturities (i.e. often 30 years or more) and not issued with an intent to prematurely call. They are relatively uniform instruments across the U.S. marketplace, with fairly standard contracts and features which help ensure a high degree of loss absorbency. All payments (including principal and interest) require supervisory approval. Beyond surplus notes, mutual company access to external sources of capital is limited, with no ability to issue common or preferred stock. We appreciate the recognition of necessary exemptions to the replacement obligation (waiver due to call being tied to a materially adverse tax or regulatory event that could not be reasonably anticipated at time of issuance). We read L2-115 as additionally allowing for make-whole call provisions within the first five years of issuance without a replacement requirement, but only on a grandfathering basis. Provisions that allow for call with make-whole are common marketplace terms in surplus	- About *removing the grandfathering limitation of L2-115 on the make-whole call provisions*: Any make-whole calls within the first five years of issuance can lead to a deterioration in an IAIG's financial condition. The IAIS is aware that surplus notes represent an important source of capital in some markets. The grandfathering provision ensures that such instruments issued before the adoption of the ICS can be recognised as T2 qualifying capital, insofar as all other T2 criteria are satisfied. Meanwhile, the grandfathering provision gives the IAIGs and the market the opportunity to adapt to the terms and conditions of financial

Question	Respondent	Comment received	IAIS response
		notes and, given the requirement for supervisory approval and the economic cost of the make-whole, do not diminish the loss-absorbing quality of surplus notes or diminish their degree of permanence. We note that companies could also buy back their common stock, not unlike a call, and therefore the feature is not conceptually different than those of other financial instruments. Accordingly, we suggest that the grandfathering limitation of L2-115 be removed to more properly reflect the capital status of these vital instruments.	instruments compliant with ICS requirements.
12. Do you have comments regarding the calculation of the Life risk charges?	Northwestern Mutual	As commented in previous submissions, we believe the lapse rate assumptions included within the Life risk charge are not representative of historical experience, are too extreme, and are too simplistically defined. The intensity of an actual lapse event will differ by product type; and to be accurate, so should the ICS requirement. Grouping all retail products together, for example, is not appropriate. Over the last several decades (including the very high interest rate environments of the 1980s), our life insurance lapse rate for participating whole life policies has never exceeded 6%. For annuities, the maximum has been 17%. With recent rises in interest rates, overall lapses and surrenders have stayed within normal ranges, consistent with our historical experience. The purchase of life insurance meets a long-term insurance need for the consumer and therefore tends to be less sensitive	- About *lapse risk needing recalibration for mass lapse component*: The stress factors were initially determined based on the various solvency frameworks of IAIS member jurisdictions along with expert judgment. Subsequently, during field testing and monitoring period of the ICS, additional data collections were carried out to review the appropriateness of the stress factors and update

Question	Respondent	Comment received	IAIS response
		to changes in interest rates. A policyholder's decision to lapse would include more factors than the difference between market and credited rates. Other factors would include loss of insurance protection (that may not be replaceable), new underwriting (perhaps resulting in higher premium classifications), new sales costs, and tax considerations. Additionally, our experience is that policyholders act in their own economic best interest and we believe stress tests designed to mimic policyholder behavior should assume the same. When mass lapses occur, they typically involve capital market products like guaranteed investment contracts and may involve the effect of poor investment decisions. In summary, the IAIS should consider varying mass lapse stresses by product type. From our perspective, we would not expect to see the mass lapse stress to exceed 10% for whole life insurance. To the extent that the Mass Lapse stress is not modified, then the threshold embedded in criteria L2-69c should be increased from 5% to at least 10% to increase the likelihood of appropriate bucketing treatment, as referenced in our response to Q4.	the stress factors where relevant credible data have been received. Please refer to the ICS calibration document for more details about the ICS calibration methodology. When the standard method does not reflect the IAIG's actual risk profile, the ICS allows for the use of a (partial) internal model to capture diversification more adequately, subject to the GWS approval. Specifically, on mass lapse, this aspect has been investigated throughout public consultations and data collections. The differentiation of the stress factors by the specified geographical segmentation in the ICS standard method was chosen to strike a balance between complexity and risk sensitivity. The

Question	Respondent	Comment received	IAIS response
			granularity of the segmentation has also considered the availability of data to produce a meaningful level of calibration. - About lapse risk needing recalibration for mass lapse component: The stress factors were initially determined based on the various solvency frameworks of IAIS member jurisdictions along with expert judgment. Subsequently, during field testing and monitoring period of the ICS, additional data collections were carried out to review the appropriateness of the stress factors and update the stress factors where relevant credible data have been received. Please refer to the ICS calibration

Question	Respondent	Comment received	IAIS response
			document for more details about the ICS calibration methodology. When the standard method does not reflect the IAIG's actual risk profile, the ICS allows for the use of a (partial) internal model to capture diversification more adequately, subject to the GWS approval. Specifically, on mass lapse, this aspect has been investigated throughout public consultations and data collections. The differentiation of the stress factors by the specified geographical segmentation in the ICS standard method was chosen to strike a balance between complexity and risk sensitivity. The granularity of the segmentation has also considered the availability of data to produce a

Question	Respondent	Comment received	IAIS response
			meaningful level of calibration.
19. Do you have comments on the inclusion of the Equity risk counter-cyclical measure (NAD)?	Northwestern Mutual	It has been recognized for some time in the US that asset exposure measured at market value (like equities in the US system) can present a risk of pro-cyclical behavior. We generally support the idea of a counter-cyclical measure to better incentivize conserving a portion of available capital during favorable economic times for use during stress conditions. However, we have concerns with introducing a new factor at this stage in the ICS process without time for thorough testing, especially one that lacks clarity for the design and calibration process. In order to provide meaningful comments about the NAD (or any other counter-cyclical measure), we would need more insight into the design and calibration processes, as well as additional time to evaluate outcomes of various scenarios.	- About *supporting the design*: Your support of the ICS design is noted. - About *NAD added late without design clarity*: The 2023 and 2024 confidential reporting of the ICS enabled an assessment of the NAD. They didn't provide evidence of inappropriate behavior.

Question	Respondent	Comment received	IAIS response
20. Do you have comments on the proposed design of the Equity risk counter-cyclical measure?	Northwestern Mutual	See response in Q19.	Noted.
21. Do you have comments on whether the Equity risk counter-cyclical measure should allow for more granular calibrations to reflect geographical market specificities?	Northwestern Mutual	See response in Q19.	Noted.

Question	Respondent	Comment received	IAIS response
37. Do you have comments regarding SOCCA processes?	Northwestern Mutual	We express our support for the continued understanding and recognition of the importance of jurisdictional flexibility on approaches to credit risk assessment, specifically the importance of the NAIC Designation process employed by supervisors in the United States to assess credit risk for certain insurer investments.	- About *support for the inclusion of SOCCA processes in the ICS*: The inclusion of a SOCCA framework is consistent with the proposed approach under the Candidate ICS.
44. Do you have additional comments on the ICS?	Northwestern Mutual	From our perspective as a U.S. mutual life insurer whose primary liabilities arise from the participating individual whole life insurance purchased by our policyowners, we remain concerned with the implementation of the ICS in its current form. PWL, with its combination of mortality protection, conservative guarantees, and sharing of risk with the policyholder through participation features, has helped generations of families meet their financial security needs while being recognized by rating agencies and others as a safe / low risk product from an insurer solvency perspective. The volatility of results and high degree of conservatism (which we believe exceeds its targeted confidence level) create false solvency signals and inaccurate indicators of financial strength. We continue to urge the IAIS to reconsider the Bucketing approach process (or at a minimum, specific items within the	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		existing criterion as detailed by our comment in Q4) to ensure the appropriate classification of US life insurance products, specifically PWL. We also note all examples contained within both the text and the grey boxes have been removed from the ICS itself and are only included the current year “Instructions for the ICS Data Collection Exercise.” While we appreciate that these may be related to an insurer’s technical work to comply with the ICS, we believe that the examples (such as the one previously included within section 5.2.1.4) are extremely helpful to both ensure uniform interpretation and avoid confusion with the ICS.	
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	Northwestern Mutual	We offer comments from our perspective as a U.S. mutual life insurer whose primary liabilities arise from the participating individual whole life insurance (PWL) purchased by our policyowners. However, given the potentially far-reaching consequences of a globally comparable insurance capital and valuation regime, although we are not an IAIG, we have responded to certain Economic Impact Assessment questions as though we were an IAIG. In our responses, we have also assumed for purposes of these comments the ICS being simultaneously and globally implemented in its current form. From that perspective, if the ICS in its current form were to apply to our business, we would anticipate substantial inappropriate spurious volatility of the company’s capital and	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		ICS ratio and a degree of conservatism that exceeds its targeted confidence level. The costs of this result would be pressure to move away from the traditional participating whole life (PWL) products that make up the majority of our liabilities. PWL, with its combination of mortality protection, conservative guarantees, and sharing of risk with the policyholder through participation features, has helped generations of families meet their financial security needs while being recognized by rating agencies and others as a safe / low risk product from an insurer solvency perspective. It would also likely result in a lack of other market participants remaining to fill the void, causing a gap in coverage. Alternatively, we could be incentivized to make changes to our investment strategy that would detract from expected long-term policyowner value. The investment strategy for traditional PWL is set recognizing how these products allow for the sharing of risk with policyowners. Doing so allows for more diverse asset types and wider asset duration ranges to be considered when optimizing the strategy. Ultimately this leads to greater expected returns for policyowners on a risk-adjusted basis. If the Three-Bucket Approach is not revised to appropriately recognize how traditional PWL allows for risk to be shared with policyowners, the optimization of our investment strategy would be unduly constrained resulting in a less diverse asset allocation and worse expected outcomes for policyowners.	

Question	Respondent	Comment received	IAIS response
		When valuing assets and liabilities, the yield curves used to discount future cash flows need to be consistent with the risk characteristics of those cash flows. While the Three-Bucket approach recognizes that the discount rates used to value liabilities should vary depending on the risk profile of the liabilities, it fails to appropriately classify liabilities by risk profile and set discount rates accordingly. The approach also fails to maintain consistency between the valuation of assets and liabilities. This limited view of risk disregards that asset and liability risks can be optimally and appropriately managed even if cash flows do not appear to be perfectly matched, and vice versa. Because of these issues, the approach will lead to spurious volatility in financial results and improper valuations of contractual guarantees and could cause shifts away from products with guarantees or cause these products to become more expensive.	
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	Northwestern Mutual	As noted in our response to Q45, if the ICS in its current form were to apply to our business, we would anticipate inappropriate volatility of the company's capital and ICS ratio and a degree of conservatism that exceeds its targeted confidence level. From a pricing perspective, it would be reasonable to expect additional pricing margin and/or reduced policy dividends for long-duration insurance products. In total, it would be reasonable to expect these changes to reduce the	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		ultimate value provided to consumers of long-duration insurance products.	
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	Northwestern Mutual	As described in our response to Q45, if the ICS in its current form were to apply to our business, we would anticipate spurious volatility in financial results and improper valuations of liabilities for products including contractual guarantees. As a result, it would be reasonable to expect that products which include guarantees, including long-duration participating life insurance where the insurer shares risk with the policyholder, would be reduced and/or more expensive.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
48. Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts.	Northwestern Mutual	As described in our response to Q45, if the ICS in its current form were to apply to our business, the discount rates resulting from the Three Bucket approach and the valuations of contractual guarantees would be inappropriately adverse for our traditional participating whole life product, a common long-duration life insurance product issued in the U.S. As a result, it would be reasonable to expect reduced availability of long-duration insurance products, including those with participating features and embedded guarantees, that are more susceptible to these inappropriate aspects of the MAV approach.	Please see ICS Economic Impact Assessment report
49. Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	Northwestern Mutual	As noted in our responses to Q45-Q48, the ICS and its MAV approach inappropriately values fundamental aspects of common long-duration life insurance products issued in the U.S. As a result, if the ICS in its current form were to apply broadly, it would be reasonable to expect reduced availability of long-duration insurance products.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
58. Do you have any concerns over the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS? If so, please explain the potential impacts.	Northwestern Mutual	As described in our response to Q7, our ability to raise capital from third parties is largely limited to our capacity to issue surplus notes. We note that paragraph L2-115 includes a grandfathering limitation that would limit common market terms of these important and loss-absorbing instruments. If this grandfathering limitation is not removed, it could limit the ability of mutual company IAIGs to raise capital that is recognized by the ICS.	Please see ICS Economic Impact Assessment report
59. Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	Northwestern Mutual	As described in our response to Q45, the ICS and its Three Bucket Approach disregards that asset and liability risks can be optimally and appropriately managed even if cash flows do not appear to be perfectly matched. The ICS incentivizes insurers to perform strict cash flow matching even if it is less effective than other asset-liability management approaches for certain insurance products. As described in our response to Q44, the ICS introduces financial statement volatility that may not be an appropriate solvency signal. Consequently, insurers could shift their risk management strategies towards managing and minimizing the financial statement volatility introduced by the ICS and add further operational burdens or take risk management resources away from existing effective activities.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	Northwestern Mutual	As explained in our response to Q45, the ICS in its current form incentivizes investment in a less diverse set of asset types and a tighter asset duration range. Because the Three-Bucket Approach does not appropriately recognize how traditional PWL allows for risk to be shared with policyowners and takes an overly simplistic view of asset liability management, we would be encouraged to shift away from a balanced mix of asset types and durations and more towards longer duration / higher quality fixed income assets. This shift in asset allocation would reduce expected returns for policyowners on a risk-adjusted basis. Other traditional PWL companies would be encouraged to do the same. The greater demand across the market for a narrow set of assets would likely further erode expected returns and increase concentration risk.	Please see ICS Economic Impact Assessment report
72. Do you have any concerns over the availability of longer-term assets in the market to meet any increase in demand from IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	Northwestern Mutual	As explained in our response to Q45 and Q70, the ICS in its current form incentivizes investment in a less diverse set of asset types and a tighter asset duration range. Because the Three-Bucket Approach does not appropriately recognize how traditional PWL allows for risk to be shared with policyowners and takes an overly simplistic view of asset liability management, we would be encouraged to shift away from a balanced mix of asset types and durations and more towards longer duration / higher quality fixed income assets. This shift in asset allocation would reduce expected returns for policyowners on a risk-adjusted basis. Other traditional PWL	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		companies would be encouraged to do the same. The greater demand across the market for a narrow set of assets would likely further erode expected returns and increase concentration risk.	
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	Northwestern Mutual	If the ICS in its current form were to be implemented and applicable to our business, we would expect significant implementation costs, predominantly people- and systems-related. As the ICS is thoroughly distinct relative to the existing valuation and capital standards under which we operate, the ICS implementation costs would go beyond typical implementation costs for regulatory initiatives and could not be shared with other projects.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
1. Do you have comments regarding the general guiding principles of the ICS?	Old Mutual Limited	We are supportive of the principles and have no issues to raise on any of them. It is the execution that we believe could be made more efficient. We would prefer the situation where an IAIG can demonstrate that their main supervisor's solvency basis is compliant with the ICS principles. They could then submit this information annually, rather than having to duplicate effort in performing an additional set of calculations on a different basis (as has been the case for the field testing). Where an IAIG operates in a jurisdiction that doesn't have an appropriate group-wide supervisory basis, then they should be compelled to submit results on the ICS standard formula basis. Over time this could encourage that IAIG to lobby their local regulator for enhancements to the local basis and bring it up to ICS standard.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
3. Do you have comments on the introduction of a term structure of credit spreads for discounting?	Old Mutual Limited	It makes intuitive sense to allow for a term structure, but practically in the context of a South African Insurance Group it seemed to add unnecessary complexity for the value it added.	- About *assessing the complexity of the approach against its benefits*: The data collected over the monitoring period indicates that the current discounting approach in the ICS is appropriate.

Question	Respondent	Comment received	IAIS response
4. Do you have comments on the revised eligibility criteria for the Middle Bucket?	Old Mutual Limited	We noted the changes but didn't see an impact on the way we classified our business into the Buckets.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
5. Do you have comments on the introduction of a modulation factor?	Old Mutual Limited	It added further complexity to an already complex spread adjustment methodology that didn't offer enough benefits to us to justify the effort to calculate accurately.	- About *removing the modulation factor*: The modulation factor was considered necessary to limit the potential risk of an overly optimistic valuation of insurance liabilities, which could lead to increases in capital resources driven by duration mismatches of assets and liabilities when spreads increase.

Question	Respondent	Comment received	IAIS response
12. Do you have comments regarding the calculation of the Life risk charges?	Old Mutual Limited	A 12.5% mortality risk charge for emerging markets looks lighter than we might expect in a 1-in-200 scenario (e.g. the South African 1-in-200 mortality risk charge is 15%). Similarly the mass lapse shocks of 30% (retail) and 50% (non-retail) are lighter than the 40% (retail) and 70% (non-retail) used in South Africa. For expense inflation shock it may be useful to take the greater of a relative multiplicative shock (scaling of projected inflation rates) as well as an absolute additive shock) to cater for emerging markets that could experience high levels of expected inflation.	- About *mortality risk and longevity risk needing opinion about calibration*: Please refer to the ICS calibration document for more details about the ICS calibration methodology. When the standard method does not reflect the IAIG's actual risk profile, the ICS allows for the use of a (partial) internal model to capture diversification more adequately, subject to the GWS approval. - About *expense risk needing consideration of the expense inflation component*: The IAIS collected data for the calibration of mortality, morbidity, lapse, and expense risks during field testing and monitoring period of the ICS. Data

Question	Respondent	Comment received	IAIS response
			received did not indicate that the calibration for the expense risk is inappropriate, and the ICS results over the monitoring period did not indicate issues with the expense risk module. The design of the expense inflation shock was intended to strike a balance between complexity and risk sensitivity.
18. Do you have comments on the differentiated treatment for investments in infrastructure equity?	Old Mutual Limited	No comments. We don't have material enough amounts of infrastructure equity assets to report separately.	- About *the absence of comment / the non-materiality of this subject*: With regard to the differentiated treatment for investments in infrastructure equity, it is noted that no granular enough information is available so you can provide an informed comment.

Question	Respondent	Comment received	IAIS response
19. Do you have comments on the inclusion of the Equity risk counter-cyclical measure (NAD)?	Old Mutual Limited	We support the inclusion of the NAD as it produces a more appropriate equity shock when the market is away from its long-term position and it is more aligned with our local regulatory basis.	- About *supporting the design*: Your support of the ICS design is noted.
21. Do you have comments on whether the Equity risk counter-cyclical measure should allow for more granular calibrations to reflect geographical market specificities?	Old Mutual Limited	The current approach of only producing a NAD for developed and emerging markets should be refined into more sub-regions to capture the likely variation in equity price cycles that can arise in different regions.	- About *increasing regional granularity*: The current design aims to strike a balance between complexity and risk sensitivity.

Question	Respondent	Comment received	IAIS response
24. Do you have comments regarding Currency risk?	Old Mutual Limited	The template specifies a shock for currencies not listed in table 21. This should be mentioned in the final ICS documentation.	- About *currency risk parameter for the World bucket missing from the technical specifications*: The parameter has been added.
33. Do you have comments regarding the use of a simplified utilisation approach for tax?	Old Mutual Limited	We support the changes made as our tax rate is above 20% and we believe the current proposal is a more appropriate approach.	- About *support for simplified approach*: The IAIS takes note of your support for the simplified utilisation approach for tax.

