

**International Association of Insurance Supervisors (IAIS)
Public Consultation: Revised ICP 15–16 and ComFrame Material Integrated with ICP 15–16**

Please note that the CIA did not respond to all questions in the consultation on the [revision of the Insurance Core Principles \(ICP\) 15-16 and the ComFrame material integrated with ICP 15-16](#). The CIA's comments to questions to which it responded appear below.

Q1 General Comment on ICP 15

The Canadian Institute of Actuaries (CIA) is the national, bilingual organization and voice of the actuarial profession in Canada. Its members are dedicated to providing actuarial services and advice of the highest quality. The Institute holds the duty of the profession to the public above the needs of the profession and its members.

The CIA has reviewed the proposed revisions to ICP 15 and does not have any edits to suggest. We thank you for the opportunity to participate in this review process.

Q2 General Comment on ComFrame material in ICP 15

The CIA has reviewed the proposed revisions to ComFrame material in ICP 15 and does not have any edits to suggest.

Q105 Comment on ComFrame Guidance CF 16.1c.2

The CIA suggests expanding the list of examples to include the following:

- Capital or equity injections from one subsidiary into another;
- Currency effects such as if there are cost sharing or service contracts between subsidiaries; and
- Types of capital in different jurisdictions (e.g., surplus notes in the US).

Q199 Comment on Guidance ICP 16.10.2

The CIA believes that this sentence would read better as “The ORSA should explicitly state which risks are quantifiable and which risks are not”.

Q223 Comment on Guidance ICP 16.12.7

The CIA believes that “ensure” is too strong a word here, and that something like “enhance” would be a better choice.

Q260 Actuarial policy – In addition to existing ICP material, should ICP material on actuarial policy for the purpose of ERM for solvency purposes be developed?

No. The CIA would require more information regarding context and scope before expressing any support.

Q261 ORSA – Should the interaction between ICS and ORSA be made clearer in ComFrame? If yes, what are the areas that are currently lacking in clarity?

No. The proposed changes to ComFrame, as drafted, adequately cover the interaction of ICS and ORSA for the time being. We see the usage of internal models for ICS as the key point of interaction with ORSA. At this point, the CIA does not believe that the ICS has been sufficiently developed with respect to internal models to expand the scope of ComFrame; as a result, the CIA believes that extending the connection between the ICS and ORSA at this time would be premature.

Once the approach for recognizing internal models in ICS is developed over the next five years or so, it would make sense to update ComFrame to reflect this. We expect the ICS will naturally converge towards an economic model that will align better with internal ORSA models, allowing the ORSA to be based on the same internal model that each company would use for its ICS.

Q262 ORSA – Should the interaction between ICS and ORSA be made clearer by clarifying the assessment of the less readily quantifiable risks such as strategic risk and reputational risk?

Yes. The CIA believes that ORSA should cover non-quantifiable risks like strategic and reputational risks through establishment of an internal capital target that reflects the company's specific risk profile. By design as a standard approach for international comparisons, the CIA does not think it appropriate to embed strategic or reputation risks in ICS; company-specific ORSAs are better suited to address these risks.

Q263 ORSA – Fungibility of capital: To what extent should the ORSA play a role as part of a holistic approach to the fungibility of capital within the ICS? In addition to the consideration of criteria within the capital resources framework of the ICS, would it be useful for ComFrame to provide some specificity on how supervisors should assess fungibility of capital and take that into account in assessing the overall capital adequacy of the IAIG?

No. The CIA agrees that fungibility of capital elements should be assessed as part of a company's ORSA, based on the company's view of the fungibility of its different capital resources. However, the CIA does not believe that ComFrame should require the fungibility assessment to be linked to the ICS criteria for defining capital resources. (This requirement would prevent the company from reflecting its own views in its ORSA.)

The CIA believes that ComFrame should provide some specificity to supervisors; that when the supervisor is assessing the overall capital adequacy of the internationally active insurance group (IAIG), the supervisor should also consider the company's ORSA assessment of fungibility as supplemental information in addition to the capital resources defined based on ICS criteria.

Q264 ORSA – Would it be useful for ComFrame to provide explanation on how supervisors should review the output of an IAIG's economic capital model against regulatory requirements, including the determination of follow-up regulatory actions?

Yes. The CIA believes that that each supervisor should determine the follow-up regulatory actions based on an analysis of each company's unique situation. The ComFrame could be

expanded to include a principle-based explanation including determination of follow-up regulatory actions.

Q265 Stress testing – Should the complementarity between ICS and stress testing be made clearer in ComFrame? If yes, what are the areas that are currently lacking in clarity?

No. The CIA believes that more work is needed on the ICS before this can be done.

Q266 Stress testing – Should this ComFrame material be further developed to complement supervisor’s assessment of an IAIG’s capital adequacy?

No. The CIA believes that the ComFrame material relating to stress testing is currently adequate. Further, the CIA believes that the ICS must be further developed before the ComFrame materials can be expanded to address this issue.

Q267 Economic capital model – Should the interaction between the requirement to maintain a comprehensive economic capital model and any future possible use of internal models be clarified? If yes, what are the aspects that need to be clarified?

Yes. The CIA agrees that consistency is required between economic capital models that support ICS, and ORSA; however, a single model may not necessarily be appropriate to support all analyses and care should be taken when describing this interaction.

Q268 Actuarial governance and reporting – Given what is already provided in Standards 8.3 and 8.6 and the accompanying guidance on the control function and the actuarial function, should ComFrame further elaborate on governance arrangements and controls relating specifically to group-wide actuarial policy and reporting? If yes, please specify the aspects that should be further described.

No. The CIA believes that standards 8.3 and 8.6 in ICP 8 are sufficient.

Q269 Others – The ICS allows for the assessment of materiality by IAIGs. For example, a specific factor or rule in the valuation calculation could be simplified if the IAIG deems that the impact of simplification would be immaterial. Should the ComFrame provide clarification on materiality criteria or should this be supervisors’ discretion?

No. The CIA believes that the ComFrame should not define materiality thresholds; supervisory discretion is appropriate to determine materiality.

Q270 Others – Should the ComFrame provide clarification on differences (if any) between the model governance for internal models used to meet regulatory requirements (ICP 17 (Capital Adequacy)) and economic capital models used for strategic planning purposes/ORSA (ICP 16)?

No. The CIA expects that any differences should be understood; however, this requirement should be captured in an ICP rather than the ComFrame.

Q271 Others – With regard to ERM for Solvency Purposes/ORSA, are there other items that should be taken into account or further clarified in ComFrame given the ongoing development of the ICS? Please elaborate.

No.