Question	Respondent	Comment received	IAIS response
39. Do you have comments on the general provisions on the use of an internal model to determine regulatory capital requirements (section 9.4.2)?	Old Mutual Limited	No comments. We do not use an internal model and do not anticipate applying for the use of one in the foreseeable future.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
44. Do you have additional comments on the ICS?	Old Mutual Limited	We have a general concern if the requirements of the ICS diverge materially from the local group regulatory basis. Currently only 2 insurance groups in South Africa are IAIGs and any additional capital requirements could put them at a competitive disadvantage in the local market (on top of any additional ICS reporting costs incurred by the IAIGs relative to their non-IAIG competitors). This supports our preference for the ICS to be based on local group regulatory results (provided that the basis meets the minimum standards of the ICS, otherwise then the ICS basis would need to be used).	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	Old Mutual Limited	Our local regulatory basis has led to a lower group solvency ratio than the ICS basis throughout the years we've participated. Provided this situation continues, we don't anticipate any impact on new business strategy.	Please see ICS Economic Impact Assessment report
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	Old Mutual Limited	Given that only 2 insurers are IAIGs in the South African market it would be concerning if implementing ICS led to an impact on their pricing relative to local competitors not subject to ICS. Across global markets it is difficult to comment without knowing the relationship between ICS solvency and overseas companies' local group solvency.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	Old Mutual Limited	No impact anticipated given that our local solo and group regulatory framework is comprehensive and already captures product risks well. The current product offerings are well-suited to customer needs and the regulatory environment.	Please see ICS Economic Impact Assessment report
48. Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts.	Old Mutual Limited	No impact anticipated given that our local solo and group regulatory framework is comprehensive and already captures product risks well. The current product offerings are well-suited to customer needs and the regulatory environment.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
49. Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	Old Mutual Limited	No impact anticipated given that our local solo and group regulatory framework is comprehensive and already captures product risks well. The current product offerings are well-suited to customer needs and the regulatory environment.	Please see ICS Economic Impact Assessment report
50. Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	Old Mutual Limited	No impact anticipated given that our local solo and group regulatory framework is comprehensive and already captures all risks well. Our internal risk management system is mature and likely to remain aligned to our local solo and group regulatory basis as that is the basis used for our ORSA.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	Old Mutual Limited	No impact anticipated given that our local solo and group regulatory framework is comprehensive and already captures product risks well. The current product offerings are well-suited to customer needs and the regulatory environment.	Please see ICS Economic Impact Assessment report
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	Old Mutual Limited	No impact anticipated given that our local solo and group regulatory framework is comprehensive and already captures product risks well. The current product offerings are well-suited to customer needs and the regulatory environment.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
53. Do you anticipate any opportunities for an increase in the range of products available in the insurance market as a result of the implementation of the ICS? If so, please explain the potential opportunities.	Old Mutual Limited	No impact anticipated given that our local solo and group regulatory framework is comprehensive and already captures product risks well. The current product offerings are well-suited to customer needs and the regulatory environment.	Please see ICS Economic Impact Assessment report
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	Old Mutual Limited	No impact anticipated given that our local solo and group regulatory framework is comprehensive and our strategy has been formulated within that context already for a number of years.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	Old Mutual Limited	No change anticipated given the broad similarities of the ICS's methodology to that of our local group regulatory basis.	Please see ICS Economic Impact Assessment report
56. Do you anticipate that the implementation of the ICS could lead to a change in the profitability of an IAIG's business units or insurance entities focusing on a specific product type or market segment? If so, please describe the products or market segments potentially affected.	Old Mutual Limited	No impact anticipated given that our local solo and group regulatory framework is comprehensive and already captures product risks well. The current product offerings and pricing are well-suited to customer needs and the regulatory environment.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
57. Do you anticipate any circumstances in which IAIGs will need to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS? If so, please explain the potential impacts.	Old Mutual Limited	Given our current solvency levels we can't see the ICS implementation resulting in the need for additional capital.	Please see ICS Economic Impact Assessment report
58. Do you have any concerns over the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS? If so, please explain the potential impacts.	Old Mutual Limited	The market is more likely to look at local group solvency reporting if raising capital locally. For debt issuance we expect the rating agency's capital models to take priority.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
59. Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	Old Mutual Limited	No impact anticipated given that our local solo and group regulatory framework is comprehensive and already captures all risks well. Our internal risk management system is mature and likely to remain aligned to our local solo and group regulatory basis as that is the basis used for our ORSA.	Please see ICS Economic Impact Assessment report
60. Do you anticipate any circumstances in which IAIGs might change their approach to risk mitigation as a result of the implementation of the ICS? If so, please explain the potential impacts.	Old Mutual Limited	No impact anticipated given that our local solo and group regulatory framework is comprehensive and already captures risks well. The current risk mitigation approach is mature and well-suited to the regulatory environment.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
61. Do you anticipate circumstances in which IAIGs would re-structure their business as a direct result of the implementation of the ICS? If so, please explain the potential impacts.	Old Mutual Limited	No circumstances are foreseen where a restructuring would be needed as a result of ICS being implemented.	Please see ICS Economic Impact Assessment report
62. Do you anticipate any other changes to the operating model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	Old Mutual Limited	No changes in the general operating model would be anticipated. Depending on the ICS reporting requirements (timelines, governance, etc.) there may need to be adjustments made to our reporting systems and resourcing.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
63. Do you anticipate any changes to risk management practices across the insurance industry as a result of the implementation of the ICS? If so, please explain the potential impacts.	Old Mutual Limited	Those IAIGs not already subject to an appropriate risk-based capital system may see changes in their solvency / sensitivity to solvency, and would have to adapt in response. It is not clear to us whether this is a significant portion of the global industry or not.	Please see ICS Economic Impact Assessment report
64. Do you anticipate any benefits to the business model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential benefits.	Old Mutual Limited	We do not anticipate any benefits to our business model as a result of the implementation.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
65. Do you anticipate any impacts to the competitiveness of IAIGs relative to non-IAIGs with the implementation of the ICS?	Old Mutual Limited	If ICS results in additional capital requirements for IAIGs then this could lead to lower shareholder returns and/or the need to reprice products. This would have an impact on competitiveness versus non-IAIGs. The additional cost of reporting would have a financial impact that the non-IAIGs don't have to absorb.	Please see ICS Economic Impact Assessment report
66. Do you anticipate any changes to the investment strategy of IAIGs which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	Old Mutual Limited	At this stage we can't foresee ICS having a significant impact on investment strategies.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
67. Do you anticipate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	Old Mutual Limited	At this stage we can’t foresee ICS having a significant impact on investment strategies.	Please see ICS Economic Impact Assessment report
68. Do you anticipate any impacts from the implementation of the ICS on asset concentration risk, either within IAIGs or across insurance markets? If so, please explain the potential impacts.	Old Mutual Limited	No impact anticipated.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
69. Do you anticipate the implementation of the ICS altering the investment strategy or investment decisions of IAIGs in response to stressed market conditions? If so, please explain the potential impacts.	Old Mutual Limited	We wouldn’t expect this to differ from existing responses to stressed market conditions.	Please see ICS Economic Impact Assessment report
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	Old Mutual Limited	No impact anticipated.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
71. Are there any other areas of the financial markets (eg derivatives or stock lending) that might be impacted – directly or indirectly – by the implementation of the ICS? If so, please explain the potential impacts.	Old Mutual Limited	No impact anticipated.	Please see ICS Economic Impact Assessment report
72. Do you have any concerns over the availability of longer-term assets in the market to meet any increase in demand from IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	Old Mutual Limited	No concerns at this stage.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
73. Do you anticipate any increased risk to the broader financial markets (eg from re-allocations into or out of specific asset classes in response to shocks in financial markets) as a result of the implementation of the ICS? If so, please explain the potential impacts.	Old Mutual Limited	We wouldn’t expect this to differ from existing market reactions after financial market shocks.	Please see ICS Economic Impact Assessment report
74. Do you anticipate any specific benefits to the insurance market or broader financial markets as a result of the implementation of the ICS? If so, please explain the potential benefits.	Old Mutual Limited	The only benefits would be if parts of the global market were not already using a suitable regulatory / solvency framework and ICS brings them up to an appropriate standard.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	Old Mutual Limited	We expect to require additional resources to implement the requirements alongside all the other reporting currently being produced by the actuarial and accounting finance teams. We also anticipate challenges in communicating with and getting senior executive engagement on the topic, when it appears to offer limited additional insights into our business risks and dynamics.	Please see ICS Economic Impact Assessment report
76. To the extent that it can be predicted, do you anticipate impediments to implementing the requirements of the ICS? If so, please explain the potential impacts.	Old Mutual Limited	We expect significant challenges in getting funding for additional resources given that the value-add to the business is limited. This will mean that existing processes / resources will need to be stretched to deliver the required output, putting stress on a stretched system. This could possibly lead to the risk of increased reporting errors (not just within capital reporting).	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
77. Could any costs of implementing the ICS be absorbed by or shared with other implementation projects running concurrently (eg IFRS 17)? If so, please explain how this might be achieved.	Old Mutual Limited	Funding for additional ICS development will be difficult to obtain given that the long-running and expensive IFRS17 project (now complete) took priority in recent years at the expense of other business projects. ICS development is likely to have to be absorbed by the reporting teams and done between regular reporting cycles, further stretching the existing resources.	Please see ICS Economic Impact Assessment report
78. Do you anticipate any other impacts from the implementation of the ICS, not covered above? If so, please explain the potential impacts.	Old Mutual Limited	No further impacts to note.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
1. Do you have comments regarding the general guiding principles of the ICS?	Prudential Financial Inc	The ICS Principles should be reassessed and revised to reflect evolution of the IAIS' broader policy work. For example, references to G-SIIs and policy measures the Holistic Framework has superseded should be removed. These references and Principle 3 should be removed. We also believe the principles should be updated to account for insights gained throughout development of the ICS (e.g., voluntary reporting, consultation feedback, the results of the economic impact and comparability assessments, etc.) and better acknowledge the role of proportionality. Finally, the principles must be accompanied with an explanation for how the final version of the ICS achieves them. For example: The IAIS must explain how application of the ICS as a PCR, which may vary dramatically from the jurisdictional framework that applies to all market participants, contributes to a level playing field (Principle 5). The IAIS must explain how application of the ICS promotes sound risk management and minimizes pro-cyclicality in light of shortcomings of the framework and potential conflicting signals it sends relative to other supervisory tools (Principles 6 and 7). We note that it is inappropriate for the principles to note the "ICS is transparent" given the IAIS has yet to provide support	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		for how it has derived the proposed calibrations of the stresses included in the framework.	
3. Do you have comments on the introduction of a term structure of credit spreads for discounting?	Prudential Financial Inc	Introduction of a term structure of credit spreads for discounting is a positive step and improvement to the ICS. The methodology included in the Candidate ICS is much improved relative to the initial version explored in 2022.	- About *introducing a term structure of spreads providing benefits*: Your support for the term structure is noted.

Question	Respondent	Comment received	IAIS response
4. Do you have comments on the revised eligibility criteria for the Middle Bucket?	Prudential Financial Inc	We appreciate the IAIS' effort to improve the approach to valuing insurance liabilities however, we do not believe broadening use of the Middle Bucket through modifications to the criteria is the appropriate method for accomplishing this objective. Instead, we believe the IAIS must focus on structural improvements to how spreads used for liability valuation are developed which should align with the assets an insurer is holding to back the liabilities.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
5. Do you have comments on the introduction of a modulation factor?	Prudential Financial Inc	The Modulation Factor, in conjunction with the Application Ratio, results in a significant haircut to the spread recognized in liability discounting. While this approach may achieve reduced sensitivities of available capital under parallel spread movements, it exaggerates an insurer's ALM mismatch and contributes to the flawed signalling of risk the ICS produces. As a general point, we believe ALM mismatches should be addressed through interest rate risk stresses and other supervisory tools rather than embedding non-economic conservatism in the valuation of insurance liabilities. For these reasons, we believe the modulation factor should be removed from the ICS. Should the IAIS continue to pursue an adjustment to avoid "overshooting", we believe the following adjustments would be more appropriate:	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		Recognize a more realistic (i.e., higher) spread over the long term forward rate (LTFR). In the yield curve extrapolation, converge to long-term spread more quickly.	
6. Do you have other comments regarding the Market-Adjusted Valuation?	Prudential Financial Inc	While the IAIS has made improvements to the design of the ICS, we believe it continues to possess design flaws that give rise to flawed risk signaling and would trigger negative unintended consequences. EA key driver of this is the material understatement of spreads in the yield curves used to value insurance liabilities under the MAV approach, which is especially pronounced for USD yield curves. The USD yield curves should recognize the unparalleled breadth and depth of the U.S. capital markets rather than being subject to a lowest common denominator approach. We believe changes beyond those contemplated in the Candidate ICS are necessary before the framework is finalized, including: Recognition of a more realistic long-term spread for USD.	- About *taking more account of the spread of non-fixed income assets*: The data collected over the monitoring period supports the treatment provided in the ICS of spread adjustments for non-fixed income assets. - About *removing or better justifying MOCE*: The data collected over the monitoring period supports the treatment provided in the ICS for MOCE.

Question	Respondent	Comment received	IAIS response
		Publicly available data supports a spread much higher than the current 20 basis points. The IAIS should explain to stakeholders why it continues to ignore data that supports recognition of a higher spread and provide objective data that justifies the current approach if retained. Recognition of a more realistic spread for non-fixed income assets that better reflects the returns insurers earn on these assets. Similar to the previous comment, historical data consistently demonstrates the meaningful excess return these investments earn relative to interest rates over time. The IAIS should explain to stakeholders why it continues to ignore data that supports recognition of a higher spread and provide objective data that justifies the current approach if retained. Exclude arbitrary haircuts to the spreads – such as the Modulation Factor and Application ratios. As a broader point on the ICS, we continue to disagree with the inclusion of a Margin Over Current Estimate (MOCE) in the framework. Uncertainty of liability cash flows is already captured in required capital and all margins in reserves should be recognized as loss absorbing capital resources.	- About *unrealistic spread over LTFR*: The data collected over the monitoring period supports the treatment provided in the ICS for the spread over LTFR. - About *extrapolation needing to converge faster*: The data collected over the monitoring period supports the treatment provided in the ICS for the extrapolation of the base yield curve. - About *removing application ratios*: The data collected over the monitoring period supports the treatment provided in the ICS for application ratios.

Question	Respondent	Comment received	IAIS response
7. Do you have comments on the changes regarding eligibility criteria for Tier 1 Limited and Tier 2 financial instruments? Please explain your response based on actual terms and conditions of instruments commonly issued by insurers.	Prudential Financial Inc	We support the changes the IAIS has introduced in the Candidate ICS.	- About *support for changes.*: The IAIS takes note of your support for changes introduced in the candidate ICS.
10. Do you have comments regarding the ICS risks and calculation methods?	Prudential Financial Inc	As a general comment, the IAIS has not provided stakeholders sufficient transparency into calibrations of the ICS stresses. We believe such information should be shared with stakeholders and sufficient time allotted for review and comment prior to finalization of the ICS. If the IAIS will not share this information before finalization of the framework, it should provide a rationale for why such a lack of transparency is appropriate for parties impacted by the ICS and the sector more broadly.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
12. Do you have comments regarding the calculation of the Life risk charges?	Prudential Financial Inc	We continue to believe the mass lapse charge should be specified relative to the best estimate, as opposed to an absolute lapse rate, which would make the charge more sensitive to product features, moneyness of the contract, market conditions, and regional considerations. Calibration of the mass lapse stress remains excessive and significantly higher than any IAIG mass lapse event in US or Japanese history. As noted in our response to question 10, the IAIS should provide objective support for its proposed calibration. As expense risk is generally within a firm's control, we believe holding capital for it is excessive – if an adverse expense scenario were to manifest, management actions to materially reduce expenses would likely occur. Further, stressing both unit expenses and expense inflation simultaneously without any diversification benefits is excessive. Expense stresses should be applied separately and aggregated assuming independence as their risk drivers are different. Unit expenses are mainly driven by internal factors, whereas expense inflation is mainly driven by external factors. Finally, the 25% and 50% correlations between expense and other life risks are excessive. Stress scenarios that reduce the future inforce population – such as mortality and higher lapses – would result in a net decrease in expenses over the medium- to long-term, even if unit expenses increase in the short-term.	- About *lapse risk needing recalibration for mass lapse component*: The stress factors were initially determined based on the various solvency frameworks of IAIS member jurisdictions along with expert judgment. Subsequently, during field testing and monitoring period of the ICS, additional data collections were carried out to review the appropriateness of the stress factors and update the stress factors where relevant credible data have been received. Please refer to the ICS calibration document for more details about the ICS calibration methodology. When the standard method does not reflect the IAIG's actual risk profile, the ICS allows for

Question	Respondent	Comment received	IAIS response
			the use of a (partial) internal model to capture diversification more adequately, subject to the GWS approval. Specifically, on mass lapse, this aspect has been investigated throughout public consultations and data collections. The differentiation of the stress factors by the specified geographical segmentation in the ICS standard method was chosen to strike a balance between complexity and risk sensitivity. The granularity of the segmentation has also considered the availability of data to produce a meaningful level of calibration. - About lapse risk needing recalibration for mass lapse component: The stress

Question	Respondent	Comment received	IAIS response
			factors were initially determined based on the various solvency frameworks of IAIS member jurisdictions along with expert judgment. Subsequently, during field testing and monitoring period of the ICS, additional data collections were carried out to review the appropriateness of the stress factors and update the stress factors where relevant credible data have been received. Please refer to the ICS calibration document for more details about the ICS calibration methodology. When the standard method does not reflect the IAIG's actual risk profile, the ICS allows for the use of a (partial) internal model to capture diversification more adequately, subject to the

Question	Respondent	Comment received	IAIS response
			GWS approval. Specifically, on mass lapse, this aspect has been investigated throughout public consultations and data collections. The differentiation of the stress factors by the specified geographical segmentation in the ICS standard method was chosen to strike a balance between complexity and risk sensitivity. The granularity of the segmentation has also considered the availability of data to produce a meaningful level of calibration. - About *expense risk needing overall consideration*: Expense risk may be affected by both the external environment and business practices of the IAIG, and hence may not be

Question	Respondent	Comment received	IAIS response
			fully within the control of the insurer, as evidenced by the high inflation rates observed throughout 2022 and 2023. The grading down of the expense inflation stress is intended to strike a balance between the ability of the insurer to control its expenses and the fact that inflation is not fully within the control of the insurer. - About *expense risk needing consideration of diversification*: The IAIS collected data for the calibration of mortality, morbidity, lapse, and expense risks during field testing and monitoring period of the ICS. Data received did not indicate that the calibration for the expense risk is inappropriate, and the ICS results over the monitoring

Question	Respondent	Comment received	IAIS response
			period did not indicate issues with the expense risk module. The design of the expense inflation shock was intended to strike a balance between complexity and risk sensitivity.
16. Do you have comments regarding the Interest Rate risk?	Prudential Financial Inc	We believe several enhancements are needed to the current approach: The IAIS should introduce a counter-cyclical feature for interest rate risk, similar to the NAD for equity stress, to mitigate procyclicality. Consistent with the long-term definitional nature of LTFR, it should be held constant rather than stressed. The current shock of +/- 10% is punitive given the maximum annual change is limited to 15 bps. If the current approach is retained, the IAIS must explain why such an inconsistency within the framework is appropriate and data that supports applying different approaches for valuation and required capital purposes.	- About *LTFR shock needing elimination or limitation to 15 bp and adding a counter-cyclical measure to IRR*: The maximum stress of the LTFR has been limited to the maximum year-over-year change of the LTFR with respect to the base risk-free yield curve, as specified for Market Adjusted Valuation. - About *IRR down stress needing a floor to avoid*

Question	Respondent	Comment received	IAIS response
		Downward stresses should be floored at minimum rate levels. Shock sizing should better reflect the current level of rates and realistic boundaries of where interest rates can go. Rate floors recognize that sustained levels of negative rates, especially at longer tenors, are unrealistic. Rate floors would modulate the interest rate stresses in low-rate environments by addressing known shortcomings of the Dynamic Nelson-Siegel model, which assumes normality of the rate distributions. The up-to-down (flattening) tail stresses should be removed. Since both the downward and up-to-down stresses beyond the investable tenors are extrapolated to the same LTFR, the tail stresses do not represent statistically independent components and therefore should not be combined together. External debt should not be subject to interest rate stresses as debt is a source of capital and should be viewed differently than insurance liabilities. Declining rates would lower the refinancing cost of debt capital which would be beneficial to insurers.	*DNS assumption of normal distribution of rates, removing flattening and steepening shocks, and excluding external debt from IRR*: The interest rate risk calculation has been simplified by removing the twist scenarios. The maximum stress of the LTFR has been limited to the maximum year-over-year change of the LTFR with respect to the base risk-free yield curve, as specified for Market Adjusted Valuation. Financial instruments issued by the IAIG are excluded from IRR, while other debt is included.

Question	Respondent	Comment received	IAIS response
17. Do you have comments regarding the Non-Default Spread risk?	Prudential Financial Inc	We continue to believe non-default spread risk is not a relevant risk for life insurers, and thus should not be applied to them, given their long investment horizon.	- About *unclear rationale for NDSR*: With regard to the rationale of NDSR, the data collected over the monitoring period supports the treatment provided in the ICS. To avoid potential procyclicality, the upstress was revised to include a 150 bp cap on the spread movement.
19. Do you have comments on the inclusion of the Equity risk counter-cyclical measure (NAD)?	Prudential Financial Inc	We support the IAIS' effort to address a source of procyclicality and excessive volatility within the ICS through introduction of the NAD. We believe a countercyclical measure should also be developed for interest rate risk.	- About *supporting the design*: Your support of the ICS design is noted. - About *other counter-cyclical measures*: In principle, all Market risks could be subject to a counter-cyclical adjustment. However, some risks would be more difficult to address with a simple methodology as the population of IAIGs react differently to steep

Question	Respondent	Comment received	IAIS response
			market movements. The NAD for equity risk is deemed efficient and yet simple enough to be applied consistently by all IAIGs.
21. Do you have comments on whether the Equity risk counter-cyclical measure should allow for more granular calibrations to reflect geographical market specificities?	Prudential Financial Inc	Yes, we believe the counter-cyclical measure – and other elements of the ICS, including how spreads are determined for insurance liability valuation purposes – should allow for more granular calibrations to reflect geographical market specificities.	- About *increasing regional granularity*: The current design aims to strike a balance between complexity and risk sensitivity.

Question	Respondent	Comment received	IAIS response
33. Do you have comments regarding the use of a simplified utilisation approach for tax?	Prudential Financial Inc	We support the IAIS' decision to move to a simplified utilization approach for tax. The previous approach was overly complex, procyclical, and suggested a false sense of precision. While we support the step the IAIS has taken, we believe retention of a 20% haircut should be removed as it lacks theoretical justification and simply serves as an arbitrary and additional unwarranted layer of conservatism on top of numerous others that that exist across the framework.	- About *20% haircut needing removal*: The 80% factor is meant to reflect that not all net operating losses under stress conditions would be able to be utilised due to the impact of the stress on future taxable income. The amount represents an average utilisation that was observed during the monitoring period. - About *support for simplified approach*: The IAIS takes note of your support for the simplified utilisation approach for tax.

Question	Respondent	Comment received	IAIS response
34. Do you have comments regarding the option given to the supervisor to require a more complex approach for tax?	Prudential Financial Inc	We support the IAIS expressly recognizing that elements of the ICS may not be appropriate for a jurisdiction and jurisdictional supervisors have the option to employ alternative methods that will result in better assessments of risk and solvency and therefore, better outcomes for policyholders and other stakeholders.	- About *support for allowing GWS to employ alternate methods*: This is the specified approach under the standard method. A full internal model can be developed to calculate a post-tax capital requirement.
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	Prudential Financial Inc	The Candidate ICS remains is highly punitive for long-duration insurance and retirement business and could cause insurers subject to it to modify product offerings and pricing in a manner that is detrimental to insurance consumers.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	Prudential Financial Inc	See our response to question 45.	Please see ICS Economic Impact Assessment report
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	Prudential Financial Inc	See our response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
48. Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts.	Prudential Financial Inc	The Candidate ICS remains is highly punitive for long-duration insurance and retirement business and could cause insurers subject to pivot to shorter duration business.	Please see ICS Economic Impact Assessment report
49. Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	Prudential Financial Inc	See our responses to questions 45 and 48.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	Prudential Financial Inc	See our responses to questions 45 and 48.	Please see ICS Economic Impact Assessment report
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	Prudential Financial Inc	See our responses to questions 45 and 48.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
53. Do you anticipate any opportunities for an increase in the range of products available in the insurance market as a result of the implementation of the ICS? If so, please explain the potential opportunities.	Prudential Financial Inc	No. See our responses to questions 45 and 48.	Please see ICS Economic Impact Assessment report
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	Prudential Financial Inc	See our responses to questions 45 and 48.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	Prudential Financial Inc	As discussed in responses to other questions in the Consultation, the Candidate ICS is overly volatile and would lead to more volatile results that do not provide appropriate or accurate insights into an insurers solvency position.	Please see ICS Economic Impact Assessment report
61. Do you anticipate circumstances in which IAIGs would re-structure their business as a direct result of the implementation of the ICS? If so, please explain the potential impacts.	Prudential Financial Inc	Given the anti-competitive implications of the ICS, it is possible that some IAIGs would pursue restructuring to avoid meeting the thresholds for being an IAIG.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
64. Do you anticipate any benefits to the business model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential benefits.	Prudential Financial Inc	No.	Please see ICS Economic Impact Assessment report
65. Do you anticipate any impacts to the competitiveness of IAIGs relative to non-IAIGs with the implementation of the ICS?	Prudential Financial Inc	Yes, application of the ICS as a PCR, which may vary dramatically from the jurisdictional framework that applies to all market participants, would create and an unlevel playing field.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
67. Do you anticipate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	Prudential Financial Inc	The ICS would create incentives for insurers to tailor their investment behaviors to the framework to mitigate the non-economic volatility it creates, which could have adverse effects for the insurance sector and broader financial stability.	Please see ICS Economic Impact Assessment report
74. Do you anticipate any specific benefits to the insurance market or broader financial markets as a result of the implementation of the ICS? If so, please explain the potential benefits.	Prudential Financial Inc	No.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	Prudential Financial Inc	Yes, implementation of the ICS as a PCR would require significant resources.	Please see ICS Economic Impact Assessment report
1. Do you have comments regarding the general guiding principles of the ICS?	Reinsurance Advisory Board	Insurance Europe's Reinsurance Advisory Board (RAB) welcomes the opportunity to provide comments to the International Association of Insurance Supervisors (IAIS) on the Insurance Capital Standard (ICS) as a Prescribed Capital Requirement (PCR). The ICS project is of particular relevance to, and has an impact on, the European industry (EU member states, Switzerland and the UK) given that 28 out of 52 internationally active insurance groups (IAIGs) worldwide (ie, the majority) are European and that European (re)insurers are active globally. The RAB supports the initial objective of the ICS project to create a high-quality and robust global insurance standard that promotes a sound and level global regulatory playing field. It recognises that the IAIS is developing the ICS with the aim of	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		“creating a common language for supervisory discussions” with the “ultimate goal of a single ICS that includes a common methodology by which one ICS achieves comparable — ie, similar but not identical — outcomes across jurisdictions” and that its objective is “to enhance global convergence among group capital standards”. However, given the diversity of views at the IAIS on how to deliver this outcome, the objective of the ICS has evolved over time to now only provide what the IAIS calls a “minimum standard” to be achieved through various methodologies, using the ICS as a reference or the Aggregation Method (AM) as an outcome equivalent. In that sense, the achievability of the initial objective is significantly put into question by the evolution of the nature of the ICS project. Internal models The RAB particularly appreciates the inclusion of internal and partial internal models in the candidate ICS. For an effective, efficient, and robust capital standard, the inclusion of internal models should remain, provided that they are calibrated to a consistent (ie, the same or materially similar) confidence level, and they should be an inherent component of the core ICS standard rather than merely an implemented version of it. In Europe, internal models are a proven risk-management framework and tool which are inherently embedded in the solvency regimes. They are subject to extensive governance and validation requirements and approval by European supervisors. The proposals in the consultation to introduce	

Question	Respondent	Comment received	IAIS response
		similar requirements as part of the inclusion of internal models in the ICS are welcomed. Internal models form a coherent whole and have proven to be an efficient mechanism to better capture the risk profiles of a company and should be recognised as such. The RAB strongly opposes the inclusion of output floors as well as requirements for double reporting using the standard formula for internal model users. These would undermine the economic risk signals provided by internal models and are not needed as long as there is a robust supervisory validation process. Technical specifications of the candidate ICS standard model The ICS project has transitioned through several phases over the years, including the ICS, ICS 2.0 for field testing and now the candidate ICS. In addition, there has been extensive data collection and quantitative testing through the field-testing exercises and the monitoring period. The consequence of all these developments is that the technical specifications for the ICS have become overly detailed and prescriptive. While there remain a number of important questions relating to the jurisdictional implementation of the ICS, the RAB is not aware of any jurisdiction that will implement the ICS to the letter, using the technical specifications designed and calibrated by the IAIS. The ICS therefore is more of a theoretical example than a specific operational framework, like all other Insurance Core Principles. As such, the level of detail and granularity of the technical specifications seem to contradict the “example” approach. Implementational	

Question	Respondent	Comment received	IAIS response
		alignments at that level of detail, if that is what the IAIS is indeed aiming for, are actually an impediment to broader scale convergence (see 'Jurisdictional implementation of the ICS' below). One aspect of the technical specifications that remains an outstanding concern is the margin over current estimates (MOCE). Putting aside the RAB's view that the MOCE should have been based on a cost of capital approach, the MOCE calibrations in the consultation create an unjustified and excessive prudential buffer. This underestimates the available capital, reducing risk-taking capacity for insurers and adversely impacting customer choice, products or prices. The proposed calibrations of the MOCE should therefore be materially reduced. Jurisdictional implementation of the ICS The RAB supports Solvency II, Solvency UK and the Swiss Solvency Test (SST) as the implementations of the ICS in the EU, the UK and Switzerland respectively. These frameworks are based on a total balance-sheet/consolidated approach, are underpinned by economic valuation principles and convergent own fund criteria and are similarly risk-based in terms of target calibration. As such, they should be considered as an implementation of the ICS, without any further changes and with no double reporting requirements. What implementation of the ICS will mean in practice and how this will be assessed is currently unclear. The IAIS in its consultation indicates that implementation of the ICS will vary	

Question	Respondent	Comment received	IAIS response
		significantly between IAIGs and supervisors and across regions due to different local circumstances but it is unclear, given the current prescriptiveness of the ICS, how such flexibility over implementation will be incorporated in the final standard. From the RAB's point of view, the goal of the ICS is to create a common methodology that leads to comparable outcomes across jurisdictions. To be considered a success, the ICS needs to be truly global and can only be considered global if all major jurisdictions commit to implementing it consistently. The RAB also remains concerned that the AM approach is fundamentally different from the candidate ICS and risks undermining the objectives on which the ICS project was based ("common language", "single ICS that includes a common methodology", etc). These objectives were the basis of industry support for the ICS project. Concerns also remain about the lack of transparency regarding the development and comparability assessment of the AM. Currently, the proposed AM approach remains unspecified and the process that the IAIS will use to assess its comparability with the ICS is as yet publicly undocumented. This is contrary to the ICS, which has extensive, multi-level technical specifications and has been subject to field testing and monitoring. For the ICS to be "fit for implementation as a Prescribed Capital Requirement", it is vital that the comparability assessment exercise is sufficiently robust and quantitatively substantiated and transparent to ensure the same level of policyholder protection and not to undermine the key objective of a global standard for prudential	

Question	Respondent	Comment received	IAIS response
		supervision implemented across all major jurisdictions. There should be no double reporting requirements. When the ICS becomes a PCR, it is understood that it will only exist through the means of its legally enforceable transposition into local frameworks. Therefore, it should be the solvency requirements from the recognised frameworks that are used for the purpose of the global colleges of supervision or any other purposes (including the global monitoring exercise).	
3. Do you have comments on the introduction of a term structure of credit spreads for discounting?	Reinsurance Advisory Board	The RAB takes note of the introduction of a term structure of credit spreads for discounting. The benefits would be a more accurate reflection of the spread structure in the discounting. However, further assessment of this change to the methodology is needed to assess whether the benefits justify the additional complexity of such an approach. Nevertheless, to mitigate any potential complexities stemming from this approach, the ICS could indicate both a term and a level structure, as the latter is widely used by other solvency regimes and can be a reasonable alternative to the term structure.	- About *introducing a term structure of spreads providing benefits*: Your support for the term structure is noted. - About *assessing the complexity of the approach against its benefits*: The data collected over the monitoring period indicates that the current discounting approach in the ICS is appropriate.

Question	Respondent	Comment received	IAIS response
4. Do you have comments on the revised eligibility criteria for the Middle Bucket?	Reinsurance Advisory Board	The RAB welcomes the efforts made by the IAIS in revising the eligibility criteria with the aim of reducing their restrictiveness for certain products. The RAB believes that the following refinements would further improve the Middle Bucket criteria: - Removal of criterion to manage the portfolio of assets and liabilities separately. - Reconsideration of the requirements on surrender options and lapse risk.	- About *general support for criteria changes*: Feedback received via the public consultation led to the adjustment of some criteria for the middle bucket.
5. Do you have comments on the introduction of a modulation factor?	Reinsurance Advisory Board	The RAB recognises that the inclusion of a mechanism to mitigate against durational overshooting can be merited from a prudential perspective.	- About *supporting the modulation factor*: Your support to the prudential merits of the modulation factor is noted.

Question	Respondent	Comment received	IAIS response
6. Do you have other comments regarding the Market-Adjusted Valuation?	Reinsurance Advisory Board	The RAB recognises the efforts that have been made to develop the MAV approach to better recognise the long-term nature of the insurance business model. However, the result of these efforts is a relatively complex and prescriptive set of draft technical specifications. When finalising the standard, the IAIS should consider whether this level of granularity remains necessary and justified. Discount curves — The RAB would like to reemphasise the importance of recognising the long-term nature of the insurance sector and its capacity to avoid forced sales, making it less vulnerable to short-term market fluctuations. The RAB broadly welcomes the changes the IAIS has made to integrate this characteristic in the design of the discount curves to avoid introducing any unintended volatility. The RAB supports a methodology to derive the discount rate that does not introduce artificial volatility. While the MAV approach proposed by the IAIS is potentially more complex than methods used by other prudential frameworks, it appears that the proposed approach to the derivation of the discount curve has the potential for effective implementation. On L2-62: The methodology to derive the LTFR implies a relationship between risk-free rates, inflation and the central bank's inflation target. However, the RAB currently sees a situation in which the inflation targets and the observed inflation	- About *expanding the scope of management actions*: The approach for management actions was revised to include non-participating contracts and to make management action criteria more principle-based. - About *disconnection of LTFR with observed inflation*: The data collected over the monitoring period supports the treatment provided in the ICS for LTFR, despite potential disconnects with observed inflation. - About *MOCE being based on cost of capital*: The data collected over the monitoring period supports the treatment provided in the ICS for MOCE.

Question	Respondent	Comment received	IAIS response
		differ significantly. Should this situation prevail, the methodology as described in L2-62 could lead to results that are counterintuitive. In this case, the methodology should be reviewed. MOCE — Despite the RAB's view that the MOCE should have been based on a cost of capital approach, the MOCE calibrations in the consultation lead to a level that is too high. In this regard, the RAB declares its support for a lower calibration of the percentiles that would result in a significant reduction in the size of the MOCE for both life and non-life business. An appropriately calibrated MOCE would enhance insurers' capacity to take on risks and invest in the economy, while remaining sufficiently prudent. In addition, as noted by the IAIS, "The MOCE covers the inherent uncertainty in the cash flows related to insurance obligations. As such, MOCE considers all uncertainties attached to these obligations." However, these uncertainties are already covered by the PCR which is calculated to a 99.5% VaR so the risk to policyholders from these uncertainties is already assessed elsewhere in the framework. Management actions — The RAB also considers that there should be an appropriate recognition, in L2-40 and L2-140, of the value of premium increase management actions for life reinsurance business in line with their economic value. Premium increases for reinsurance have the same economic	- About *MOCE calibration being too high*: The data collected over the monitoring period supports the treatment provided in the ICS for MOCE. - About *MAV specifications being complex and prescriptive*: The granularity of specifications was investigated via public consultations and data collections, and the current level of granularity is deemed appropriate for the ICS as a global standard.

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		impact as a reduction in discretionary benefits, since premiums and claims are paid simultaneously on a reinsurance treaty and the reinsurance premium increase has the same impact on net cashflow as a reduction in benefits paid. Under the treaty, reinsurance claim payments will be met on the basis that reinsurance premiums are paid. There are no such restrictions in terms of the reflection of management actions for life reinsurance business in similar but more stringent capital frameworks such as Solvency II.	
7. Do you have comments on the changes regarding eligibility criteria for Tier 1 Limited and Tier 2 financial instruments? Please explain your response based on actual terms and conditions of instruments commonly issued by insurers.	Reinsurance Advisory Board	The extensive and detailed ICS requirements in the area of capital resources can potentially lead to diverging impacts per jurisdiction — immediately after implementation as well as over time — keeping in mind that local rules around such instruments can differ significantly. For the established solvency standards in Europe, ie, Solvency II, Solvency UK and SST specifically, the local valuation and eligibility rules for determination of available capital resources should apply and be used as an implementation of the ICS to preserve the coherence of these existing frameworks. The RAB has the following specific remarks regarding capital resources: - In comparison to ICS 2.0, the candidate ICS criteria for Tier 1 Limited instruments relaxed the general prohibition of all event calls other than tax and regulatory calls during the first five	- About *ICS requirements for capital resources potentially leading to diverging impacts across jurisdictions*: One of the aims of the ICS as a global PCR is to harmonise capital standards across jurisdictions. The IAIS is considering what material, such as examples or guidance, may be helpful to publish to support the implementation of the ICS. Regarding rating event calls, the intention is to limit

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		years (articles L2-112.e and L2-114.e). The RAB welcomes this relaxation. - However, the candidate ICS only allows such other event calls subject to prior "economic" (lower cost) replacement. In the case of event calls, the requirement for the cost of replacement instruments to be lower than those of the instrument to be called is not prudentially justifiable. The occurrence of an event that gives rise to an event call means that the instrument has become inefficient for rating, accounting or other purposes. Replacing the now inefficient instrument with a new, efficient instrument may make perfect economic sense even if the replacement instrument is more costly than the now inefficient instrument. - The terms and conditions of the new (but efficient) instrument will likely have to differ from those of the old (but inefficient) instrument, and to the extent that efficiency requires terms that increase the economic risks borne by investors, the replacement instrument will be more costly than the old (but inefficient) instrument, all else being equal. Nonetheless, an issuer may want to make use of its call right to pay a higher spread (accept higher costs) in return for increasing the efficiency of the instrument. Yet the new Tier 1 Limited criteria (Candidate ICS) would prohibit the replacement. - The concept of "economic replacement" is prudentially more meaningful in the context of ordinary calls, where the instrument to be called is typically fully efficient and thus more comparable with the potential replacement instrument. In the	extraordinary calls to events that are out of the control of the IAIG and cannot be anticipated. - About *inconsistency in the treatment of repurchases and event calls*: Although not identical, the ICS approach is similar to that of the Basel framework for banking supervision, whereby redemption is subject to more detailed limitations than repurchase. - About *recognition of Tier 2 non-paid-up capital resources not depending on an IAIG's legal form or ownership*: Contrary to public companies, mutual groups are typically unable to issue common equity. By including a limited recognition of non-paid-up capital, the ICS takes into

Question	Respondent	Comment received	IAIS response
		case of event calls, the candidate ICS does not require tax and regulatory calls to be “economic” (lower cost replacement). All other customary event calls including accounting, rating and clean-up calls should also be exempt from the requirement of economic replacement. - The RAB also points to the logical and prudential inconsistency of limiting event calls on the one hand, but allowing repurchases at any time (L2-112) on the other hand. Event calls have the benefit of a contractually defined call (redemption) price (typically at par). Event calls define a maximum redemption price. Limiting an issuer’s ability to make use of event calls “forces” issuers to make a (more costly) repurchase instead. - The recognition of Tier 2 non-paid-up capital resources should not depend on an IAIGs legal form or ownership as various insurers have access to non-paid-up capital that is external to the group, such as letters of credit. Tier 2 non-paid-up capital resources should form part of the Tier 2 capital resources and should be subject to the normal capital composition limits. - The current 10% limit for Tier 2 non-paid-up capital resources is overly restrictive and can clash with jurisdictional solvency frameworks, ie, could create an unlevel playing field locally if IAIGs are subject to more restrictive limits than non-IAIGs and solo entities. Specifically regarding capital composition limits the following is	account the specificities of mutual IAIGs. - About *10% limit for Tier 2 non-paid-up capital resources being overly restrictive*: The data analysis performed during the ICS monitoring period did not show any unintended effects of applying a 10% limit for Tier 2 non-paid-up capital. - About *restriction in Tier 2 financial resources for residual maturities less than 5 years leading to uncertainty and should be removed*: The amortisation or lock-in requirement for instruments approaching maturity ensures some permanence of capital resources. As the requirements are transparent and predictable, no uncertainty is expected.

Question	Respondent	Comment received	IAIS response
		noted: - There should be no distinction in capital composition limits for mutuals and non-mutuals, in order to avoid an unlevel-playing field. - The Tier 1 limited capital composition limit of 10% of the ICS capital requirement is too onerous and clashes with jurisdictional solvency frameworks, ie, it creates an unlevel playing field locally if IAIGs are subject to more restrictive limits than non-IAIGs and solo entities. Finally, the determination of capital resources should not amount to an assessment of the features of the assets/liabilities that are included in computing the excess of assets over liabilities, or the underlying items in the undertaking's financial statements. As a result, the RAB believes that L1-60b should be deleted.	- About *capital composition limits being the same for mutual and non-mutuals*: Contrary to public companies, mutual groups are typically unable to issue common equity. By including a limited recognition of non-paid-up capital, the ICS takes into account the specificities of mutual IAIGs. - About *Tier 1 Limited limit of 10% being too restrictive and clashing with jurisdictional solvency frameworks*: The data analysis during the ICS monitoring period did not show any unintended effects of the limit for Tier 1 Limited instruments. It should also be noted that the limit is higher (up to 15%) when Tier 1 Limited instruments

Question	Respondent	Comment received	IAIS response
			feature a Principal Loss Absorbency Mechanism (PLAM). - About *deleting the exclusion of encumbered assets from Tier 1 capital resources as they are clearly loss-absorbing in going concern*: According to L1-68, encumbered assets that are excluded from Tier 1 capital are recognised as Tier 2. The downgrading of a portion of encumbered assets from Tier 1 to Tier 2 capital is a prudential measure to acknowledge the lack of immediate availability of some assets under stressed conditions.

Question	Respondent	Comment received	IAIS response
9. Do you have other comments regarding capital resources?	Reinsurance Advisory Board	Articles L2-116 and L2-117 allow holding companies to issue senior debt instruments to third parties. To the extent that proceeds are downstreamed as equity (capital resources) to insurance subsidiaries, they are considered as "structurally subordinated", which allows the senior bond proceeds to qualify as eligible Tier 2 own funds for the purposes of the ICS capital requirement. While the practice of downstreaming senior bond proceeds in the form of equity contributes to the subsidiary's solo own funds, it does not benefit the group, as the group internal equity contribution cancels out on a group basis and the externally raised funding (senior bond) cannot absorb losses for the purposes of the group. This is especially critical if the holding company issuing senior debt instruments is not an insurance company and would not be considered within the scope of the ICS. In this case, no double-counting would occur and the consolidation would not remove the subordinated debt from the balance sheet. Even if the ICS and the Aggregation Method developed by the US avoid double-counting by consolidating balance sheets, a holding company outside the calculation scope would not be affected and would enable the scenario described above. Furthermore, structural subordination rests on the idea that the equity downstreamed to the subsidiary (and financed externally via the issuance of a senior bond) is effectively "locked" at the subsidiary level thanks to stringent regulatory oversight at the	- About *structural subordination assuming that debt proceeds are downstreamed to the subsidiary and effectively "locked" at the subsidiary level, thus senior debt should not be allowed as group own funds since they are not available to the wider group*: Jurisdictional rules impacting financial instruments that qualify as capital resources in the ICS are implementation issues that can be considered by the local supervisor when assessing the impact of the ICS on their local capital frameworks. - About *recommending that a certain form of PLAM be ruled out*: The conversion of a financial instrument into common equity improves

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		subsidiary (solo) level. In practice, solo regulation that is stringent enough to enforce structural subordination may well have to ignore the needs and interest of the wider group to which the relevant subsidiary (and the issuer of the senior bond) belongs. In other words, the subsidiaries' equity may not be available on a group-wide basis (no or insufficient transferability/fungibility). As a result, allowing senior debt as group own funds based on structural subordination is in conflict with allowing the same group to benefit from group diversification when calculating ICS capital resources. The RAB proposes to disallow senior debt in group own funds, or, where an insurance group makes use of senior debt in its ICS group own funds calculation, to prohibit this group from benefitting from group diversification benefits. According to article L2-128, the conversion of a Tier 1 Limited instrument into a Tier 1 unlimited instrument would be a possible PLAM. However, this form of conversion is considered very problematic, as it may accelerate a solvency crisis, since the issuance of shares in the middle of a crisis without a positive impact on the ICS ratio will put a lot of downward pressure on the share price. Note that the market will anticipate that, in addition to the share issuance resulting from PLAM, a major capital increase is likely to be necessary to address the solvency crisis, which exacerbates the pressure on the share price, posing a significant challenge to recapitalisation. The RAB suggests that this form of a PLAM should be ruled out.	the ability of that instrument to absorb losses. As such, the inclusion of conversion in the definition of a PLAM is in line with the policy intention.

Question	Respondent	Comment received	IAIS response
10. Do you have comments regarding the ICS risks and calculation methods?	Reinsurance Advisory Board	It is essential that internal models (IM) are fully accepted if calibrated to a consistent (ie, the same or a materially similar) confidence level. The IAIS should therefore not prescribe additional requirements, such as capital floors, standard method benchmarking and reporting or internal capital targets that surpass the standard method's requisites. The ICS should not include output floors for IM. They need to comply with extensive design and calibration standards to substantiate the calibration to the set confidence level. As a result, any deviation, eg, through an output floor, would be inappropriate and go against sound supervisory practices. Similarly, deviations from the standard model results are to be expected for IM users because IMs are made to capture the idiosyncratic nature of each individual IAIG's business model. Double reporting (ie, of the IM numbers and standard model numbers) would only create cost and confusion. It could undermine the purpose of IM and their thorough and costly approval processes as well as undermining the sound and effective supervision of IMs.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
11. Do you have comments regarding the grouping of policies for life insurance risks?	Reinsurance Advisory Board	The suggested considerations for grouping life insurance risks are reasonable.	- About *support for criteria for HRGs*: Your support for criteria for HRGs is noted.
12. Do you have comments regarding the calculation of the Life risk charges?	Reinsurance Advisory Board	The RAB takes note of the calibration of the stress factors for mortality and longevity. With regards to mortality risk, however, the RAB considers applying flat mortality shocks to all geographies and age groups simultaneously to be unrealistic. More appropriate would be an approach that allows for diversification across geographies and across age groups. In addition, offsetting effects should be considered because it would be more appropriate if the shocks were also applied to policies where an increase in mortality rates would lead to an increase in the NAV. Furthermore, capital charges for mortality and longevity should not be cumulative as it is highly unlikely that both shocks would materialise together. Therefore, the RAB suggests adopting the maximum of mortality and longevity capital charges.	- About *mortality risk and longevity risk needing geographic and age groups diversification*: The comments have been taken into account when finalising the ICS. The design of the Mortality and Longevity risk modules is intended to strike a balance between complexity and risk sensitivity. The granularity of the segmentation has also considered the availability of data to produce a meaningful level of

Question	Respondent	Comment received	IAIS response
		Regarding morbidity/disability risk — the additional granularity within the ICS approach can result in complexity. Regarding lapse risk —the RAB believes that the current mass lapse stress factors are unnecessarily high. High surrenders at a certain moment or over a short period are very unlikely, particularly for life insurers, because policyholders usually buy life insurance products not only for investment purposes but also for protection against old-age poverty or to protect family members in the event of their own death.	calibration. When the standard method does not reflect the IAIG's actual risk profile, the ICS allows for the use of a (partial) internal model to capture diversification more adequately, subject to the GWS approval. - About *mortality risk and longevity risk needing recognition of offsetting effects*: Offsetting effects recognised in Life risks have been limited within HRGs since they encompass a collection of policies with similar characteristics. - About *mortality risk and longevity risk needing to be mutually exclusive:* Since mortality rates can be affected by intertwined factors (eg demographic, medical, technological,

Question	Respondent	Comment received	IAIS response
			social, or economic developments), both scenarios may occur simultaneously. The Life risks correlation matrix is introduced to recognise a certain diversification effect between Mortality and Longevity risks. - About *lapse risk needing recalibration for mass lapse component*: The stress factors were initially determined based on the various solvency frameworks of IAIS member jurisdictions along with expert judgment. Subsequently, during field testing and monitoring period of the ICS, additional data collections were carried out to review the appropriateness of the stress factors and update the stress factors where

Question	Respondent	Comment received	IAIS response
			relevant credible data have been received. Please refer to the ICS calibration document for more details about the ICS calibration methodology. When the standard method does not reflect the IAIG's actual risk profile, the ICS allows for the use of a (partial) internal model to capture diversification more adequately, subject to the GWS approval. Specifically, on mass lapse, this aspect has been investigated throughout public consultations and data collections. The differentiation of the stress factors by the specified geographical segmentation in the ICS standard method was chosen to strike a balance between complexity and risk sensitivity. The granularity of the

Question	Respondent	Comment received	IAIS response
			segmentation has also considered the availability of data to produce a meaningful level of calibration. - About *morbidity/disability risk needing lower level of granularity*: The design of the Morbidity/disability risk module is intended to strike a balance between complexity and risk sensitivity.
13. Do you have comments regarding the calculation of the Non-life risk charges?	Reinsurance Advisory Board	The RAB generally supports the methodology to calculate the non-life risk charges. The RAB would advise the IAIS to consider some regional diversification benefits within the area of EEA and Switzerland (such as northern Europe, eastern Europe, etc.). It also suggests the recalibration of the premium risk factors for general liability and non-proportional casualty and MAT and reserve risk factors for legal expenses as these seem to be excessively calibrated. The excessive calibrations highlight the challenge of accurately reflecting the underlying risks, especially in the context of risks that are considered as more complex. This further emphasizes the need to incorporate	- About *regional diversification within the EU*: The ICS aligns with local approaches, which in the case of Solvency II does not allow for such diversification. - About *recalibration of some LOBs*: Please refer to the ICS calibration document for more details

Question	Respondent	Comment received	IAIS response
		internal models into the final ICS, as they offer a more accurate and precise depiction of an insurance company's risk profile.	about the ICS calibration methodology.
15. Do you have comments regarding the list of market risks considered in the ICS, the general principles to calculate them and the way to aggregate them?	Reinsurance Advisory Board	The list of market risks is considered comprehensive and the general calculation principles and approach to aggregating them are reasonable.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
17. Do you have comments regarding the Non-Default Spread risk?	Reinsurance Advisory Board	The RAB fully supports the application of the Non-Default Spread Risk (NDSR) stresses to both assets and liabilities. This is a correct approach to determining the risk of fixed income investments for an insurance company with long-term and stable balance sheets.	- About *overall NDSR design being correct*: The IAIS takes note of your support for the NDSR design.
19. Do you have comments on the inclusion of the Equity risk counter-cyclical measure (NAD)?	Reinsurance Advisory Board	Care should be taken when including measures such as the counter-cyclical measure that basis risk inherent in some designs does not create, rather than mitigate, additional solvency volatility for insurers.	- About *basis risk*: This aspect has been investigated as part of the finalisation of the ICS. The treatment provided in the ICS has been deemed appropriate.

Question	Respondent	Comment received	IAIS response
20. Do you have comments on the proposed design of the Equity risk counter-cyclical measure?	Reinsurance Advisory Board	The RAB does not have additional comments on the design of NAD but would advise that its application is made optional based on the undertaking's own professional judgement.	- About *NAD application being optional*: Options should be avoided to the extent possible in a global standard.
22. Do you have other comments regarding Equity risk?	Reinsurance Advisory Board	The RAB would encourage the IAIS to consider the inclusion of another category of long-term investment in equity, such as long-term equity and/or strategic equity, with suitable risk charges that represent the actual risks of such investments. This investment class is well recognised in other prudential frameworks (eg, Solvency II) and it is in line with insurers' ALM strategy.	- About *dedicated treatment for long-term equity*: After detailed analysis, it was decided not to introduce a dedicated treatment for long-term equity. In particular, it may introduce undue complexity and subjectivity in the assessment of capital adequacy.

Question	Respondent	Comment received	IAIS response
23. Do you have comments regarding Real Estate risk?	Reinsurance Advisory Board	The RAB suggests a further reduction in the Real Estate charge, currently equal to a 25% decrease of real estate prices, to better align with the long-term nature and historically low market volatility of this asset class as evidenced by market data.	- About *shock level for real estate assets*: The calibration of the stress factor has been investigated throughout several public consultations and data collections. Please refer to the ICS calibration document for more details about the ICS calibration methodology.
24. Do you have comments regarding Currency risk?	Reinsurance Advisory Board	In the ICS, currency risk is assessed against the reporting currency of an IAIG. While this approach represents a shareholder protection perspective, a more appropriate approach to reflect a policyholder perspective would be to assess currency risk against a currency basket that is representative of the currencies in which claims arise. Nevertheless, the ICS should be formulated in a way that leaves implementing jurisdictions the flexibility to also choose such an approach to currency risk.	- About *currency risk being measured against a currency basket instead of the reporting currency*: This aspect has been investigated as part of the finalisation of the ICS, but such a change was not deemed appropriate.

Question	Respondent	Comment received	IAIS response
25. Do you have comments regarding Asset Concentration risk?	Reinsurance Advisory Board	The RAB would also advise considering a simple factor approach for exceeding of an exposure threshold which would result in a very similar impact while reducing the complexity greatly. The RAB would also like to highlight that the approach to asset concentration risk considers the contribution of individual counterparties to credit and equity risk charges, which is in contrast to the calculation of credit and equity risk modules that operate on a more aggregated level. Thus, a certain level of assumptions and loops within the process are required.	- About *raising concerns of appropriateness*: The current approach was introduced in the 2019 field testing to address the observation that some Volunteer Groups had significant counterparty exposures. Specifically, Volunteer Groups owned assets that were highly concentrated in the form of short-term deposits at regulated banks. The current approach is intended to link the calculation of Asset Concentration risk (ACR) to the level of credit risk underlying the investments and to better capture the level of diversification for a given level of assets. The prior approach did not factor in all assets, only those that exceeded certain exposure

Question	Respondent	Comment received	IAIS response
			thresholds, and relied on an assumption of perfect diversification between Credit risk and ACR for each asset class, which was not realistic. Lastly, the current approach is intended to supplement and not overlap with the Credit risk or Equity risk charges. - About *warranting a simplification of the calculation*: The IAIS introduced the current calculation to address certain shortcomings observed in an earlier version of the factor-based approach. The proposal for the IAIS to use a copula in lieu of the current approach would be inconsistent with the ICS standard method. If desired, the use of a copula in determining the ACR charge could be

Question	Respondent	Comment received	IAIS response
			incorporated in an IAIG's supervisor-approved internal model.
26. Do you have comments on the differentiated treatment for investments in infrastructure debt?	Reinsurance Advisory Board	The RAB supports the differentiated treatment of investments in infrastructure debt within credit risk.	- About *supporting the differentiated treatment development*: Your support for the design is noted.

Question	Respondent	Comment received	IAIS response
27. Do you have other comments regarding Credit risk?	Reinsurance Advisory Board	The RAB suggests the IAIS reconsider its decision to treat internal ratings as non-rated, according to point (b) of L2-330, providing the internal rating process is well governed. This will serve to reduce reliance on external rating agencies, support the development of robust internal risk management processes and promote investment in emerging economies and others where ECAI ratings are not available. The treatment of internal ratings in combination with the very conservative stresses for non-rated credit exposures does not reflect the economic reality and leads to an unjustifiably high credit risk charge. According to Article L1-131, the calculation of the credit risk charge takes management actions into account, which from the RAB's understanding includes loss-absorbing effects from policyholder participation according to L2-40. Article L2-304 prescribes that collateral does not offset the reinsurance exposure but rather only allows the redistribution of the exposure to the credit rating of the collateral rather than the reinsurer. It would be more economically accurate to allow the collateral to reduce the reinsurance exposure and hence the credit risk charge, which is also how it is treated under Solvency II. This would be more reflective of the reinsurance credit risk than the redistribution approach, which seems excessively punitive.	- About *internal ratings*: The use of internal ratings is outside the SOCCA framework; however, internal ratings can be leveraged for use in a supervisor-approved internal model. - About *effect of the collateral for reinsurance exposure*: The approach taken under the ICS standard method aims to strike a balance between complexity and risk sensitivity. - About *interpretation of description about management actions*: The comment is noted.

Question	Respondent	Comment received	IAIS response
28. Do you have comments regarding Operational risk?	Reinsurance Advisory Board	The RAB notes that the IAIS has decided to reflect operational risk in the ICS by imposing factor-based capital charges. As recognised in IAIS ICP 17.7.4, however, operational risk is less readily quantifiable than other risks and is subject to data and valuation challenges. In view of this, ICP 17.7.4 also provides for supervisory tools other than imposing capital charges to control operational risk. This should be reflected in the ICS in order to ensure consistency between IAIGs and non-IAIG insurance undertakings. While always arbitrary to some extent, the RAB believes that compared to other frameworks and under the premise that this is the way a jurisdiction chooses to supervise operational risk, the overall approach to the calculation of operational risk is reasonable. However, the RAB would advise that the IAIS: - Considers the gross earned premiums as a premium and growth exposure instead of gross written premiums. Generally, gross earned premiums are a better proxy indicator for operational risk exposure as earned premium patterns are linked to the insurer's core business activities as well as the underlying overall risk of products. - Liability is not a good representation of operational risk for products where the policyholder bears the investment risk. The RAB would suggest using the expenses of these products as a proxy	- About *a principle-based operational risk*: For the ICS, the choice has been made to provide simple and prescriptive instructions. This is therefore the case for operational risk calculation. This is deemed appropriate for the purpose of a global standard for IAIGs. - About *possible better risk indicators*: The chosen indicators are deemed to be correct for the purpose of operational risk calculation. They have been extensively tested through field testing and monitoring of the ICS.

Question	Respondent	Comment received	IAIS response
29. Do you have comments regarding the aggregation / diversification of ICS risk charges?	Reinsurance Advisory Board	The RAB takes note of the approach for aggregating ICS risks, and the way that their diversification is allowed in the ICS standard method. However, the prescribed, top-down aggregation matrices are rather coarse and might be a bad reflection of the dependencies within an IAIG's risk profile. In order to reflect dependencies more appropriately, it is important that aggregation/diversification may be calculated in the ICS using supervisor-approved internal models.	- About *aggregation matrices and internal models*: The impact of aggregation / diversification could be calculated with an internal model, subject to approval by the GWS.
33. Do you have comments regarding the use of a simplified utilisation approach for tax?	Reinsurance Advisory Board	The RAB welcomes the introduction of a simplified utilisation approach for tax, but the application of the group effective tax rate (G-ETR) on MOCE might result in less accurate results than the application of an average weighted tax rate of insurance entities. This is more similar to Solvency II, where an entity-specific tax rate is applied to the Risk Margin. The G-ETR under the ICS includes both insurance and non-insurance entities.	- About *applying an average weighted tax rate of insurance entities on MOCE*: Under the ICS the MOCE is calculated at group level, not insurance entity level.

Question	Respondent	Comment received	IAIS response
34. Do you have comments regarding the option given to the supervisor to require a more complex approach for tax?	Reinsurance Advisory Board	The RAB strongly advises against introducing additional complexities that would not meet the purpose of a minimum standard and would not be proportionate to the scope of the ICS. The RAB suggests that any alternative approach to tax other than the simplified one, should follow local regulatory standards.	- About *the only option available being to follow local standards*: The ICS capital requirement is calculated at group level; this does not allow a more granular calculation.
35. Do you have other comments regarding tax?	Reinsurance Advisory Board	According to L1-149, the calculation of Deferred Tax Assets is based on the GAAP balance sheet. While L2-348 implies that the MOCE results in a DTA, it is unclear whether the DTA resulting from the risk margin on the GAAP balance sheet (eg, IFRS) is removed. If not, this would exaggerate the DTA value. It should be made clear that the Deferred Tax Assets and Liabilities are based on valuation and income differences between the ICS and the underlying tax balance sheets. The RAB suggests clarifying that article L1-149 refers to the tax balance sheet as the starting point of the DTA calculation.	- About *DTA from ICS balance sheet being based on starting tax balance sheet, not GAAP*: As a simplification, no change is assumed in the tax balance sheet. Therefore, the calculation considers only the change from the starting GAAP balance sheet to the ICS balance sheet. Also, it was decided to not change the audited GAAP deferred tax balances. Adding a

Question	Respondent	Comment received	IAIS response
			reference to the tax balance sheet could be misleading.
36. Do you have comments regarding Other Methods for the calculation of the ICS capital requirement?	Reinsurance Advisory Board	The RAB is strongly supportive of the recognition of IM in the ICS, provided they achieve the same level of protection with a target criterion of 99.5% VaR over a one-year time horizon and there are no additional requirements to hold capital beyond this level. IM are necessary to the management of groups whose risk profile are inappropriately reflected by the standard method and, as a result, are necessary to the proper functioning of the ICS. IM bring benefits to the resilience of individual insurance groups and to the resilience of the sector as a whole, such as: - Supporting a holistic understanding of risks: IM play a crucial role in understanding risks holistically, particularly for large multinational (re)insurers operating in complex risk landscapes. These models effectively capture, in the most practical way, the diversification of benefits and risk concentrations within diverse global portfolios and their aggregation structure accurately	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		represents the dependence between individual risk scenarios. - Better capturing the individual risk profile of a group: IM analyse undertakings' risks in detail and their output is an adequate reflection of the company's risk profile. - Incentivising good risk management: (Re)insurance groups thoroughly and carefully select the methods and parameters for their internal model calibration, ensuring accurate internal risk steering. The calibration process involves individual risk assessment and transparent procedures and it results in a unified risk measurement framework that is strongly anchored in the risk culture of the (re)insurer. Moreover, IM calibration improves the group's risk understanding and expertise, and contributes to the development of validation tools that can later be integrated into the regular risk management processes. - Supporting financial stability: IM support financial stability in numerous ways. In particular, IM enhance the society's knowledge of risk by encouraging the development of specialised models, such as natcat modelling, and their refinement. Not only do they offer a more sophisticated approach to capturing risk and their interdependencies, but they can also incorporate new developments with greater ease, timeliness and flexibility. By ensuring that capital requirements reflect risks, internal models enable (re)insurers to continue to play an important stabilising role for the financial industry and the economy. In the case of a macroeconomic development, the use of IM will bring diversity in the evolution of the impact on the insurance market, treating risks in a more bespoke way	

Question	Respondent	Comment received	IAIS response
		and limiting the risk of all companies undertaking similar action at the same time. Further advantages of an individual risk measure are the reduction of herd mentality and the possibility to consider new developments quickly and flexibly. Indeed, IM contribute to solving the "problem of risk model homogeneity" associated with "systemic fragility to the errors in [prescribed standard] models" . - Enhancing supervisory scrutiny and risk dialogue: The process of developing and submitting IM for approval involves a substantial level of interaction between undertakings and supervisors resulting in benefits for both sides. This comprehensive dialogue has facilitated a more structured discussion between them, and it has also fostered a culture of improved internal controls, better governance oversight and enhanced documentation within companies. The requirements for model validation necessitate ongoing discussions, which are well-structured and organised, and the testing of assumptions, further strengthening the understanding between undertakings and regulatory bodies. While the RAB appreciates the inclusion of IM in the ICS, it is also important to stress that the ICS should not include output floors, as mentioned above (see Q10), and IM should be explicitly allowed as an alternative to the Standard Method and not on top of it.	

Question	Respondent	Comment received	IAIS response
		The RAB also regrets that the candidate ICS does not recognise the possibility to use Group Specific Parameters (GSP) or Undertaking Specific Parameters (USP). Such features are already being accepted and recognised in other advanced frameworks, such as Solvency II, as they are proven to be appropriate tools to allow for better reflection of the risk profile of a group and/or undertaking, under clear conditions. Overall, the RAB considers features such as GSP, USP and internal models to be a clear sign of the level of maturity of a prudential framework and the capacity for insurers to rely on them should not be compromised by the ICS. In light of the above, the IAIS is advised to remove references to reporting of standard method results when an internal model is used and, subsequently, to any output/capital floor or benchmarking	
38. Do you have comments on the overall requirements (section 9.4.1)?	Reinsurance Advisory Board	The RAB welcomes the recognition of IM in the ICS, although further improvements should be made to the Candidate ICS to properly capture the benefits of IM (see questions below for more detail).	- About *recognition of internal models (IM) in ICS being welcome*: Your support of the use of IM to determine regulatory capital requirements is noted.

Question	Respondent	Comment received	IAIS response
39. Do you have comments on the general provisions on the use of an internal model to determine regulatory capital requirements (section 9.4.2)?	Reinsurance Advisory Board	The RAB is generally supportive of the use of IM to determine regulatory capital requirements, as set out in 9.4.2. However, further improvements could be made to the candidate ICS. Standard Method (SM) benchmarking - The RAB strongly disagrees with the view that the standard method should be a benchmark for internal models (L2-371), as the only benchmark should be the risk profile of the group and not the SM which has already been deemed inappropriate. In this respect, the supervisory process should focus on ensuring that the IM is in line with the risk profile of the group, not about comparing it with the standard method. SM benchmarking is not justified and will not yield meaningful insights, while carrying additional unnecessary costs. - Similarly, the approval of an IM is currently based on the SM risk categories (L2-372). It is clear that IM must also cover all risks of the SM if they are material for the IAIG. However, it should be clear from the article that this is the intention rather than a standardisation of IM according to the SM. The freedom of modelling should be ensured by the ICS. Internal capital target In addition, the RAB disagrees with L2-363: IM should aim to have an internal capital target at the same VaR level as the standard method (99.5% VaR over a one-year horizon), not achieve a capital target greater than that. Indeed, this would inappropriately override ICS principle 10 and the general	- About *deleting the requirement to maintain an internal capital target greater than the regulatory capital requirement (L2-363)*: Note that this criterion is not meant to increase the PCR when using an internal model. A similar concept applies to standard method users via ICP 16.14. The supervisor requires the insurer, as part of its ORSA, to analyse its ability to continue in business, and the risk management and financial resources required to do so over a longer time horizon than typically used to determine regulatory capital requirements. - About *general support of the use of IM to determine regulatory capital requirements*: Your support

Question	Respondent	Comment received	IAIS response
		principle of L1-151 that provides that the target capital is the same level of protection under IM and the SM. Therefore, the RAB suggests the removal of this requirement. Conditional approval The introduction of a conditional approval (L2-374), especially with the option to define capital floors (see also below) based on the ICS, is seen as critical. the RAB does not see the need for or benefit from adding this as a possible outcome of the approval process. Capital floors - The RAB strongly opposes the imposition of capital floors to IM capital requirements as a pre-condition for their approval (L2-375). In particular, capital floors based on the ICS do not appropriately reflect the risk profile of the undertaking and would go against the purpose of IM. While capital add-ons could be temporarily justified, it is not the case for capital floors. In this respect, capital floors and similar measures based on the standard method should be ruled out. - Moreover, any model that is approved should not be changed by the GWS since the approval already implies that the IM yields at least the same risk protection as the standard method while reflecting the IAIG's risk profile more appropriately. Reporting and disclosures - The disclosure of the difference between IM and SM should	of the use of IM to determine regulatory capital requirements is noted. - About *opposition to the use of standard method (SM) information in the internal model review process (L2-371)*: Feedback and data collected over the monitoring period show that this information can be useful for the supervisor. - About *opposition to the use of standard method (SM) risk categories comparison in the internal model review process (L2-372)*: Feedback and data collected over the monitoring period show that this information can be useful for the supervisor. L2-368 does not imply that the internal model needs to follow the structure of the

Question	Respondent	Comment received	IAIS response
		be limited to their respective underlying assumptions — there is no policyholder protection interest in performing an undefined comparison. - Finally, the RAB disagrees that the SM output should be required as part of the IM reporting as provided by L2-381. Running two parallel systems under IM and SM would be extremely burdensome and costly, without bringing any added value.	ICS standard method. - About *opposition to conditional approval of the internal model (L2-374)*: Conditional approval is an alternative to a pure pass or fail and gives flexibility to both GWS and IAIGs. - About *opposition to the possibility of introducing capital floors linked to the standard method in conditional approval (L2-375)*: Capital floors based on the ICS SM could be relevant if deemed so by the GWS. Added capital add-ons to the text: “Conditions may include capital floors based on the ICS, more conservative model parameters or design features, capital add-ons, or further reviews by the GWS, the IAIG, or a third party.”

Question	Respondent	Comment received	IAIS response
			- About *opposition to the possibility for supervisors to modify the model in conditional approval (L2-375)*: The possibility to impose conditions on the IM is specific to the case of conditional approval where the GWS deems that the model does not yield the same risk protection as the standard method or does not reflect the IAIG's risk profile appropriately. - About *limiting public reporting and disclosure of the differences between IM and SM upon approval to the underlying assumptions (L2-379)*: Modified L2-379 accordingly: "If the internal model is approved, the GWS works with the IAIG to communicate the decision to the public. Particular

Question	Respondent	Comment received	IAIS response
			attention should be given to the clarity of the approved internal model's scope and the differences with the ICS standard method's underlying assumptions when possible." - About *opposition to regular reporting of the differences between IM and SM figures in the post-approval monitoring and control process (L2-381)*: The data submission templates are to be agreed upon between the GWS and the IAIG. GWS can ponder cost vs. added value.

Question	Respondent	Comment received	IAIS response
40. Do you have comments on the criteria for internal model approval (section 9.4.3)?	Reinsurance Advisory Board	L2-408: An annual revision of model parameters would necessarily lead to a re-parametrisation of all model components for comparison. Such a re-parametrisation of all model components is a highly resource-intensive task with potentially little value. The RAB suggest a lower frequency if the IAIG is compliant with all validation criteria and without any known model malfunction. L1-163: IAIGs that use a different confidence level, risk measure or time horizon are required to ensure that policyholders and beneficiaries are provided with an equivalent or higher level of protection in comparison to the standard approach. It should be made clear that this is meant with respect to the confidence level by adding "[…] equivalent or higher level of protection than VaR 99.5% over the one-year time horizon." at the end of the paragraph. This is the confidence level applicable in Solvency II and Solvency UK while the TVaR 99% confidence level applicable in SST is deemed equivalent or more conservative in some situations. L2-426: A full Back-Testing is highly dependent on appropriate data on realisations. There may not be this kind of appropriate data for each model component. Therefore, the RAB thinks an addendum of "[…] where appropriate data is reasonably available." should be included. It may also not be feasible to maintain benchmark or alternative models on each component	- About *annual revision of model parameters (L2-408)*: Modified L2-408 to introduce the need for an annual review of the parameters rather than an annual revision: "L2-408. The parameterisation is reviewed at least once a year. In the event of material differences in the parameters between exercises, this is explained and justified." - About *equivalent level of protection of policyholders and beneficiaries (L1-163)*: The text is sufficiently clear in stressing the importance of having at least the same level of protection. - About *validation process requirements being subject to data availability (L2-426)*:

Question	Respondent	Comment received	IAIS response
		parallel to the model-in-use. Benchmark-testing is desirable but not a necessary step in model validation.	The internal models' requirements allow the GWS to decide on a case-by-case basis whether the validation process of the IAIG has been satisfactory.
41. Do you have comments on the additional considerations (section 9.4.4)?	Reinsurance Advisory Board	The RAB would like to note that the additional considerations are generally reasonable but, nevertheless, it would suggest including criteria for the approximations of cumulative effects under L2-441 as, from a purely technological standpoint, it may not be feasible to maintain the functionality in multiple model versions.	- About *paragraph L2-441 - monitoring the impacts of model changes not being technologically feasible*: The Level 2 allows the use of an approximation of the cumulative effects. No criteria are requested from this approximation, but this is subject to the GWS's judgment. The model change policy is already a requirement (see section 9.4.4.1).

Question	Respondent	Comment received	IAIS response
44. Do you have additional comments on the ICS?	Reinsurance Advisory Board	See general comments above.	Noted.
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	Reinsurance Advisory Board	It is difficult to assess the exact impact of the implementation of the ICS on the business strategy of IAIGs. However, if Solvency II, Solvency UK or SST, as expected, are the implementation of ICS, the RAB does not expect significant changes to the business models of European IAIGs. Nonetheless, in the event that the ICS imposes a duplication of requirements and creates an additional layer of supervision, material costs would be incurred in terms of IT infrastructure, resources and capital, which could have significant wider implications including on product pricing and product availability. In order to reduce the imminent impact of introducing the ICS, local transitional measures should not affect the process of assessing the compatibility of local solvency regulations with	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		the ICS. In particular, the RAB suggests that any transitional measure that is already in effect in the local regulatory framework should not be considered when reviewing whether the framework is accepted as an implementation of the ICS.	
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report
48. Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
49. Do you anticipate the implementation of the ICS resulting in an IAIG’s withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report
50. Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	Reinsurance Advisory Board	The RAB does not expect a direct correlation between the ICS implementation and closing protection gaps on the basis that Solvency II “as is” will be the implementation in the EU. Indeed, the RAB only foresees a limited impact on product availability, which is therefore unlikely to reduce the protection gap. However, should the ICS negatively impact pricing and product availability, this might actually lead to an increase in the protection gap.	Please see ICS Economic Impact Assessment report
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	Reinsurance Advisory Board	The RAB does not expect the ICS to lead to any compensation for a reduction in product availability by other market participants. Indeed, existing regulations already aim to ensure a level playing field and the ICS should not distort existing competition and level playing fields.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
53. Do you anticipate any opportunities for an increase in the range of products available in the insurance market as a result of the implementation of the ICS? If so, please explain the potential opportunities.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45. The RAB believes that this will depend on the concrete implementation of the ICS.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report
56. Do you anticipate that the implementation of the ICS could lead to a change in the profitability of an IAIG's business units or insurance entities focusing on a specific product type or market segment? If so, please describe the products or market segments potentially affected.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
57. Do you anticipate any circumstances in which IAIGs will need to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report
58. Do you have any concerns over the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
59. Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report
60. Do you anticipate any circumstances in which IAIGs might change their approach to risk mitigation as a result of the implementation of the ICS? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
61. Do you anticipate circumstances in which IAIGs would re-structure their business as a direct result of the implementation of the ICS? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report
62. Do you anticipate any other changes to the operating model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
63. Do you anticipate any changes to risk management practices across the insurance industry as a result of the implementation of the ICS? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report
64. Do you anticipate any benefits to the business model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential benefits.	Reinsurance Advisory Board	In addition to the obvious advantage of having a globally accepted standard, if implemented in all jurisdictions to the same standard which enables consistent comparisons across IAIGs from various jurisdictions, the RAB does not anticipate any other significant benefits arising from the implementation of the ICS. However, considering that no jurisdictions appear to have committed to implement the ICS as per the technical specifications defined by the IAIS, and the development of the comparability with the Aggregation Method developed by the US, this question might not be entirely relevant. See response to question 45 for more details.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
65. Do you anticipate any impacts to the competitiveness of IAIGs relative to non-IAIGs with the implementation of the ICS?	Reinsurance Advisory Board	See response to question 45. The RAB believes that the ICS project should neither harm the competitiveness of IAIGs nor significantly disadvantage them when compared to non-IAIGs.	Please see ICS Economic Impact Assessment report
66. Do you anticipate any changes to the investment strategy of IAIGs which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
67. Do you anticipate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report
68. Do you anticipate any impacts from the implementation of the ICS on asset concentration risk, either within IAIGs or across insurance markets? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
69. Do you anticipate the implementation of the ICS altering the investment strategy or investment decisions of IAIGs in response to stressed market conditions? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45. Moreover, the RAB believes that insurers, due to their long-term nature, have the capacity to hold assets until maturity, making them resilient to short-term fluctuations and their ALM strategy is therefore not highly impacted during stressed market conditions.	Please see ICS Economic Impact Assessment report
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
71. Are there any other areas of the financial markets (eg derivatives or stock lending) that might be impacted – directly or indirectly – by the implementation of the ICS? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report
72. Do you have any concerns over the availability of longer-term assets in the market to meet any increase in demand from IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
73. Do you anticipate any increased risk to the broader financial markets (eg from re-allocations into or out of specific asset classes in response to shocks in financial markets) as a result of the implementation of the ICS? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report
74. Do you anticipate any specific benefits to the insurance market or broader financial markets as a result of the implementation of the ICS? If so, please explain the potential benefits.	Reinsurance Advisory Board	As per the response to question 45, the RAB considers that the success of the ICS project will depend on its concrete implementation, as well as on the outcome of the ICS/AM comparability assessment. To reap the full benefits of the ICS, it will be important that the ICS becomes a truly global standard, implemented by most jurisdictions.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report
76. To the extent that it can be predicted, do you anticipate impediments to implementing the requirements of the ICS? If so, please explain the potential impacts.	Reinsurance Advisory Board	The RAB considers that the ICS should be fully implemented through Solvency II, Solvency UK and the SST ("as is"). As a result, the RAB does not foresee direct impediments linked to the implementation of the ICS, assuming that Solvency II will be considered compliant with the ICS.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
77. Could any costs of implementing the ICS be absorbed by or shared with other implementation projects running concurrently (eg IFRS 17)? If so, please explain how this might be achieved.	Reinsurance Advisory Board	The RAB does not believe that these costs can be shared, given that the European industry has already fully implemented standards such as IFRS 17.	Please see ICS Economic Impact Assessment report
78. Do you anticipate any other impacts from the implementation of the ICS, not covered above? If so, please explain the potential impacts.	Reinsurance Advisory Board	See response to question 45.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
1. Do you have comments regarding the general guiding principles of the ICS?	State Secretariat for International Finance SIF	• Market-based valuation A risk-based capital standard requires a market-based valuation of assets and liabilities. If it is to fulfil its purpose as a sound solvency regime for internationally active insurers, such a stand-ard should generally reflect the actual solvency risks of a subjected insurer, taking the surrounding economic environment as given, and without containing numerous exceptions that may con-tradict the Insurance Core Principles (ICPs). A race-to-the-bottom of solvency and capital re-quirements for internationally active insurers should be avoided. The present draft standard does not sufficiently prevent such a development. • ICS as a principles-based standard In our view, the ICS should be formulated in a more flexible and principles-based manner. We would thus welcome a less rules-based and prescriptive approach to the global standard. This would create room for taking into account national characteristics and would at the same time ensure that risks are addressed effectively. Due to possible implementation barriers in the vari-ous jurisdictions and market particularities, this is of great importance essentially to all coun-tries, not only to those that already have a risk-based solvency framework. We are convinced that investors and customers would take national differences into consideration, including when the local ICS-implementations differ. Moreover, a principles-based	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		approach is more durable through time, allows for more legal certainty and reduces implementation and running costs for insurers that are already subjected to risk-based capital requirements, both at the group and the entity-level. A principles-based ICS would also prevent possibly incongruent solvency reports of an internationally active insurer and would ensure that internationally active insurance groups (IAIGs) are not subject to possibly duplicative reporting requirements for jurisdictions with an ICS-consistent regulatory framework, thereby limiting the economic costs of the ICS. For both stockholders and creditors of an insurer, solvency reports offer an important source of infor-mation in their decision-making process. Differing solvency reports can undermine the market-functioning, lowering the value of both. • Internal models We support the proposed recognition of internal models in the ICS. Internal models are in the toolkit of many internationally active insurers to reflect their risk profile. In Switzerland, insurers or groups applying for the use of an internal model must prove that their risk profile cannot be realistically covered using the standard method. The supervisory authority assesses the case and, depending on its findings, either confirms or denies the inadequacy of the standard meth-od for the undertaking/group. Similar situations exist in many jurisdictions. To the extent that internal models are used to determine the capital requirement, they should be eligible for valuation	

Question	Respondent	Comment received	IAIS response
		purposes, also to maintain consistency between valuation and risk measurement. The use of (partial) internal models according to the ICS may thus be somewhat restrictive. Their full use should be an integral part of ICS, provided a use test by the IAIG during the application process allows the competent authority to identify the capital requirements stemming from the (partial) internal model and from the standard approach. Annual reporting of both results would, howev-er, unnecessarily increase the bureaucratic burden for the subjected insurers. Furthermore, duplicative reporting duties may be misleading for report users. Provided a use test by the IAIG is performed during the application process, IAIGs should be allowed to use their risk reporting granularity and structure to foster a meaningful dialogue on their risk situation. • SST as implementation of ICS in Switzerland Much as we would support Solvency II and Solvency UK without further changes to be the implementation of the ICS in the EU and the UK respectively, this should also be the case for the Swiss Solvency Test SST in Switzerland. Like Solvency II and Solvency UK, SST is a risk-based framework consistent with the ICS and is calibrated to a more conservative level. In this regard, we welcome the suggested possibility to use a different risk measure than the proposed Value-at-Risk (VaR) at 99.5% confidence level as long as the alternative provides an equal or higher level of protection.	

Question	Respondent	Comment received	IAIS response
2. Do you have comments regarding the perimeter of the ICS calculation?	State Secretariat for International Finance SIF	In our view, the ICS should be formulated in a more flexible and principles-based manner. We would thus welcome a less rules-based and prescriptive approach to the global standard. This would create room for taking into account national characteristics and would at the same time ensure that risks are addressed effectively. Due to possible implementation barriers in the vari-ous jurisdictions and market particularities, this is of great importance essentially to all countries, not only to those that already have a risk-based solvency framework. We are convinced that investors and customers would take national differences into consideration, including when the local ICS-implementations differ. Moreover, a principles-based approach is more durable through time, allows for more legal certainty and reduces implementation and running costs for insurers that are already subjected to risk-based capital requirements, both at the group and the entity-level. We support the proposed recognition of internal models in the ICS. Internal models are in the toolkit of many internationally active insurers to reflect their risk profile. In Switzerland, insurers or groups applying for the use of an internal model must prove that their risk profile cannot be realistically covered using the standard method. The supervisory authority assesses the case and, depending on its findings, either confirms or denies the inadequacy of the standard meth-od for the undertaking/group. Similar situations exist in many jurisdictions.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		To the extent that internal models are used to determine the capital requirement, they should be eligible for valuation purposes, also to maintain consistency between valuation and risk measurement. The use of (partial) internal models according to the ICS may thus be somewhat restrictive. Their full use should be an integral part of ICS, provided a use test by the IAIG during the application process allows the competent authority to identify the capital requirements stemming from the (partial) internal model and from the standard approach. Annual reporting of both results would, however, unnecessarily increase the bureaucratic burden for the subjected insurers. Furthermore, duplicative reporting duties may be misleading for report users. Provided a use test by the IAIG is performed during the application process, IAIGs should be allowed to use their risk reporting granularity and structure to foster a meaningful dialogue on their risk situation.	
6. Do you have other comments regarding the Market-Adjusted Valuation?	State Secretariat for International Finance SIF	A risk-based capital standard requires a market-based valuation of assets and liabilities. If it is to fulfil its purpose as a sound solvency regime for internationally active insurers, such a standard should generally reflect the actual solvency risks of a subjected insurer, taking the surrounding economic environment as given, and without containing numerous exceptions that may con-tradict the Insurance Core Principles (ICPs). A race-to-the-bottom of solvency and capital requirements for internationally active insurers should be avoided. The present draft standard does not sufficiently	- About *unrealistic LTFR for CHF*: Further differentiation of the LTFR by currency was investigated via public consultations and data collections but did not achieve the right balance between complexity and risk sensitivity in the ICS.

Question	Respondent	Comment received	IAIS response
		prevent such a development. It is a leading principle of the recently revised Swiss insurance regulation that for solvency pur-poses assets and liabilities of an insurance company should be valued on a market-consistent basis. Interest rate risk assessments of an insurer should reflect the current economic environ-ment. Without adjustments to the mean-reversion-method to derive the long-term forward rate of a currency as suggested by IAIS, significant departures from a purely market-consistent valua-tion may arise, as the necessary conditions for applying such a method need not be fulfilled for every currency. As an example, in Switzerland, the recently observed increase in government bond yields after a four decade-long decline was nowhere nearly as pronounced as in other countries. In fact, the market yields for Swiss government bonds with 20y or 30y horizons are currently significantly lower than the long-term forward rate according to annex 4. This does not seem to be the case, at least to the same extend, for other currencies. This difference is mainly due to appreciation of CHF against most other currencies. Applying the proposed mean-reversion method without taking this fact into account may result in an estimate of the long-term forward rate that substantially exceeds a purely market-based estimate. As a consequence, we suggest that there should be an upper bound on the extent to which the long-term forward rates can exceed a risk-free interest rate that is based on a purely market-consistent valuation. Alternatively,	

Question	Respondent	Comment received	IAIS response
		it should be at least at the discretion of the competent supervisory authority in the currency-issuing jurisdiction to adjust the relevant long-term risk-free interest rate in annex 4 of the ICS document for all internationally active insurers holding assets or liabilities in the particular currency substantially downwards, especially for countries that prefer a market-oriented approach.	
10. Do you have comments regarding the ICS risks and calculation methods?	State Secretariat for International Finance SIF	The proposal that sovereign risks can be excluded from the non-default spread risk, credit risk or asset concentration risks should be reviewed. Although actual defaults on sovereign bonds are admittedly rare, if they do happen the consequences for insurers and insured persons can be disastrous. As a consequence, they should not be ignored from a risk perspective. The ICS could reflect this e.g., by introducing a rating-dependent risk charge. Likewise, we are critical toward the preferred treatment of infrastructure projects e.g., by attaching lower weights for the corresponding credit risks. While the goal itself of incentivising more investment in infrastructure projects certainly seems high-minded and well-intentioned, the solvency requirements for insurers are ill-suited for these purposes. The differentiated treatment of investment in infrastructure debt can distract investors, customers and	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		supervisors from the true underlying solvency risks of an insurer.	
15. Do you have comments regarding the list of market risks considered in the ICS, the general principles to calculate them and the way to aggregate them?	State Secretariat for International Finance SIF	The proposal that sovereign risks can be excluded from the non-default spread risk, credit risk or asset concentration risks should be reviewed. Although actual defaults on sovereign bonds are admittedly rare, if they do happen the consequences for insurers and insured persons can be disastrous. As a consequence, they should not be ignored from a risk perspective. The ICS could reflect this e.g., by introducing a rating-dependent risk charge. Likewise, we are critical toward the preferred treatment of infrastructure projects e.g., by attaching lower weights for the corresponding credit risks. While the goal itself of incentivising more investment in infrastructure projects certainly seems high-minded and well-intentioned, the solvency requirements for insurers are ill-suited for these purposes. The differentiated treatment of investment in infrastructure debt can distract investors, customers and	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		supervisors from the true underlying solvency risks of an insurer.	
16. Do you have comments regarding the Interest Rate risk?	State Secretariat for International Finance SIF	It is a leading principle of the recently revised Swiss insurance regulation that for solvency purposes assets and liabilities of an insurance company should be valued on a market-consistent basis. Interest rate risk assessments of an insurer should reflect the current economic environment. Without adjustments to the mean-reversion-method to derive the long-term forward rate of a currency as suggested by IAIS, significant departures from a purely market-consistent valua-tion may arise, as the necessary conditions for applying such a method need not be fulfilled for every currency. As an example, in Switzerland, the recently observed increase in government bond yields after a four decade-long decline was nowhere nearly as pronounced as in other countries. In fact, the market yields for Swiss government bonds with 20y or 30y horizons are currently significantly lower than the long-term forward rate according to annex 4. This does not seem to be the case, at least to the	- About *valuation of assets and liabilities and IRR needing to be market-based, and without adjustments to the mean reversion method LTFR may exceed a market-based estimate*: This is an implementation issue.

Question	Respondent	Comment received	IAIS response
		same extend, for other currencies. This difference is mainly due to appreciation of CHF against most other currencies. Applying the proposed mean-reversion method without taking this fact into account may result in an estimate of the long-term forward rate that substantially exceeds a purely market-based estimate. As a consequence, we suggest that there should be an upper bound on the extent to which the long-term forward rates can exceed a risk-free interest rate that is based on a purely market-consistent valuation. Alternatively, it should be at least at the discretion of the competent supervisory authority in the cur-rency-issuing jurisdiction to adjust the relevant long-term risk-free interest rate in annex 4 of the ICS document for all internationally active insurers holding assets or liabilities in the particular currency substantially downwards, especially for countries that prefer a market-oriented approach.	
18. Do you have comments on the differentiated treatment for investments in infrastructure equity?	State Secretariat for International Finance SIF	The proposal that sovereign risks can be excluded from the non-default spread risk, credit risk or asset concentration risks should be reviewed. Although actual defaults on sovereign bonds are admittedly rare, if they do happen the consequences for insurers and insured persons can be disastrous. As a consequence, they should not be ignored from a risk perspective. The ICS could reflect this e.g., by introducing a rating-dependent risk charge. Likewise, we are critical toward the preferred treatment of infrastructure projects e.g., by attaching lower weights for the corresponding credit risks. While the goal itself of incentivising more investment in	- About *the appropriateness of the approach*: The proposed treatment is based on the analysis of data series as well as former studies on the risk profile of infrastructure investments. - About *design considerations*: These aspects have been

Question	Respondent	Comment received	IAIS response
		infrastructure projects certainly seems high-minded and well-intentioned, the solvency requirements for insurers are ill-suited for these purposes. The differentiated treatment of investment in infrastructure debt can distract investors, customers and supervisors from the true underlying solvency risks of an insurer.	investigated as part of the finalisation of the ICS. The proposed ICS design is deemed appropriate for the purpose of a global standard. The differentiated treatment for some infrastructure assets is not meant to encourage investments in that asset class, but to reflect the observed lower risk profile of those assets.
19. Do you have comments on the inclusion of the Equity risk counter-cyclical measure (NAD)?	State Secretariat for International Finance SIF	The proposed counter-cyclical measure is at odds with ICP 17 regarding the capital adequacy and should be reconsidered. In particular, we would like to highlight that, according to IAIS, supervisors should require that a total balance sheet approach is used in the assessment of solvency to recognise the interdependence between assets, liabilities, regulatory capital requirements and capital resources and to require that risks are appropriately recognised. The proposed equity risk counter-cyclical measure would allow for a deviation from this principle exactly at those instances when the equity risks for the insurers are highest.	- About *ICP 17*: The equity risk methodology in the ICS follows the total balance sheet approach. The proposed NAD methodology is symmetrical.

Question	Respondent	Comment received	IAIS response
20. Do you have comments on the proposed design of the Equity risk counter-cyclical measure?	State Secretariat for International Finance SIF	The proposed counter-cyclical measure is at odds with ICP 17 regarding the capital adequacy and should be reconsidered. In particular, we would like to highlight that, according to IAIS, supervisors should require that a total balance sheet approach is used in the assessment of solvency to recognise the interdependence between assets, liabilities, regulatory capital requirements and capital resources and to require that risks are appropriately recognised. The proposed equity risk counter-cyclical measure would allow for a deviation from this principle exactly at those instances when the equity risks for the insurers are highest.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
25. Do you have comments regarding Asset Concentration risk?	State Secretariat for International Finance SIF	The proposal that sovereign risks can be excluded from the non-default spread risk, credit risk or asset concentration risks should be reviewed. Although actual defaults on sovereign bonds are admittedly rare, if they do happen the consequences for insurers and insured persons can be disastrous. As a consequence, they should not be ignored from a risk perspective. The ICS could reflect this e.g., by introducing a rating-dependent risk charge. Likewise, we are critical toward the preferred treatment of infrastructure projects e.g., by attaching lower weights for the corresponding credit risks. While the goal itself of incentivising more investment in infrastructure projects certainly seems high-minded and well-intentioned, the solvency requirements for insurers are ill-suited for these purposes. The differentiated treatment of investment	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		in infrastructure debt can distract investors, customers and supervisors from the true underlying solvency risks of an insurer.	
26. Do you have comments on the differentiated treatment for investments in infrastructure debt?	State Secretariat for International Finance SIF	The proposal that sovereign risks can be excluded from the non-default spread risk, credit risk or asset concentration risks should be reviewed. Although actual defaults on sovereign bonds are admittedly rare, if they do happen the consequences for insurers and insured persons can be disastrous. As a consequence, they should not be ignored from a risk perspective. The ICS could reflect this e.g., by introducing a rating-dependent risk charge. Likewise, we are critical toward the preferred treatment of infrastructure projects e.g., by attaching lower weights for the corresponding credit risks. While the goal itself of incentivising more investment in infrastructure projects certainly seems high-minded and well-intentioned, the solvency requirements for insurers are ill-suited for these purposes. The differentiated treatment of investment in infrastructure debt can distract investors, customers and	- About *critical of development*: Infrastructure stress factors were developed to better reflect the risk exposures of insurers and were not intended to incentivise specific investments.

Question	Respondent	Comment received	IAIS response
		supervisors from the true underlying solvency risks of an insurer.	
28. Do you have comments regarding Operational risk?	State Secretariat for International Finance SIF	The ICS should not restrict the policy choices offered by ICP 17.7.4., indicating again the need for ICS to be formulated in a more flexible and principles-based manner. Regarding operational risks, the mentioned ICP leaves room for jurisdictions to use supervisory tools other than capital charges. This guarantees consistency and a level playing field within each jurisdiction. Moreover, while simple heuristics (like gross written premia or liabilities) as a measure for operational risks offer an understandable way to consider operational risks of an insurance, the widely differing factors for life insurers versus non-life insurers regarding essentially the same risk should be rethought. A cyber incidence, e.g., may cause as much harm for a life insurer as for a non-life insurer.	- About *a principle-based operational risk*: For the ICS, the choice has been made to provide simple and prescriptive instructions. This is therefore the case for operational risk calculation. This is deemed appropriate for the purpose of a global standard for IAIGs.

Question	Respondent	Comment received	IAIS response
35. Do you have other comments regarding tax?	State Secretariat for International Finance SIF	In line with the comment on operational risk, the treatment of taxes is another example emphasizing the need for the ICS to be codified in a principles-based manner that is compatible with the policy choices provided in the ICPs. In the case of before-tax or after-tax view as per ICP 17.10.21, a situation should be avoided where IAIGs are assessed according to one view and the rest of the jurisdictional industry according to the other, or where IAIGs are required to use one view for ICS purposes and in addition the other for jurisdictional purposes. The scope of action for a sovereign jurisdiction should not be unduly restricted.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
38. Do you have comments on the overall requirements (section 9.4.1)?	State Secretariat for International Finance SIF	We support the proposed recognition of internal models in the ICS. Internal models are in the toolkit of many internationally active insurers to reflect their risk profile. In Switzerland, insurers or groups applying for the use of an internal model must prove that their risk profile cannot be realistically covered using the standard method. The supervisory authority assesses the case and, depending on its findings, either confirms or denies the inadequacy of the standard meth-od for the undertaking/group. Similar situations exist in many jurisdictions. To the extent that in-ternal models are used to determine the capital requirement, they should be eligible for valuation purposes, also to maintain consistency between valuation and risk measurement. The use of (partial) internal models according to the ICS may thus be somewhat restrictive. Their	- About *recognition of internal models (IM) in ICS being welcome*: Your support of the use of IM to determine regulatory capital requirements is noted. - About *use of IMs to determine the balance sheet and capital resources (L1-154)*: L1-154 has been modified to - Whenever internal models are allowed as an Other Method for

Question	Respondent	Comment received	IAIS response
		full use should be an integral part of ICS, provided a use test by the IAIG during the application process allows the competent authority to identify the capital requirements stemming from the (partial) internal model and from the standard approach. Annual reporting of both results would, however, unnecessarily increase the bureaucratic burden for the subjected insurers. Furthermore, duplicative reporting duties may be misleading for report users. Provided a use test by the IAIG is performed during the application process, IAIGs should be allowed to use their risk reporting granularity and structure to foster a meaningful dialogue on their risk situation.	calculating the ICS capital requirement, the group-wide supervisor (GWS) considers how the balance sheet, used within the internal model, complies with the requirements for the calculation of the balance sheet in the standard method, currently set out within section 5 on Market-Adjusted Valuation. In doing so, the group-wide supervisor (GWS) should ensure consistency between the approaches used for the determination of capital requirements and capital resources. L2-393 has been modified to - The methodology to calculate the ICS capital requirement is consistent with the methods to calculate the ICS balance sheet. The initial balance sheet of the internal model reconciles

Question	Respondent	Comment received	IAIS response
			with the ICS balance sheet. - About *use of standard method (SM) results*: Feedback and data collected over the monitoring period show that this information can be useful for the supervisor.
39. Do you have comments on the general provisions on the use of an internal model to determine regulatory capital requirements (section 9.4.2)?	State Secretariat for International Finance SIF	We support the proposed recognition of internal models in the ICS. Internal models are in the toolkit of many internationally active insurers to reflect their risk profile. In Switzerland, insurers or groups applying for the use of an internal model must prove that their risk profile cannot be realistically covered using the standard method. The supervisory authority assesses the case and, depending on its findings, either confirms or denies the inadequacy of the standard meth-od for the undertaking/group. Similar situations exist in many jurisdictions. To the extent that in-ternal models are used to determine the capital requirement, they should be eligible for valuation purposes, also to maintain consistency between valuation and risk measurement. The use of (partial) internal models according to the ICS may thus be somewhat restrictive. Their full use should be an integral part of ICS, provided a use test by the IAIG during the application process allows the	- About *general support of the use of IM to determine regulatory capital requirements*: Your support of the use of IM to determine regulatory capital requirements is noted. - About *opposition to regular reporting of the differences between IM and SM figures in the post-approval monitoring and control process (L2-381)*: The data submission templates are to be agreed upon between

Question	Respondent	Comment received	IAIS response
		competent authority to identify the capital requirements stemming from the (partial) internal model and from the standard approach. Annual reporting of both results would, however, unnecessarily increase the bureaucratic burden for the subjected insurers. Furthermore, duplicative reporting duties may be misleading for report users. Provided a use test by the IAIG is performed during the application process, IAIGs should be allowed to use their risk reporting granularity and structure to foster a meaningful dialogue on their risk situation.	the GWS and the IAIG. GWS can ponder cost vs. added value. - About *use of internal models for valuation purposes*: According to L1-154, valuation can be realised with internal models if the GWS considers it complies with the requirements for the calculation of the balance sheet in the standard method. In that regard, consistency between valuation and risk measurement is maintained.

Question	Respondent	Comment received	IAIS response
43. Do you have other comments regarding the use of internal models?	State Secretariat for International Finance SIF	We support the proposed recognition of internal models in the ICS. Internal models are in the toolkit of many internationally active insurers to reflect their risk profile. In Switzerland, insurers or groups applying for the use of an internal model must prove that their risk profile cannot be realistically covered using the standard method. The supervisory authority assesses the case and, depending on its findings, either confirms or denies the inadequacy of the standard meth-od for the undertaking/group. Similar situations exist in many jurisdictions. To the extent that in-ternal models are used to determine the capital requirement, they should be eligible for valuation purposes, also to maintain consistency between valuation and risk measurement. The use of (partial) internal models according to the ICS may thus be somewhat restrictive. Their full use should be an integral part of ICS, provided a use test by the IAIG during the application process allows the competent authority to identify the capital requirements stemming from the (partial) internal model and from the standard approach. Annual reporting of both results would, however, unnecessarily increase the bureaucratic burden for the subjected insurers. Furthermore, duplicative reporting duties may be misleading for report users. Provided a use test by the IAIG is performed during the application process, IAIGs should be allowed to use their risk reporting granularity and structure to foster a meaningful dialogue on their risk situation.	- About *support for the inclusion of internal models in the ICS*: Your support for the inclusion of internal models is noted. - About *internal models being eligible for valuation purposes*: The scope of Other Methods is limited to the capital requirement. This is also in line with ICP17. - About *full use for both valuation and risk measurement purposes being an integral part of ICS, provided a use test by the IAIG during the application process*: The scope of Other Methods is limited to the capital requirement. This is also in line with ICP17.

Question	Respondent	Comment received	IAIS response
44. Do you have additional comments on the ICS?	State Secretariat for International Finance SIF	• Market-based valuation A risk-based capital standard requires a market-based valuation of assets and liabilities. If it is to fulfil its purpose as a sound solvency regime for internationally active insurers, such a standard should generally reflect the actual solvency risks of a subjected insurer, taking the surrounding economic environment as given, and without containing numerous exceptions that may contradict the Insurance Core Principles (ICPs). A race-to-the-bottom of solvency and capital re-quirements for internationally active insurers should be avoided. The present draft standard does not sufficiently prevent such a development. • ICS as a principles-based standard In our view, the ICS should be formulated in a more flexible and principles-based manner. We would thus welcome a less rules-based and prescriptive approach to the global standard. This would create room for taking into account national characteristics and would at the same time ensure that risks are addressed effectively. Due to possible implementation barriers in the vari-ous jurisdictions and market particularities, this is of great importance essentially to all coun-tries, not only to those that already have a risk-based solvency framework. We are convinced that investors and customers would take national differences into consideration, including when the local ICS-implementations differ. Moreover, a principles-based	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		approach is more durable through time, allows for more legal certainty and reduces implementation and running costs for insurers that are already subjected to risk-based capital requirements, both at the group and the entity-level. A principles-based ICS would also prevent possibly incongruent solvency reports of an interna-tionally active insurer and would ensure that internationally active insurance groups (IAIGs) are not subject to possibly duplicative reporting requirements for jurisdictions with an ICS-consistent regulatory framework, thereby limiting the economic costs of the ICS. For both stockholders and creditors of an insurer, solvency reports offer an important source of information in their decision-making process. Differing solvency reports can undermine the market-functioning, lowering the value of both. • SST as implementation of ICS in Switzerland Much as we would support Solvency II and Solvency UK without further changes to be the implementation of the ICS in the EU and the UK respectively, this should also be the case for the Swiss Solvency Test SST in Switzerland. Like Solvency II and Solvency UK, SST is a risk-based framework consistent with the ICS and is calibrated to a more conservative level. In this regard, we welcome the suggested possibility to use a different risk measure than the proposed Value-at-Risk (VaR) at 99.5% confidence level as long as the alternative provides an equal or higher level of protection.	

Question	Respondent	Comment received	IAIS response
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	State Secretariat for International Finance SIF	• Market-based valuation A risk-based capital standard requires a market-based valuation of assets and liabilities. If it is to fulfil its purpose as a sound solvency regime for internationally active insurers, such a standard should generally reflect the actual solvency risks of a subjected insurer, taking the surrounding economic environment as given, and without containing numerous exceptions that may contradict the Insurance Core Principles (ICPs). A race-to-the-bottom of solvency and capital re-quirements for internationally active insurers should be avoided. The present draft standard does not sufficiently prevent such a development. • ICS as a principles-based standard In our view, the ICS should be formulated in a more flexible and principles-based manner. We would thus welcome a less rules-based and prescriptive approach to the global standard. This would create room for taking into account national characteristics and would at the same time ensure that risks are addressed effectively. Due to possible implementation barriers in the various jurisdictions and market particularities, this is of great importance essentially to all countries, not only to those that already have a risk-based solvency framework. We are convinced that investors and customers would take national differences into consideration, including when the local ICS-implementations differ. Moreover, a principles-based	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		approach is more durable through time, allows for more legal certainty and reduces implementation and running costs for insurers that are already subjected to risk-based capital requirements, both at the group and the entity-level. A principles-based ICS would also prevent possibly incongruent solvency reports of an internationally active insurer and would ensure that internationally active insurance groups (IAIGs) are not subject to possibly duplicative reporting requirements for jurisdictions with an ICS-consistent regulatory framework, thereby limiting the economic costs of the ICS. For both stockholders and creditors of an insurer, solvency reports offer an important source of information in their decision-making process. Differing solvency reports can undermine the market-functioning, lowering the value of both.	
67. Do you anticipate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please	State Secretariat for International Finance SIF	• Market-based valuation A risk-based capital standard requires a market-based valuation of assets and liabilities. If it is to fulfil its purpose as a sound solvency regime for internationally active insurers, such a stand-ard should generally reflect the actual solvency risks of a subjected insurer, taking the surround-ing economic environment as given, and without containing numerous exceptions that may contradict the Insurance Core Principles (ICPs). A race-to-the-bottom of solvency and capital re-quirements for internationally active insurers should be avoided. The present draft standard does not sufficiently prevent such a development.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
explain the potential impacts.		• ICS as a principles-based standard In our view, the ICS should be formulated in a more flexible and principles-based manner. We would thus welcome a less rules-based and prescriptive approach to the global standard. This would create room for taking into account national characteristics and would at the same time ensure that risks are addressed effectively. Due to possible implementation barriers in the vari-ous jurisdictions and market particularities, this is of great importance essentially to all coun-tries, not only to those that already have a risk-based solvency framework. We are convinced that investors and customers would take national differences into consideration, including when the local ICS-implementations differ. Moreover, a principles-based approach is more durable through time, allows for more legal certainty and reduces implementation and running costs for insurers that are already subjected to risk-based capital requirements, both at the group and the entity-level. A principles-based ICS would also prevent possibly incongruent solvency reports of an interna-tionally active insurer and would ensure that internationally active insurance groups (IAIGs) are not subject to possibly duplicative reporting requirements for jurisdictions with an ICS-consistent regulatory framework, thereby limiting the economic costs of the ICS. For both stockholders and creditors of an insurer, solvency reports offer an important source of information in their decision-making process. Differing solvency reports can undermine the	

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		market-functioning, lowering the value of both. • SST as implementation of ICS in Switzerland Much as we would support Solvency II and Solvency UK without further changes to be the implementation of the ICS in the EU and the UK respectively, this should also be the case for the Swiss Solvency Test SST in Switzerland. Like Solvency II and Solvency UK, SST is a risk-based framework consistent with the ICS and is calibrated to a more conservative level. In this regard, we welcome the suggested possibility to use a different risk measure than the proposed Value-at-Risk (VaR) at 99.5% confidence level as long as the alternative provides an equal or higher level of protection.	
1. Do you have comments regarding the general guiding principles of the ICS?	Swiss Insurance Association	The Swiss Insurance Association (SIA) on behalf of its Internationally Active Insurance Groups (IAIGs) – Baloise, Helvetia, Swiss Life, Swiss Re, and Zurich – acknowledges the long-standing commitment and efforts of the IAIS and its members to advance international standard setting regarding capital requirements in insurance. We welcome the opportunity to respond to the consultation on the Insurance Capital Standard (ICS) as a Prescribed Capital Requirement (PCR) and trust our answers will prove helpful in the finalization of the ICS, specifically regarding the decision on how the ICS will be codified along all international standards of the IAIS. We made use of the first question to provide our general comments.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		SIA is supportive of the IAIS's overall objective to promote a 'common language for supervisory discussions' by means of a standard that 'achieves comparable' – i.e., similar but not identical – 'outcomes across jurisdictions'. In practice, however, it seems unlikely that any jurisdiction will implement to the letter the ICS as defined in the IAIS specifications. With that in mind, we find the 'ICS as a PCR' material to be overly granular, and prescriptive. Indeed, in many aspects, if taken literally, it would preclude existing consolidated solvency regimes in place from being considered implementations of the ICS. That would leave Europe, including EU Member States, Switzerland and the UK, which are home to more than 50% of the IAIGs in 2023, in a situation where they have to either abandon or change their proven, crisis-tested solvency regimes if they want to comply with ICS and avoid multiple reporting. Indeed, the Swiss Solvency Test (SST), Solvency II including Solvency UK have demonstrated their appropriateness in response to global shocks like the Great Financial Crisis, sovereign debt crises, and Covid-19. The SST is a comprehensive and conservative solvency regime; it forms a cohesive and integral whole with the Swiss insurance legislation, as attested e.g., by the full equivalence with EU Solvency II, as well as investors and rating agencies. Concretely, the choice of risk measure, calibration, tax perspective, governance of internal models, and all other facets and parameters of the regime have been finetuned since its	

Question	Respondent	Comment received	IAIS response
		proposal in 2003/05, subsequent enactment in 2011, and the most recent revision, with application as of 1 January 2024, to dovetail with resolution and insolvency proceedings. We therefore urge the IAIS to recognize that a more principles-based ‘ICS as a PCR’ – in line with the Insurance Core Principles, for instance – would better align with the state of convergence that can realistically be achieved by end-2024. The latter should not be underestimated considering where the IAIS started its decade-long journey. Additionally, a principles-based ‘ICS as a PCR’ would more adequately account for the need to maintain cohesion and integrity of solvency regimes, on their own, and in the broader context of national insurance legislations in which they are embedded. The value placed on IAIS members operating cohesive insurance regimes (the ‘sum’) should be higher than that accorded to striving for international convergence by means of individual components or parameters (the ‘parts’). It may additionally be useful for the IAIS to, on the one hand, unambiguously mark the difference between the ‘ICS as a PCR’, i.e., the capital component for the solvency assessment in the Common Framework (ComFrame) for the Supervision of IAIGs, and, on the other hand, the ICS ‘blueprint’ used in the monitoring period and offered to jurisdictions considering the modernization of their solvency regime (or overall insurance regime). This means that the ICS is proposed as an international standard for the 50 or so IAIGs worldwide, only. However, policymakers and, in practice,	

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		supervisors need to warrant consistency within their national insurance regime that address solo entities, domestic groups and, for some, IAIGs. International convergence should not happen at the expense of jurisdictional cohesion – or else would amount to taking a step backwards. We highlight a few points of critical importance to the Swiss IAIGs: We agree with the IAIS that the inclusion of (partial) internal models in the ICS, and in accordance with ICP 17, is necessary for the viability of the capital standard. Consistent with the principle of proportionality, different approaches to risk measurement are needed, depending on the size, nature and complexity of the risks an insurer is exposed to. A uniform approach may be inappropriate, as prescriptive and formulaic approaches are unable to capture the complexities and the risk profile of larger and more complex undertakings. In recognition of these limitations, the SST, Solvency II and Solvency UK allow internal models to be used to calculate solvency requirements, subject to supervisory approval. The need for consistency between capital requirements and capital resources requires both to be established on the same basis. Indeed, it would be methodologically unsound to rely on an internal model for capital requirements and a formulaic approach for capital resources; for instance, fundamental	

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		parameters like the yield structure to establish interest rate risk used for valuation apply to both capital resources and capital requirements. For this reason, supervisory approved internal models should also be allowed for establishing the capital resources. The guidelines for future application processes for internal models should be flexible enough to include established local application processes that follow sound supervisory practices. As for the supervision of insurance groups' operational risk management, and in line with the ICP 17.7.4, the ICS should provide room for jurisdictional approaches other than imposing capital charges, such as on-site inspections or imposing additional internal controls.	
2. Do you have comments regarding the perimeter of the ICS calculation?	Swiss Insurance Association	Please refer to our answer to Q.1 which provides the general context in which the Swiss Insurance Association (SIA) responds to the 'ICS as a PCR' consultation. The SST is a comprehensive and conservative solvency regime; it forms a cohesive and integral whole with the Swiss insurance legislation, as attested e.g., by the full equivalence with EU Solvency II, as well as investors and rating agencies. Concretely, the choice of risk measure, calibration, tax perspective, governance of internal models, and all other facets and parameters of the regime have been finetuned since its proposal in 2003/05, subsequent enactment in 2011, and the	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

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		most recent revision, with application as of 1 January 2024, to dovetail with resolution and insolvency proceedings. We agree with the IAIS that the inclusion of (partial) internal models in the ICS, and in accordance with ICP 17, is necessary for the viability of the capital standard. Consistent with the principle of proportionality, different approaches to risk measurement are needed, depending on the size, nature and complexity of the risks an insurer is exposed to. A uniform approach may be inappropriate, as prescriptive and formulaic approaches are unable to capture the complexities and the risk profile of larger and more complex undertakings. In recognition of these limitations, the SST, Solvency II and Solvency UK allow internal models to be used to calculate solvency requirements, subject to supervisory approval. The need for consistency between capital requirements and capital resources requires both to be established on the same basis. Indeed, it would be methodologically unsound to rely on an internal model for capital requirements and a formulaic approach for capital resources; for instance, fundamental parameters like the yield structure to establish interest rate risk used for valuation apply to both capital resources and capital requirements. For this reason, supervisory approved internal models should also be allowed for establishing the capital resources. The guidelines for future application processes for internal models should be flexible enough to include	

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		established local application processes that follow sound supervisory practices.	
6. Do you have other comments regarding the Market-Adjusted Valuation?	Swiss Insurance Association	The definition of contract boundaries (cf. ICP 14.6.4 – 14.6.8) assumes the unilateral termination of the insurance contract by the Insurance Company on the next possible date and excludes time value of some options and guarantees (e.g. renewal without repricing to fully reflect the risks). For a long-term business as the pension system in Switzerland the corresponding assets are held for a much longer time horizon than the technical contractual time horizon of the liabilities. In addition, the associated policyholder surplus can only be properly allocated if the long-term character of the business is reflected in the valuation of liabilities. In case of termination, the policyholder loses the right to future payouts of bonus funds, hence with the defined contract boundaries bonus funds would be considered as capital resources. All in all, the ICS principles should allow the local jurisdictions to consider the business purpose in the definition of contract boundaries (comparable to	- About *expanding the scope of management actions*: The approach for management actions was revised to include non-participating contracts and to make management action criteria more principle-based.

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		IFRS 17). The data input and methodology to derive the ICS risk-free rates are similar to the methods used by other prudential frameworks such as Solvency 2 and SST. We would welcome a further convergence of the ICS risk-free rates towards the ones used in the aforementioned established solvency frameworks. Furthermore, the standard should provide options for alternative, comparable, and internationally established methods to also be used to calculate the MOCE.	
9. Do you have other comments regarding capital resources?	Swiss Insurance Association	The ICS follows the capital resource tiering approach laid out in ICP 17.10 and 17.11, specifically 17.11.39, but narrows the limits per tier in section 6.5 (ICS as PCR). We urge the IAIS to account for the existence of carefully weighted limits in jurisdictional solvency frameworks that, in the case of Switzerland, dovetail with resolution and insolvency proceedings, and thereby avoid putting IAIGs at a competitive disadvantage.	- About *considering tiering limits to be more in line with jurisdictional solvency frameworks*: The capital composition limits currently embedded in the ICS framework have proven to operate as expected during the monitoring period, providing no evidence of their inappropriateness.

Question	Respondent	Comment received	IAIS response
10. Do you have comments regarding the ICS risks and calculation methods?	Swiss Insurance Association	Please refer to our answer to Q.1 which provides the general context in which the Swiss Insurance Association (SIA) responds to the 'ICS as a PCR' consultation. We urge the IAIS to recognize that a more principles-based 'ICS as a PCR' – in line with the Insurance Core Principles, for instance – would better align with the state of convergence that can realistically be achieved by end-2024. The latter should not be underestimated considering where the IAIS started its decade-long journey. Additionally, a principles-based 'ICS as a PCR' would more adequately account for the need to maintain cohesion and integrity of solvency regimes, on their own, and in the broader context of national insurance legislations in which they are embedded. The value placed on IAIS members operating cohesive insurance regimes (the 'sum') should be higher than that accorded to striving for international convergence by means of individual components or parameters (the 'parts'). It may additionally be useful for the IAIS to, on the one hand, unambiguously mark the difference between the 'ICS as a PCR', i.e., the capital component for the solvency assessment in the Common Framework (ComFrame) for the Supervision of IAIGs, and on the other hand, the ICS 'blueprint' used in the monitoring period and offered to jurisdictions considering the modernization of their solvency regime (or overall insurance regime). This means that the ICS is proposed as an international standard for the 50 or so IAIGs	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

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		worldwide, only. However, policymakers and, in practice, supervisors need to warrant consistency within their national insurance regime that address solo entities, domestic groups and, for some, IAIGs. International convergence should not happen at the expense of jurisdictional cohesion – or else would amount to taking a step backwards.	
12. Do you have comments regarding the calculation of the Life risk charges?	Swiss Insurance Association	For the purpose of mortality risk modelling, the ICS is based on flat shocks applicable to all regions and age groups at the same time. This is in contrast to actual experience and a one-size-fits-all approach is a poor approximation of the target confidence level benefiting certain risk profiles while penalizing others. Observable dependencies and actual experience data should be considered, which support diversification effects across regions and age groups even in global events. In our view, reviewability clauses in life insurance contracts are not adequately reflected in the proposed ICS. They represent contractual rights of insurance undertakings, and as such increase the value of the corresponding contracts (or decrease the liability in case of a net liability) and reduce risk. This should be fully recognized in the determination of the capital requirements.	- About *mortality risk and longevity risk needing geographic and age groups diversification*: The comments have been taken into account when finalising the ICS. The design of the Mortality and Longevity risk modules is intended to strike a balance between complexity and risk sensitivity. The granularity of the segmentation has also considered the availability of data to produce a meaningful level of

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		In all cases, these refinements should be allowed in national implementations of the ICS.	calibration. When the standard method does not reflect the IAIG's actual risk profile, the ICS allows for the use of a (partial) internal model to capture diversification more adequately, subject to the GWS approval. - About *lapse risk needing consideration of reviewability clauses*: Review clauses are considered in the determination of the contract boundary, which takes into account the rights of the IAIG in terminating or changing premiums payable under its insurance contracts on policy anniversaries. Those review clauses are therefore indirectly reflected in the capital requirement.

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22. Do you have other comments regarding Equity risk?	Swiss Insurance Association	The inclusion of a segment on “strategic equity”, with appropriate risk charges, would help to better reflect assets held by the IAIGs. In all cases, these refinements should be allowed in national implementations of the ICS.	- About *dedicated treatment for strategic equity*: After detailed analysis, it was decided not to introduce a dedicated treatment for strategic equity. In particular, it may introduce undue complexity and subjectivity in the assessment of capital adequacy.
23. Do you have comments regarding Real Estate risk?	Swiss Insurance Association	The introduction of region/country-specific risk charges for Real Estate holdings is necessary to better reflect assets held by the IAIGs. Analyses of observed data (Annual Total Return Property Indices) demonstrate that derived historic volatilities in European real estate markets lead to risk charges (99.5%-VaR quantile) well below 25% and that therefore, to provide a realistic picture, a differentiation of real estate risk charges at least by country or buckets of countries has to be implemented. In all cases, these refinements should be allowed in national implementations of the ICS.	- About *shock level for real estate assets*: The calibration of the stress factor has been investigated throughout several public consultations and data collections.Please refer to the ICS calibration document for more details about the ICS calibration methodology.

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24. Do you have comments regarding Currency risk?	Swiss Insurance Association	Currency risk in the ICS is assessed against the reporting currency of an IAIG. This incentivises IAIGs to hold assets in their reporting currency which represents a shareholder protection perspective. A more appropriate approach to reflect a policyholder perspective would be to assess currency risk against a currency basket, representative of the currencies in which large losses according to the target confidence level are likely to arise. In all cases, these refinements should be allowed in national implementations of the ICS.	- About *currency risk being measured against a currency basket instead of the reporting currency*: This aspect has been investigated as part of the finalisation of the ICS, but such a change was not deemed appropriate.
28. Do you have comments regarding Operational risk?	Swiss Insurance Association	Please refer to our answer to Q.1 which provides the general context in which the Swiss Insurance Association (SIA) responds to the 'ICS as a PCR' consultation. We urge the IAIS to recognize that a more principles-based 'ICS as a PCR' – in line with the Insurance Core Principles, for instance – would better align with the state of convergence that can realistically be achieved by end-2024. The latter should not be underestimated considering where the IAIS started its decade-long journey. Additionally, a principles-based 'ICS as a PCR' would more adequately account for the need to maintain cohesion and integrity of solvency regimes, on their own, and in the broader context of national insurance legislations in which they are embedded. The value placed on IAIS members operating cohesive insurance regimes (the 'sum') should be higher than that accorded to striving for international	- About *a principle-based operational risk*: For the ICS, the choice has been made to provide simple and prescriptive instructions. This is therefore the case for operational risk calculation. This is deemed appropriate for the purpose of a global standard for IAIGs. - About *calibration methodology*: Please refer to the ICS calibration document for more details

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		convergence by means of individual components or parameters (the ‘parts’). It may additionally be useful for the IAIS to, on the one hand, unambiguously mark the difference between the ‘ICS as a PCR’, i.e., the capital component for the solvency assessment in the Common Framework (ComFrame) for the Supervision of IAIGs, and on the other hand, the ICS ‘blueprint’ used in the monitoring period and offered to jurisdictions considering the modernization of their solvency regime (or overall insurance regime). This means that the ICS is proposed as an international standard for the 50 or so IAIGs worldwide, only. However, policymakers and, in practice, supervisors need to warrant consistency within their national insurance regime that address solo entities, domestic groups and, for some, IAIGs. International convergence should not happen at the expense of jurisdictional cohesion – or else would amount to taking a step backwards. Operational risk in the ICS is reflected by imposing factor-based capital charges. We would like to highlight that such a requirement contrasts with the flexibility provided by ICP 17 to use a set of supervisory tools beyond capital charges for controlling operational risk. Narrowing the allowed instruments for IAIGs undermines the goal to maintain a level playing field on the jurisdictional level. Correspondingly, the ICS should be formulated in a more principles-based manner with regards to operational risk, thereby allowing flexibility in the use of supervisory tools and maintaining a level playing field on the	about the ICS calibration methodology.

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		jurisdictional level. Under the premise that jurisdictions chose to apply capital charges for operational risk, in terms of the approach incorporated currently in ICS, we ask the IAIS to provide more background on the science behind the specific calibration both in terms of base quantities (premiums, growth, liabilities) as well as applied factors.	
29. Do you have comments regarding the aggregation / diversification of ICS risk charges?	Swiss Insurance Association	Please refer to our answer to Q.1 which provides the general context in which the Swiss Insurance Association (SIA) responds to the 'ICS as a PCR' consultation. The SST is a comprehensive and conservative solvency regime; it forms a cohesive and integral whole with the Swiss insurance legislation, as attested e.g., by the full equivalence with EU Solvency II, as well as investors and rating agencies. Concretely, the choice of risk measure, calibration, tax perspective, governance of internal models, and all other facets and parameters of the regime have been finetuned since its proposal in 2003/05, subsequent enactment in 2011, and the most recent revision, with application as of 1 January 2024, to dovetail with resolution and insolvency proceedings. We agree with the IAIS that the inclusion of (partial) internal	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

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		models in the ICS, and in accordance with ICP 17, is necessary for the viability of the capital standard. Consistent with the principle of proportionality, different approaches to risk measurement are needed, depending on the size, nature and complexity of the risks an insurer is exposed to. A uniform approach may be inappropriate, as prescriptive and formulaic approaches are unable to capture the complexities and the risk profile of larger and more complex undertakings. In recognition of these limitations, the SST, Solvency II and Solvency UK allow internal models to be used to calculate solvency requirements, subject to supervisory approval. The need for consistency between capital requirements and capital resources requires both to be established on the same basis. Indeed, it would be methodologically unsound to rely on an internal model for capital requirements and a formulaic approach for capital resources; for instance, fundamental parameters like the yield structure to establish interest rate risk used for valuation apply to both capital resources and capital requirements. For this reason, supervisory approved internal models should also be allowed for establishing the capital resources. The guidelines for future application processes for internal models should be flexible enough to include established local application processes that follow sound supervisory practices.	

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35. Do you have other comments regarding tax?	Swiss Insurance Association	The prescriptive approach to the treatment of taxes currently reflected in the ICS is at odds with the flexibility provided by ICP 17 to use either a before-tax or after-tax view. Restricting the capital assessment of IAIGs to one view effectively restricts jurisdictions' policy choices provided in ICP 17 in case they would like to maintain jurisdictional consistency with non-IAIG insurance undertakings. Applying a different view to IAIGs than to non-IAIG insurance undertakings could lead to confusion among users of the group capital assessment and a distortion of the level playing field. Consequently, the ICS should be formulated in a more principles-based manner with regards to the treatment of taxes such that the flexibility provided in ICP 17 and a level playing field can be maintained.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
36. Do you have comments regarding Other Methods for the calculation of the ICS capital requirement?	Swiss Insurance Association	Please refer to our answer to Q.1 which provides the general context in which the Swiss Insurance Association (SIA) responds to the 'ICS as a PCR' consultation. The SST is a comprehensive and conservative solvency regime; it forms a cohesive and integral whole with the Swiss insurance legislation, as attested e.g., by the full equivalence with EU Solvency II, as well as investors and rating agencies. Concretely, the choice of risk measure, calibration, capital tiering, tax perspective, governance of internal models, and all other facets and parameters of the regime have been finetuned since its proposal in 2003/05, subsequent enactment in 2011,	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

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		and the most recent revision, with application as of 1 January 2024, to dovetail with resolution and insolvency proceedings. We agree with the IAIS that the inclusion of (partial) internal models in the ICS, and in accordance with ICP 17, is necessary for the viability of the capital standard. Consistent with the principle of proportionality, different approaches to risk measurement are needed, depending on the size, nature and complexity of the risks an insurer is exposed to. A uniform approach may be inappropriate, as prescriptive and formulaic approaches are unable to capture the complexities and the risk profile of larger and more complex undertakings. In recognition of these limitations, the SST, Solvency II and Solvency UK allow internal models to be used to calculate solvency requirements, subject to supervisory approval. The need for consistency between capital requirements and capital resources requires both to be established on the same basis. Indeed, it would be methodologically unsound to rely on an internal model for capital requirements and a formulaic approach for capital resources; for instance, fundamental parameters like the yield structure to establish interest rate risk used for valuation apply to both capital resources and capital requirements. For this reason, supervisory approved internal models should also be allowed for establishing the capital resources. The guidelines for future application processes for internal models should be flexible enough to include	

Question	Respondent	Comment received	IAIS response
		established local application processes that follow sound supervisory practices.	
38. Do you have comments on the overall requirements (section 9.4.1)?	Swiss Insurance Association	Please refer to our answer to Q.1 which provides the general context in which the Swiss Insurance Association (SIA) responds to the 'ICS as a PCR' consultation. The SST is a comprehensive and conservative solvency regime; it forms a cohesive and integral whole with the Swiss insurance legislation, as attested e.g., by the full equivalence with EU Solvency II, as well as investors and rating agencies. Concretely, the choice of risk measure, calibration, capital tiering, tax perspective, governance of internal models, and all other facets and parameters of the regime have been finetuned since its proposal in 2003/05, subsequent enactment in 2011, and the most recent revision, with application as of 1 January 2024, to dovetail with resolution and insolvency proceedings. We agree with the IAIS that the inclusion of (partial) internal	- About *recognition of internal models (IM) in ICS being welcome*: Your support of the use of IM to determine regulatory capital requirements is noted. - About *use of IMs to determine the balance sheet and capital resources (L1-154)*: L1-154 has been modified to - Whenever internal models are allowed as an Other Method for calculating the ICS capital requirement, the group-wide

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		models in the ICS, and in accordance with ICP 17, is necessary for the viability of the capital standard. Consistent with the principle of proportionality, different approaches to risk measurement are needed, depending on the size, nature and complexity of the risks an insurer is exposed to. A uniform approach may be inappropriate, as prescriptive and formulaic approaches are unable to capture the complexities and the risk profile of larger and more complex undertakings. In recognition of these limitations, the SST, Solvency II and Solvency UK allow internal models to be used to calculate solvency requirements, subject to supervisory approval. The need for consistency between capital requirements and capital resources requires both to be established on the same basis. Indeed, it would be methodologically unsound to rely on an internal model for capital requirements and a formulaic approach for capital resources; for instance, fundamental parameters like the yield structure to establish interest rate risk used for valuation apply to both capital resources and capital requirements. For this reason, supervisory approved internal models should also be allowed for establishing the capital resources. The guidelines for future application processes for internal models should be flexible enough to include established local application processes that follow sound supervisory practices.	supervisor (GWS) considers how the balance sheet, used within the internal model, complies with the requirements for the calculation of the balance sheet in the standard method, currently set out within section 5 on Market-Adjusted Valuation. In doing so, the group-wide supervisor (GWS) should ensure consistency between the approaches used for the determination of capital requirements and capital resources. L2-393 has been modified to - The methodology to calculate the ICS capital requirement is consistent with the methods to calculate the ICS balance sheet. The initial balance sheet of the internal model reconciles with the ICS balance sheet.

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39. Do you have comments on the general provisions on the use of an internal model to determine regulatory capital requirements (section 9.4.2)?	Swiss Insurance Association	Please refer to our answer to Q.1 which provides the general context in which the Swiss Insurance Association (SIA) responds to the 'ICS as a PCR' consultation. As an important feature of the standard, consistent application of internal models must be foreseen both for the determination of the capital requirement and for the determination of the capital resources. Furthermore, we believe that the use of internal models is essential in areas where the standard model does not correctly assess the risk profile of an IAIG. Consequently, we do not see the benefit or additional insight of benchmarking against the standard model, which is deemed to be inappropriate in the first place. The SST is a comprehensive and conservative solvency regime; it forms a cohesive and integral whole with the Swiss insurance legislation, as attested e.g., by the full equivalence with EU Solvency II, as well as investors and rating agencies. Concretely, the choice of risk measure, calibration, tax perspective, governance of internal models, and all other facets and parameters of the regime have been finetuned since its proposal in 2003/05, subsequent enactment in 2011, and the most recent revision, with application as of 1 January 2024, to dovetail with resolution and insolvency proceedings. We agree with the IAIS that the inclusion of (partial) internal	- About *general support of the use of IM to determine regulatory capital requirements*: Your support of the use of IM to determine regulatory capital requirements is noted. - About *opposition to the use of standard method (SM) information in the internal model review process (L2-371)*: Feedback and data collected over the monitoring period show that this information can be useful for the supervisor. - About *opposition to the use of standard method (SM) risk categories comparison in the internal model review process (L2-372)*: Feedback and data collected over the monitoring period show that

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		models in the ICS, and in accordance with ICP 17, is necessary for the viability of the capital standard. Consistent with the principle of proportionality, different approaches to risk measurement are needed, depending on the size, nature and complexity of the risks an insurer is exposed to. A uniform approach may be inappropriate, as prescriptive and formulaic approaches are unable to capture the complexities and the risk profile of larger and more complex undertakings. In recognition of these limitations, the SST, Solvency II and Solvency UK allow internal models to be used to calculate solvency requirements, subject to supervisory approval. The need for consistency between capital requirements and capital resources requires both to be established on the same basis. Indeed, it would be methodologically unsound to rely on an internal model for capital requirements and a formulaic approach for capital resources; for instance, fundamental parameters like the yield structure to establish interest rate risk used for valuation apply to both capital resources and capital requirements. For this reason, supervisory approved internal models should also be allowed for establishing the capital resources. The guidelines for future application processes for internal models should be flexible enough to include established local application processes that follow sound supervisory practices.	this information can be useful for the supervisor. L2-368 does not imply that the internal model needs to follow the structure of the ICS standard method. - About *limiting public reporting and disclosure of the differences between IM and SM upon approval to the underlying assumptions (L2-379)*: Modified L2-379 accordingly: “If the internal model is approved, the GWS works with the IAIG to communicate the decision to the public. Particular attention should be given to the clarity of the approved internal model’s scope and the differences with the ICS standard method’s underlying assumptions when possible.” - About *opposition to regular*

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			reporting of the differences between IM and SM figures in the post-approval monitoring and control process (L2-381): The data submission templates are to be agreed upon between the GWS and the IAIG. GWS can ponder cost vs. added value. - About *use of internal models for valuation purposes*: According to L1-154, valuation can be realised with internal models if the GWS considers it complies with the requirements for the calculation of the balance sheet in the standard method. In that regard, consistency between valuation and risk measurement is maintained.

Question	Respondent	Comment received	IAIS response
40. Do you have comments on the criteria for internal model approval (section 9.4.3)?	Swiss Insurance Association	The guidelines for future application processes for internal models should be flexible enough to include established local application processes that follow sound supervisory practices.	- About *flexibility in internal models' application*: This is an implementation topic.
43. Do you have other comments regarding the use of internal models?	Swiss Insurance Association	Jurisdictions allowing the use of internal models for the assessment of regulatory solvency requirements in their approval process typically require evidence that available standard methods do not adequately reflect the risks of the IAIG. Once this is established, any 'benchmarking', flooring or reporting on the basis of the standard methods has to be seen as misguided. In order to avoid harmful misleading of result users, the ICS should refrain from and oppose any form of 'benchmarking', flooring or reporting on the basis of the ICS standard method for users of supervisory approved internal models. As mentioned above, internal models must be applied consistently for the determination of both the capital requirement and the capital resources.	- About *internal models being eligible for valuation purposes*: The scope of Other Methods is limited to the capital requirement. This is also in line with ICP17. - About *full use for both valuation and risk measurement purposes being an integral part of ICS, provided a use test by the IAIG during the application process*: The scope of Other Methods is limited to the capital

Question	Respondent	Comment received	IAIS response
		From the recognition by the competent supervisory authority that an IAIG's risk profile is better reflected by an internal model follows that this model's structure and reporting granularity should be used in the communication of results in order for the latter to be in line with the IAIG's risk profile.	requirement. This is also in line with ICP17.
44. Do you have additional comments on the ICS?	Swiss Insurance Association	Please refer to our answer to Q.1 which provides the general context in which the Swiss Insurance Association (SIA) responds to the 'ICS as a PCR' consultation. SIA is supportive of the IAIS's overall objective to promote a 'common language for supervisory discussions' by means of a standard that 'achieves comparable' – i.e., similar but not identical – 'outcomes across jurisdictions'. In practice, however, it seems unlikely that any jurisdiction will implement to the letter the ICS as defined in the IAIS specifications. With that in mind, we find the 'ICS as a PCR' material to be overly granular, and prescriptive. Indeed, in many aspects, if taken literally, it would preclude existing consolidated solvency regimes in place from being considered implementations of the ICS. That would leave Europe, including EU Member States, Switzerland and the UK, which are home to more than 50% of the IAIGs in 2023, in a	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
		situation where they have to either abandon or change their proven, crisis-tested solvency regimes if they want to comply with ICS and avoid multiple reporting. Indeed, the Swiss Solvency Test (SST), Solvency II including Solvency UK have demonstrated their appropriateness in response to global shocks like the Great Financial Crisis, sovereign debt crises, and Covid-19. The SST is a comprehensive and conservative solvency regime; it forms a cohesive and integral whole with the Swiss insurance legislation, as attested e.g., by the full equivalence with EU Solvency II, as well as investors and rating agencies. Concretely, the choice of risk measure, calibration, tax perspective, governance of internal models, and all other facets and parameters of the regime have been finetuned since its proposal in 2003/05, subsequent enactment in 2011, and the most recent revision, with application as of 1 January 2024, to dovetail with resolution and insolvency proceedings. We therefore urge the IAIS to recognize that a more principles-based 'ICS as a PCR' – in line with the Insurance Core Principles, for instance – would better align with the state of convergence that can realistically be achieved by end-2024. The latter should not be underestimated considering where the IAIS started its decade-long journey. Additionally, a principles-based 'ICS as a PCR' would more adequately account for the need to maintain cohesion and integrity of solvency regimes,	

Question	Respondent	Comment received	IAIS response
		on their own, and in the broader context of national insurance legislations in which they are embedded. The value placed on IAIS members operating cohesive insurance regimes (the ‘sum’) should be higher than that accorded to striving for international convergence by means of individual components or parameters (the ‘parts’). It may additionally be useful for the IAIS to, on the one hand, unambiguously mark the difference between the ‘ICS as a PCR’, i.e., the capital component for the solvency assessment in the Common Framework (ComFrame) for the Supervision of IAIGs, and on the other hand, the ICS ‘blueprint’ used in the monitoring period and offered to jurisdictions considering the modernization of their solvency regime (or overall insurance regime). This means that the ICS is proposed as an international standard for the 50 or so IAIGs worldwide, only. However, policymakers and, in practice, supervisors need to warrant consistency within their national insurance regime that address solo entities, domestic groups and, for some, IAIGs. International convergence should not happen at the expense of jurisdictional cohesion – or else would amount to taking a step backwards.	

Question	Respondent	Comment received	IAIS response
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	Swiss Insurance Association	We do not believe that any meaningful statement about potential impacts from the implementation of the ICS can reasonably be expected at a point in time where the 'ICS as a PCR' is still in consultation and considerable uncertainties exist in terms of i) how the ICS will be codified in the international standards of the IAIS, ii) how it will be implemented by jurisdictions around the world, iii) how implementation assessments will look, and iv) how convergence will play out over time. In the meantime, we kindly refer to the answer of Q.1 for our general comments on the 'ICS as PCR' consultation.	Please see ICS Economic Impact Assessment report
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	Swiss Insurance Association	Please refer to our answer to Q.1 which provides the general context in which the Swiss Insurance Association (SIA) responds to the 'ICS as a PCR' consultation. SIA is supportive of the IAIS's overall objective to promote a 'common language for supervisory discussions' by means of a standard that 'achieves comparable' – i.e., similar but not identical – 'outcomes across jurisdictions'. In practice, however, it seems unlikely that any jurisdiction will implement to the letter the ICS as defined in the IAIS specifications. With that in mind, we find the 'ICS as a PCR' material to be overly granular, and prescriptive. Indeed, in many aspects, if taken literally, it would preclude existing consolidated solvency regimes in place from being considered implementations of the ICS. That would leave	Please see ICS Economic Impact Assessment report

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		Europe, including EU Member States, Switzerland and the UK, which are home to more than 50% of the IAIGs in 2023, in a situation where they have to either abandon or change their proven, crisis-tested solvency regimes if they want to comply with ICS and avoid multiple reporting. Indeed, the Swiss Solvency Test (SST), Solvency II including Solvency UK have demonstrated their appropriateness in response to global shocks like the Great Financial Crisis, sovereign debt crises, and Covid-19. The SST is a comprehensive and conservative solvency regime; it forms a cohesive and integral whole with the Swiss insurance legislation, as attested e.g., by the full equivalence with EU Solvency II, as well as investors and rating agencies. Concretely, the choice of risk measure, calibration, tax perspective, governance of internal models, and all other facets and parameters of the regime have been finetuned since its proposal in 2003/05, subsequent enactment in 2011, and the most recent revision, with application as of 1 January 2024, to dovetail with resolution and insolvency proceedings. We therefore urge the IAIS to recognize that a more principles-based 'ICS as a PCR' – in line with the Insurance Core Principles, for instance – would better align with the state of convergence that can realistically be achieved by end-2024. The latter should not be underestimated considering where the IAIS started its decade-long journey. Additionally, a principles-	

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		based 'ICS as a PCR' would more adequately account for the need to maintain cohesion and integrity of solvency regimes, on their own, and in the broader context of national insurance legislations in which they are embedded. The value placed on IAIS members operating cohesive insurance regimes (the 'sum') should be higher than that accorded to striving for international convergence by means of individual components or parameters (the 'parts'). It may additionally be useful for the IAIS to, on the one hand, unambiguously mark the difference between the 'ICS as a PCR', i.e., the capital component for the solvency assessment in the Common Framework (ComFrame) for the Supervision of IAIGs, and on the other hand, the ICS 'blueprint' used in the monitoring period and offered to jurisdictions considering the modernization of their solvency regime (or overall insurance regime). This means that the ICS is proposed as an international standard for the 50 or so IAIGs worldwide, only. However, policymakers and, in practice, supervisors need to warrant consistency within their national insurance regime that address solo entities, domestic groups and, for some, IAIGs. International convergence should not happen at the expense of jurisdictional cohesion – or else would amount to taking a step backwards.	

Question	Respondent	Comment received	IAIS response
65. Do you anticipate any impacts to the competitiveness of IAIGs relative to non-IAIGs with the implementation of the ICS?	Swiss Insurance Association	Please refer to our answer to Q.1 which provides the general context in which the Swiss Insurance Association (SIA) responds to the 'ICS as a PCR' consultation. SIA is supportive of the IAIS's overall objective to promote a 'common language for supervisory discussions' by means of a standard that 'achieves comparable' – i.e., similar but not identical – 'outcomes across jurisdictions'. In practice, however, it seems unlikely that any jurisdiction will implement to the letter the ICS as defined in the IAIS specifications. With that in mind, we find the 'ICS as a PCR' material to be overly granular, and prescriptive. Indeed, in many aspects, if taken literally, it would preclude existing consolidated solvency regimes in place from being considered implementations of the ICS. That would leave Europe, including EU Member States, Switzerland and the UK, which are home to more than 50% of the IAIGs in 2023, in a situation where they have to either abandon or change their proven, crisis-tested solvency regimes if they want to comply with ICS and avoid multiple reporting. Indeed, the Swiss Solvency Test (SST), Solvency II including Solvency UK have demonstrated their appropriateness in response to global shocks like the Great Financial Crisis, sovereign debt crises, and Covid-19. The SST is a comprehensive and conservative solvency regime; it forms a cohesive and integral whole with the Swiss	Please see ICS Economic Impact Assessment report

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		insurance legislation, as attested e.g., by the full equivalence with EU Solvency II, as well as investors and rating agencies. Concretely, the choice of risk measure, calibration, tax perspective, governance of internal models, and all other facets and parameters of the regime have been finetuned since its proposal in 2003/05, subsequent enactment in 2011, and the most recent revision, with application as of 1 January 2024, to dovetail with resolution and insolvency proceedings. We therefore urge the IAIS to recognize that a more principles-based 'ICS as a PCR' – in line with the Insurance Core Principles, for instance – would better align with the state of convergence that can realistically be achieved by end-2024. The latter should not be underestimated considering where the IAIS started its decade-long journey. Additionally, a principles-based 'ICS as a PCR' would more adequately account for the need to maintain cohesion and integrity of solvency regimes, on their own, and in the broader context of national insurance legislations in which they are embedded. The value placed on IAIS members operating cohesive insurance regimes (the 'sum') should be higher than that accorded to striving for international convergence by means of individual components or parameters (the 'parts'). It may additionally be useful for the IAIS to, on the one hand, unambiguously mark the difference between the 'ICS as a PCR', i.e., the capital component for the solvency assessment in the Common Framework (ComFrame) for the Supervision of IAIGs, and on the other hand, the ICS	

Question	Respondent	Comment received	IAIS response
		'blueprint' used in the monitoring period and offered to jurisdictions considering the modernization of their solvency regime (or overall insurance regime). This means that the ICS is proposed as an international standard for the 50 or so IAIGs worldwide, only. However, policymakers and, in practice, supervisors need to warrant consistency within their national insurance regime that address solo entities, domestic groups and, for some, IAIGs. International convergence should not happen at the expense of jurisdictional cohesion – or else would amount to taking a step backwards.	
67. Do you anticipate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	Swiss Insurance Association	Please refer to our answer to Q.1 which provides the general context in which the Swiss Insurance Association (SIA) responds to the 'ICS as a PCR' consultation. SIA is supportive of the IAIS's overall objective to promote a 'common language for supervisory discussions' by means of a standard that 'achieves comparable' – i.e., similar but not identical – 'outcomes across jurisdictions'. In practice, however, it seems unlikely that any jurisdiction will implement to the letter the ICS as defined in the IAIS specifications. With that in mind, we find the 'ICS as a PCR' material to be overly granular, and prescriptive. Indeed, in many aspects, if taken literally, it would preclude existing consolidated solvency regimes in place from being considered implementations of the ICS. That would leave Europe, including EU Member States, Switzerland and the UK, which are home to more than 50% of the IAIGs in 2023, in a	Please see ICS Economic Impact Assessment report

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		situation where they have to either abandon or change their proven, crisis-tested solvency regimes if they want to comply with ICS and avoid multiple reporting. Indeed, the Swiss Solvency Test (SST), Solvency II including Solvency UK have demonstrated their appropriateness in response to global shocks like the Great Financial Crisis, sovereign debt crises, and Covid-19. The SST is a comprehensive and conservative solvency regime; it forms a cohesive and integral whole with the Swiss insurance legislation, as attested e.g., by the full equivalence with EU Solvency II, as well as investors and rating agencies. Concretely, the choice of risk measure, calibration, tax perspective, governance of internal models, and all other facets and parameters of the regime have been finetuned since its proposal in 2003/05, subsequent enactment in 2011, and the most recent revision, with application as of 1 January 2024, to dovetail with resolution and insolvency proceedings. We therefore urge the IAIS to recognize that a more principles-based 'ICS as a PCR' – in line with the Insurance Core Principles, for instance – would better align with the state of convergence that can realistically be achieved by end-2024. The latter should not be underestimated considering where the IAIS started its decade-long journey. Additionally, a principles-based 'ICS as a PCR' would more adequately account for the need to maintain cohesion and integrity of solvency regimes,	

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Question	Respondent	Comment received	IAIS response
1. Do you have comments regarding the general guiding principles of the ICS?	The Life Insurance Association of Japan	・The consultation document (CD) states that when a full look-through is not possible, a partial look-through may be applied, along the lines provided by the Basel III framework. ・While the LIAJ considers such intermediate application as reasonable, it would not be easy to apply the partial look-through in line with the Basel III framework based on each insurer's interpretation and discretion, as the framework for risk measurement differs between banking and insurance sectors. ・The LIAJ would like to ask the IAIS to give practical consideration for applying the Basel III framework by providing examples of such cases.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
3. Do you have comments on the introduction of a term structure of credit spreads for discounting?	The Life Insurance Association of Japan	・The LIAJ supports the introduction of the term structure as it would contribute to refining the ICS calculation. However, as the spread level of the discount rate significantly affects the economic solvency ratio of insurers, considering the calibration method would also be important. ・In fact, as for Japanese corporate bonds with a credit rating of BBB (ICS RC 4), there is a large gap between the yield curves for the end of March 2023 and the end of December 2022. This level of volatility in a short time as three months indicates the possibility of an ineffective calibration, so proper adjustment should be made gradually through the disclosure of calibration methods and continued discussion with the industry.	- About *introducing a term structure of spreads providing benefits*: Your support for the term structure is noted. - About *needing careful consideration of the calibration method*: The data used for the determination of the yield curve was thoroughly tested throughout the monitoring period, and no strong

Question	Respondent	Comment received	IAIS response
			evidence was found to support a change to the BBB calibration methodology.
4. Do you have comments on the revised eligibility criteria for the Middle Bucket?	The Life Insurance Association of Japan	・Although universal insurance and account-type insurance products available in Japan do not fix future premiums, the LIAJ supports the easing of the criterion L2-69. e) for the Middle Bucket, as these products can predict cash-flows with a higher degree of accuracy. Furthermore, these products also allow insurers to adjust insurance premiums at their discretion when the underlying risks manifest.	- About *support for criterion E changes*: Criterion E has been further clarified to ensure a clear understanding of future premiums and their treatment within the middle bucket.

Question	Respondent	Comment received	IAIS response
5. Do you have comments on the introduction of a modulation factor?	The Life Insurance Association of Japan	・While the proposed formula for computing the modulation factor ω reflects the adjustment of balances using spread sensitivity of the insurance liability and credit asset and has been refined from the 2022 ICS Technical Specifications, it still needs to be verified, for example, as to whether the formula would remain applicable in stressed market conditions. ・Also, for jurisdictions such as the Euro zone where swap rate is the risk-free rate, government bonds are treated inconsistently between the calculation of the spread and NDSR. While government bonds can be reflected in the calculation of the spread including the modulation factor ω, government bonds as a whole are excluded from the calculation of the NDSR. Consideration should be given on consistency between these calculations by including the NDSR calculation in every asset that is subject to the calculation of the spread.	- About *considering whether the modulation factor is applicable under stressed market conditions*: The data collected over the monitoring period supports the treatment provided in the ICS for the modulation factor.

Question	Respondent	Comment received	IAIS response
6. Do you have other comments regarding the Market-Adjusted Valuation?	The Life Insurance Association of Japan	・The LIAJ would like to ask the IAIS to reflect the asset management reality of insurers appropriately for the insurance liabilities discount rate. In particular, reflecting the equity risk premium would be appreciated, as the valuation in relation to equity investment would be important for Japan. – Since the launch of whole-life insurance in Japan in 1981, Japanese insurers have ensured investment return to support long-term insurance liabilities by investing in equity and real estate, in spite of the limited options for ultra-long-term assets. – The size of the bond market in Japan is relatively small compared to other jurisdictions and it would be difficult to secure the credit spread for bonds. Investment in foreign bonds with complex hedging may therefore increase if equity investment requires higher cost of capital. ・Additionally, the calculation of MOCE in the ICS, where the percentile method is adopted, differs from that of Europe and Japan where the cost of capital method would be used. The difference in calculation methods between the ICS and local regulations could also lead to causing greater inconsistency in managing the IAIGs and preventing the enhancement of risk management.	- About *taking more account of the spread of non-fixed income assets*: The data collected over the monitoring period supports the treatment provided in the ICS of spread adjustments for non-fixed income assets. - About *MOCE being based on cost of capital*: The data collected over the monitoring period supports the treatment provided in the ICS for MOCE.

Question	Respondent	Comment received	IAIS response
9. Do you have other comments regarding capital resources?	The Life Insurance Association of Japan	・The LIAJ appreciates the introduction of the qualifying criteria based on the type of business structure, i.e. the requirement for an instrument to have the initial maturity of at least ten years to be qualified as Tier 1 capital resource as well as the different capital composition limits, both applicable to a mutual IAIG. On the other hand, the ICS tiering categorises kikin in a way that is not in line with the reality in Japan. Insurers with "kikin" are mandated by Japanese law to reserve additional "redemption related kikin" equivalent to the amount of redemption, and kikin for mutual companies are considered to have the capital characteristics comparable to the capital of holding companies. This inconsistency with supervisory accounting regarding tiering of kikin by local jurisdictions should be avoided. In order to ensure consistent valuation across markets, the LIAJ suggests a provision that "sets out the basic tiering direction and focuses on the setting of tiering by local jurisdictions." ・Furthermore, in the context of factor analyses for volatility in the ICS ratio and difference comparison with an internal model, the LIAJ would like to ask the IAIS to disclose the rationale for the spreads applied to the General Bucket and the Middle Bucket by ICS rating categories. The data sources for the spreads for each currency, for example, should be disclosed in the ICS Technical Specification, as it would help the IAIG establish its own measurement method for the standard model.	- About *the ICS setting out the basic tiering direction while the setting of tiering is done by local jurisdictions*: The tiering rules are meant to be principle-based and should not depend on the legal form of instruments. They have proven to operate as expected during the monitoring period, providing no evidence of their inappropriateness.

Question	Respondent	Comment received	IAIS response
10. Do you have comments regarding the ICS risks and calculation methods?	The Life Insurance Association of Japan	・In the context of factor analyses for volatility in the ICS ratio, difference comparison with an internal model and risk factor validation, calibration method details used for calculation of the standard model, including all risk factors, risk scenarios and correlations, should be disclosed.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.
12. Do you have comments regarding the calculation of the Life risk charges?	The Life Insurance Association of Japan	・While the risk charges for ordinary lapse risks are calculated applying the historical trend component by each region, the mass lapse risk related specification is determined in the same for all regions. As this may lead to the level of mass lapse risks being overly conservative for life insurers in Japan, stress factors should preferably continue to be adjusted gradually even after the ICS finalisation through disclosing the calibration methods so that they are appropriate for each region. – As mass lapse risks are affected by the interest rate sensitivity of only the insurance liabilities even if insurers are promoting the ALM, it could be a major factor in decreasing the level of economic solvency ratio for insurers when interest rate rises. ・As mass lapse risks are different from other underwriting risks since underlying contracts extinguish immediately, the effects of MOCE decrease (for example, a 30% decrease) caused by	- About *lapse risk needing recalibration for mass lapse component*: The stress factors were initially determined based on the various solvency frameworks of IAIS member jurisdictions along with expert judgment. Subsequently, during field testing and monitoring period of the ICS, additional data collections were carried out to review the appropriateness of the stress factors and update

Question	Respondent	Comment received	IAIS response
		extinguishing underlying contracts is possible to be reflected for calculating capital requirement. MOCE decrease associated with extinguishing contracts should thus be considered when calculating mass lapse risks related to capital requirement.	the stress factors where relevant credible data have been received. Please refer to the ICS calibration document for more details about the ICS calibration methodology. When the standard method does not reflect the IAIG's actual risk profile, the ICS allows for the use of a (partial) internal model to capture diversification more adequately, subject to the GWS approval. Specifically, on mass lapse, this aspect has been investigated throughout public consultations and data collections. The differentiation of the stress factors by the specified geographical segmentation in the ICS standard method was chosen to strike a balance between complexity and risk sensitivity. The

Question	Respondent	Comment received	IAIS response
			granularity of the segmentation has also considered the availability of data to produce a meaningful level of calibration. - About *lapse risk needing consideration of other comments*: The ICS treatment of MOCE was specified to strike a balance between complexity and risk sensitivity. In the calculation of the ICS capital requirements, all stress-based calculations include only current estimates for determining the pre- and post-stress Net Asset Value, thus the MOCE remains constant during the stress. The treatment of MOCE was a simplification made to keep the calculation of the capital requirements manageable, as MOCE is

Question	Respondent	Comment received	IAIS response
			likely to increase in a stress event.
16. Do you have comments regarding the Interest Rate risk?	The Life Insurance Association of Japan	・The Interest Rate risk charge calculation should be validated regularly so that it does not prevent the ALM enhancement of insurers caused by the difference in LOT and UFR applied to the discount rate calculation of insurance liabilities for internal and standard models. ・Also, implementing a method in which temporary shocks are reflected in the discount rate for liabilities beyond the investable term should be considered carefully as shocks would have an effect on the entire remaining period of liabilities. Alternatively, adjustment could be made for stabilisation to shocks from tail events such as the fall of UFR, given that UFR assumes the long-term equilibrium rate in terms of macroeconomic. ・Finally, the LIAJ would like to ask the IAIS to disclose the details of the calibration, as stated in our comment for Question 10.	- About *IRR charge calculation needing regular validation and shocks beyond LOT needing careful consideration unless adjusted for tail events*: The maximum stress of the LTFR has been limited to the maximum year-over-year change of the LTFR with respect to the base risk-free yield curve, as specified for Market Adjusted Valuation. Please refer to the ICS calibration document for more details

Question	Respondent	Comment received	IAIS response
			about the ICS calibration methodology.
17. Do you have comments regarding the Non-Default Spread risk?	The Life Insurance Association of Japan	・While the proposed formula for computing the modulation factor ω reflects the adjustment of balances using spread sensitivity of the insurance liability and credit asset and has been refined from the 2022 ICS Technical Specifications, it still needs to be verified, for example, as to whether the formula would remain applicable in stressed market conditions. ・Also, for jurisdictions such as the Euro zone where swap rate is the risk-free rate, government bonds are treated inconsistently between the calculation of the spread and NDSR. While government bonds can be reflected in the calculation of the spread including the modulation factor ω, government bonds as a whole are excluded from the calculation of the NDSR. Consideration should be given on consistency between these calculations by including the NDSR	- About *procyclicality of NDSR upward stress*: To avoid potential procyclicality, the upstress was revised to include a 150 bp cap on the spread movement. - About *treatment of government bonds in NDSR*: The modulation factor is an adjustment impacting valuation, and the NDSR calculates a capital requirement. Therefore, a

Question	Respondent	Comment received	IAIS response
		calculation in every asset that is subject to the calculation of the spread.	different treatment is justified.
18. Do you have comments on the differentiated treatment for investments in infrastructure equity?	The Life Insurance Association of Japan	・As society demands sustainable investment globally, the LIAJ supports the appropriate setting of risk factors based on data collection from the perspective of insurers fulfilling the role as institutional investors.	- About *supporting the proposition*: Your support of the ICS design is noted.

Question	Respondent	Comment received	IAIS response
19. Do you have comments on the inclusion of the Equity risk counter-cyclical measure (NAD)?	The Life Insurance Association of Japan	・The LIAJ supports the proposed inclusion of the Equity risk counter-cyclical measure as it would contribute to financial stability, which is the purpose of the ICS.	- About *supporting the design*: Your support of the ICS design is noted.
20. Do you have comments on the proposed design of the Equity risk counter-cyclical measure?	The Life Insurance Association of Japan	・It would be important for the IAIS to encourage each jurisdiction to implement a counter-cyclical measure because, if some jurisdictions fail to implement such measures, those jurisdictions would be the originating cause of disrupting financial stability.	- About *each jurisdiction implementing counter-cyclical measures*: Your support for the ICS design is noted.

Question	Respondent	Comment received	IAIS response
21. Do you have comments on whether the Equity risk counter-cyclical measure should allow for more granular calibrations to reflect geographical market specificities?	The Life Insurance Association of Japan	・Since the proposed formula based on developed market and Japanese equity market data could act differently, it might not be able to fulfil the objective of counteracting procyclical behaviour. ・While reasonable adjustment may ultimately differ between jurisdictions, the LIAJ expects the implementation of a countercyclical measure based on major indices (e.g. TOPIX in Japan).	- About *NAD formula not working as a countercyclical measure for the Japanese market*: The current design aims to strike a balance between complexity and risk sensitivity.
22. Do you have other comments regarding Equity risk?	The Life Insurance Association of Japan	・The European Solvency II applies the mitigated risk factors for long-held equities. In the context of ensuring a level playing field, the LIAJ believes that the ICS should also implement the mitigated risk factors for long-held equities. ・Based on historical data, private equity funds composed of unlisted equites show lower volatility than indices for listed equities. Also, the same risk factors are applied to unlisted equities as those for listed equities in Europe according to the European Solvency II. As such, the LIAJ would like to ask the application of the same risk factors for unlisted equities and listed equities in developed markets.	- About *dedicated treatment for long-term equity*: After detailed analysis, it was decided not to introduce a dedicated treatment for long-term equity. In particular, it may introduce undue complexity and subjectivity in the assessment of capital adequacy. - About *difference between listed and unlisted equity*: The methodology is deemed appropriate. Please refer to

Question	Respondent	Comment received	IAIS response
			the ICS calibration document for more details about the ICS calibration methodology.
23. Do you have comments regarding Real Estate risk?	The Life Insurance Association of Japan	・It is desirable to set factors and correlation factors between jurisdictions reflecting jurisdictional characteristics. ・Also, the LIAJ would like to ask the IAIS to disclose the details of the calibration, as stated in our comment for Question 10.	- About *shock category for real estate assets*: The current design aims to strike a balance between complexity and risk sensitivity. - About *calibration*: Please refer to the ICS calibration document for more details about the ICS calibration methodology.

Question	Respondent	Comment received	IAIS response
25. Do you have comments regarding Asset Concentration risk?	The Life Insurance Association of Japan	・The granularity adjustment may lead to an excessive capital requirement for asset concentration risk when the insurer's portfolio is concentrated too much on a specific counterparty. ・Capital requirements for intragroup reinsurance, bank deposits and subsidiaries are particularly high compared to the risk reality. The LIAJ therefore suggests the IAIS to set a limit on stock and credit exposures. ・Also, the LIAJ would like to ask the IAIS to disclose the details of the calibration, as stated in our comment for Question 10.	- About *raising concerns of appropriateness*: The current approach was introduced in the 2019 field testing to address the observation that some Volunteer Groups had significant counterparty exposures. Specifically, Volunteer Groups owned assets that were highly concentrated in the form of short-term deposits at regulated banks. The current approach is intended to link the calculation of Asset Concentration risk (ACR) to the level of credit risk underlying the investments and to better capture the level of diversification for a given level of assets. The prior approach did not factor in all assets, only those that exceeded certain exposure

Question	Respondent	Comment received	IAIS response
			thresholds, and relied on an assumption of perfect diversification between Credit risk and ACR for each asset class, which was not realistic. Lastly, the current approach is intended to supplement and not overlap with the Credit risk or Equity risk charges. - About *requiring disclosure of calibration methodology*: Please refer to the ICS calibration document for more details about the ICS calibration methodology.

Question	Respondent	Comment received	IAIS response
27. Do you have other comments regarding Credit risk?	The Life Insurance Association of Japan	・While it would be reasonable to take into consideration the mitigation measures for credit risks through collateral and guarantees, the LIAJ finds it overly conservative to recognise risk mitigating effects only when the collateral or the guarantee belongs to a higher rating category than the exposure. ・The proposed ICS considers that, if an A rated loan is collateralised by a mortgage and is qualified as A with the same duration, the risks would not be transferred at all because it assumes the simultaneous failure of the mortgage in case of the borrower's failure. ・In terms of reinsurance, the haircut approach is used for collateralised non-life reinsurance exposures and the mitigating effects can be recognised to some extent even when the collateral or the guarantee does not belong to a higher rating category than the exposure. On the other hand, the application of the conservative substitution approach is required for life reinsurance exposures and the risk mitigating effects can be recognised only when the collateral or the guarantee belongs to a higher rating category than the exposure. For the reason set forth above, the LIAJ would like to ask the application of the haircut approach for life reinsurance exposures as well as for collateralised non-life reinsurance exposures. ・Additionally, it also assumes extreme risk events (e.g. credit risk stress factor of 100% for securitisations in ICS RC 6.) and djustment should be made gradually through the disclosure of the method and continued discussion with the industry.	- About *design of the recognition of collateral*: The approach taken under the ICS standard method aims to strike a balance between complexity and risk sensitivity. - About *haircut approach for collateralised life reinsurance*: The approach is deemed appropriate. - About *calibration*: Please refer to the ICS calibration document for more details about the ICS calibration methodology. - About *commercial mortgages*: The current approach is consistent with the Basel Framework for banking supervision, and produces an appropriate balance between complexity

Question	Respondent	Comment received	IAIS response
		・The LIAJ understands the difficulties in changing risk charges for Commercial Mortgage Loans as a whole due to the data collected being proven insufficient both in scope and quality. Nevertheless, the category CM 1 should be further broken down, as the broad range of LTV (loan-to-value) from less than 60% to 79.9% obviously indicates significant difference in risks within the category. ・Also, the LIAJ would like to ask the IAIS to disclose the details of the calibration, as stated in our comment for Question 10.	and risk sensitivity within the ICS.
28. Do you have comments regarding Operational risk?	The Life Insurance Association of Japan	・The calculation of operational risks should be developed focusing on conciseness and comparability because some of its aspects are difficult to quantify. However, in order to avoid being overly conservative, the LIAJ suggests setting the non-operational risk (after diversification) limit to 20% of the total capital requirements. ・Also, the LIAJ would like to ask the IAIS to disclose the details of the calibration, as stated in our comment for Question 10.	- About *calibration methodology*: Please refer to the ICS calibration document for more details about the ICS calibration methodology. - About *capping operational risk*: The current methodology is deemed not to be overly conservative. Thus, a cap does not appear to be necessary. The data collected over the monitoring period show that

Question	Respondent	Comment received	IAIS response
			the treatment provided in the ICS is appropriate.
29. Do you have comments regarding the aggregation / diversification of ICS risk charges?	The Life Insurance Association of Japan	・While the fall in interest rate and drop in stock prices are positively correlated in general, losses caused by the entity's position in rising interest rate are likely to be offset by rising stock prices. ・It could be overly conservative to apply positive correlation between interest rate and equity risks uniformly regardless of the insurer's position and the correlation factor should depend on the position as with the NDSR.	- About *correlation with interest rate*: The design of the correlation matrix is intended to strike a balance between complexity and risk sensitivity. Unlike the NDSR, since the Interest Rate risk charge is calculated based on a combination of several stresses, it's complex to consider each insurer's position in a standard method. An internal model

Question	Respondent	Comment received	IAIS response
			could be used, subject to approval by the GWS.
34. Do you have comments regarding the option given to the supervisor to require a more complex approach for tax?	The Life Insurance Association of Japan	・While tax effects should primarily be based on tax schemes in each jurisdiction, the LIAJ finds that the proposed simple calculation of the tax effects (i.e. 80% × ICS insurance capital requirement × an effective tax rate) reflects the different tax schemes between jurisdictions and conservativeness regarding taxable income to some extent, given that complicated tax schemes in different jurisdictions cannot be addressed in the ICS in a uniform manner, assuming that international law should be considered to set the minimum requirements to be followed in each jurisdiction. ・However, the reason behind the option of "a+b+c-d" for a jurisdictional supervisor described on page 121 of the consultation document as "based on feedback and analysis it was determined that these elements added complexity without the benefit of accuracy for most jurisdictions" is not convincing alone and, depending on jurisdictional decisions, could pose a	- About *considering further simplification of the GWS option formula*: It is difficult to set uniform guidelines because tax regimes can vary greatly from jurisdiction to jurisdiction. A more refined utilisation approach may be necessary to ensure an appropriate level of conservatism.

Question	Respondent	Comment received	IAIS response
		challenge in terms of fair treatment among jurisdictions. If the IAIS believes that a limit to the utilisation of the tax effects that is suitable for the tax scheme in each jurisdiction should be set, the LIAJ expects the continued discussion toward the development of new and less complicated formulae that can be applied uniformly.	
37. Do you have comments regarding SOCCA processes?	The Life Insurance Association of Japan	・The LIAJ believes that, in the absence of an external rating, it should not result in punitive action, as the SOCCA processes should be allowed as an exception and alternative to such absence. ・However, to ensure comparability, track records related to the SOCCA processes, such as default rates by rating categories, should be disclosed.	- About *support for the inclusion of SOCCA processes in the ICS*: The inclusion of a SOCCA framework is consistent with the proposed approach under the Candidate ICS.

Question	Respondent	Comment received	IAIS response
38. Do you have comments on the overall requirements (section 9.4.1)?	The Life Insurance Association of Japan	・It would be burdensome for both insurers and the supervisor to follow the process and meet the requirement for approval for the use of an internal model by financial year 2025, unless the insurer is part of an insurance group from a jurisdiction where its use of an internal model is already implemented or approved by the supervisory authority. ・When implementing the ICS, the LIAJ would like to ask to ensure jurisdictions are on equal footing by providing sufficient preparation periods and giving practical consideration to avoid excessive burdens.	- About *concerns on the short preparation period and potential burden of the process to approve internal models for 2025*: Internal models are optional for the IAIG.
44. Do you have additional comments on the ICS?	The Life Insurance Association of Japan	・The LIAJ appreciates the proposed calculation method, which has improved compared to ICS Version 2.0 in many aspects. ・Furthermore, it would be important for the IAIS to implement it simultaneously across jurisdictions to ensure a level playing field. For the purpose of achieving this, the LIAJ would like to ask the IAIS to disclose each jurisdiction's compliance with the ICS and the difference thereof through the peer review (PIR) process, as well as to introduce a framework for assessing the impact following the implementation of the ICS.	Thank you for your feedback. Your comment has been thoroughly reviewed and considered in the finalisation process of the ICS.

Question	Respondent	Comment received	IAIS response
45. Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	The Life Insurance Association of Japan	・Life insurers in Japan have taken on the challenging risks on behalf of consumers and provided coverage by issuing products such as whole-life insurance which has both life coverage and savings functions, as well as traditional pensions which provide a longevity society with a guaranteed interest rate. They then fulfil these obligations by making ultra-long-term investments in assets with social significance, considering the long-term nature of insurance products. ・As a result, cash outflow occurs beyond the investable term and hence cannot be offset through matching of assets. Imposing excessive risk charges on such tail liabilities may cause difficulties in distributing whole-life insurance and traditional pensions, the commonly accepted types of insurance products in Japan, and affect social protection schemes in the future. Moreover, excessive incentive to eliminate the duration gap to address the ICS may significantly decrease the long-term profitability by, for example, matching long-term liabilities with an ultra-low interest rate.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
46. Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	The Life Insurance Association of Japan	・In light of the past shift from traditional pensions to unit-linked insurance in Europe, distributing products focusing on building long-term assets such as traditional pensions may become difficult in Japan. ・If the market is under stress and the ESR decreases significantly, life insurers sales policy may focus more on protection-type insurance which contributes to raising the ESR, and less on products that build long-term assets which assume greater risks.	Please see ICS Economic Impact Assessment report
47. Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	The Life Insurance Association of Japan	・In light of the past shift from traditional pensions to unit-linked insurance in Europe, distributing products focusing on building long-term assets such as traditional pensions may become difficult in Japan. ・If the market is under stress and the ESR decreases significantly, life insurers sales policy may focus more on protection-type insurance which contributes to raising the ESR, and less on products that build long-term assets which assume greater risks.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
48. Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts.	The Life Insurance Association of Japan	・In light of the past shift from traditional pensions to unit-linked insurance in Europe, distributing products focusing on building long-term assets such as traditional pensions may become difficult in Japan. ・If the market is under stress and the ESR decreases significantly, life insurers sales policy may focus more on protection-type insurance which contributes to raising the ESR, and less on products that build long-term assets which assume greater risks.	Please see ICS Economic Impact Assessment report
49. Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	The Life Insurance Association of Japan	・In light of the past shift from traditional pensions to unit-linked insurance in Europe, distributing products focusing on building long-term assets such as traditional pensions may become difficult in Japan. ・If the market is under stress and the ESR decreases significantly, life insurers sales policy may focus more on protection-type insurance which contributes to raising the ESR, and less on products that build long-term assets which assume greater risks.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
50. Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	The Life Insurance Association of Japan	・The LIAJ anticipates that more insurers would consider changing their risk appetite following the introduction of the ESR as a supervisory indicator. The specific effects from these changes are difficult to anticipate at this stage but more importantly, it should be recognised through measures such as the PIR.	Please see ICS Economic Impact Assessment report
51. Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	The Life Insurance Association of Japan	・There are no other market participants other than insurers that provide traditional pension insurance or whole-life insurance at this stage. If the implemented standard is overly conservative, protection gaps may occur in terms of securing savings for retirement, depending on the developments related to the social security system.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
52. Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	The Life Insurance Association of Japan	・There are no other market participants other than insurers that provide traditional pension insurance or whole-life insurance at this stage. If the implemented standard is overly conservative, protection gaps may occur in terms of securing savings for retirement, depending on the developments related to the social security system.	Please see ICS Economic Impact Assessment report
54. Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	The Life Insurance Association of Japan	・As the discount rate applied to insurance liabilities do not reflect expected returns on equities but only equity risk factors, capital requirements imposed on underlying equities are high. Moreover, a level playing field is not ensured between insurers in and outside Europe since the risk factors for equities with a long duration which would be held to match long-term insurance liabilities are excessively high in the ICS compared to the reduced factors in the European Solvency II. ・Consequently, the share of equity investment by IAIGs may decrease in cases where capital efficiency is required, and may result in a negative effect on the equity market.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
55. Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	The Life Insurance Association of Japan	・The LIAJ anticipates that more insurers would consider changing their risk appetite following the introduction of the ESR as a supervisory indicator. The specific effects from these changes are difficult to anticipate at this stage but more importantly, it should be recognised through measures such as the PIR.	Please see ICS Economic Impact Assessment report
57. Do you anticipate any circumstances in which IAIGs will need to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS? If so, please explain the potential impacts.	The Life Insurance Association of Japan	・When the interest rate declines, reinvestment returns decrease gradually as the underlying assets reach maturity. Life insurers are therefore able to avoid future crises by accumulating retained earnings or changing product and investment strategies as necessary. ・Nevertheless, if the economic value-based indicators are applied as the sole criteria, IAIGs may raise additional capital even though future crises are fairly avoidable.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
58. Do you have any concerns over the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS? If so, please explain the potential impacts.	The Life Insurance Association of Japan	・In contrast to the situation described in our comment for Question 57, insurers with lower solvency may expect distant future returns, setting it aside as a margin. In such cases, the application of the economic value-based indicators as the sole criteria may lead to inappropriate valuation by the market for such insurers, as their financial condition could be unsound and concealed.	Please see ICS Economic Impact Assessment report
59. Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	The Life Insurance Association of Japan	・The LIAJ anticipates that more insurers would consider changing their risk appetite following the introduction of the ESR as a supervisory indicator. The specific effects from these changes are difficult to anticipate at this stage but more importantly, it should be recognised through measures such as the PIR.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
60. Do you anticipate any circumstances in which IAIGs might change their approach to risk mitigation as a result of the implementation of the ICS? If so, please explain the potential impacts.	The Life Insurance Association of Japan	・As mass lapse risks are difficult to control by means of ALM, implementation of the ICS would limit the options to address such risks (e.g. constraints on cessions) and lead to an opportunity loss or an obstacle to enhancing risk management of insurers.	Please see ICS Economic Impact Assessment report
64. Do you anticipate any benefits to the business model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential benefits.	The Life Insurance Association of Japan	・The establishment of internationally unified risk-based measures would enhance the risk appetite of IAIGs. On the other hand, despite the unified valuation in jurisdictions compliant with the ICS, the implementation details would differ between these jurisdictions. An inter-jurisdictional M&A would require analyses of such details and adjustment to meet capital requirements in jurisdictions where the parent company is located. ・By disclosing each jurisdiction's compliance with the ICS and the difference through the peer review process, the IAIS would reduce the costs imposed on IAIGs associated with the adjustment between jurisdictions compliant with the ICS, and could be expected to enhance the usefulness of the ICS as an international standard.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
70. Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	The Life Insurance Association of Japan	・As stated in our comment for Question 54, the share of equity investment by IAIGs may decrease in cases where capital efficiency is required, and may result in a negative effect on the equity market.	Please see ICS Economic Impact Assessment report
74. Do you anticipate any specific benefits to the insurance market or broader financial markets as a result of the implementation of the ICS? If so, please explain the potential benefits.	The Life Insurance Association of Japan	・Insurers would be able to compare the prudence level of entities within an IAIG by using consistent measures, and this may contribute to the enhancement of risk management and ERM of insurers. ・However, it should be noted that this will be achieved only when the ICS is appropriately designed to reflect specific features of the insurance market in each jurisdiction.	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
75. To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	The Life Insurance Association of Japan	・Insurers are expected to incur significant costs for establishing a validation system to ensure the appropriateness for areas in which system development, human resources retention and insurance liability calculation for cash flow and risk assessment is decided. ・These costs depend on the duration from the calculation reference date to the ESR submission date, as well as the frequency of submitting the ESR (annually/quarterly). Hence, the LIAJ would like to ask the IAIS to take into consideration not only the resources of the insurers but also those of the auditors and supervisors.	Please see ICS Economic Impact Assessment report
76. To the extent that it can be predicted, do you anticipate impediments to implementing the requirements of the ICS? If so, please explain the potential impacts.	The Life Insurance Association of Japan	・Based on the future consideration for comparability between the ICS and the Aggregation Method, a consolidated subsidiary of an IAIG located in a jurisdiction where the outcome is deemed comparable would be required to perform the ICS calculations as well as the calculation required in the supervisory scheme that is deemed comparable to the ICS. In such cases, a level playing field could be impeded between competing insurers in a jurisdiction with the comparable supervisory scheme since depending on where the group headquarters are located, either inside or outside the jurisdiction, their prudence would be assessed based on different criteria. ・Also, if the consolidated subsidiary is located in a jurisdiction where parts of the ICS are adjusted in line with local regulation	Please see ICS Economic Impact Assessment report

Question	Respondent	Comment received	IAIS response
		but being consistent with the ICS (e.g. Japan), the calculation results cannot be used for other jurisdiction without any adjustments. As a result, such subsidiary would be required to calculate two results based on the ICS and the practical burden imposed on them could increase. ・To address these impediments, the LIAJ expects that applying methods such as the deduction and aggregation methods for European Solvency II to an IAIG's subsidiary located in a jurisdiction where its supervisory scheme is deemed comparable to the ICS, regardless of the jurisdiction where its headquarters is located, could be an option to be discussed by group-wide supervisors under the support of the IAIS.	