Resolution of Public Consultation comments on ICPs 14 and 17 and related terms

ICP 14 (Valuation)

Ref	Member	Comment	Resolution
14.0.1	Insurance Europe	General comment: Insurance Europe welcomes the amendments to the draft Insurance Core Principle 14 (valuation) to further enhance the consistency of the text and improve readability.	**Noted.**
14.0.1	American Council of Life Insurers (ACLI)	ACLI appreciates the IAIS's work to improve the usability and clarity of the ICP without compromising its strong foundational standards and guidance. We express our continued support for the recognition throughout ICP 14 of varied economic bases, including amortized cost used in the United States' regulatory framework. We note that the U.S. regulatory framework is aligned with the approaches of ICP 14 and 17 in achieving consistency and transparency when evaluating and reporting a company's capital resources.	**Noted.**
14.01	National Association of Insurance Commissioners (NAIC)	Throughout the whole ICP, need to review for consistency using "regulatory capital requirements" and "regulatory capital resources" as in some cases, the "regulatory" is not included.	**Agree to change.**
14.0.1	American Property Casualty Insurance Association	In the last sentence, suggest changing "publicly explained" to "disclosed in those reports."	**No change.** ICP 14.0.1 purposely does not specify the disclosure method by which differences in methodologies should be publicly explained.

14.0.1	Global Federation of Insurance Associations (GFIA)	GFIA notes that the changes to the draft Insurance Core Principles 14 (valuation) generally enhance the readability of the texts and present well. These changes are mostly welcomed and supported by GFIA, which anticipates that there will not be a substantive impact as a result of the amendments.	**Noted.**
14.0.2	American Property Casualty Insurance Association	Suggest that “explained” be changed to “disclosed.” Then following "disclosed", insert “in those reports….”	**No change.** ICP 14.0.2 purposely does not specify the disclosure method by which differences in technical provisions for general purpose financial reports and regulatory reports should be publicly explained.
14.0.2	The Life Insurance Association of Japan	・We agree that any differences between technical provisions for general purpose financial reports and regulatory reports should be explained by an insurer. ・Since only the regulatory reports are expected to be based on market value in Japan, we believe that it is important for insurers to ‘fulfill their responsibility to explain the difference as long as it does not leave them at a competitive disadvantage and the preparation and assessment are possible within a reasonable cost and timeframe. ・In terms of the explanation for the detailed data on technical provisions, discount rates and differences in assumptions, there could often be cases where it is especially difficult to understand and the need for proper comprehension should be noted. ・Therefore, we suggest revising the paragraph 14.0.2 by adding the following sentence:	**No change.** ICP 14.0.2 represents guidance and is worded not to be overly prescriptive.

		ʻTo the extent that intelligibility is ensured, differences between technical provisions should be explained (…) appropriate for solvency purposes. In addition, it is important to ensure that the explanation can be prepared and verified at a reasonable cost and time, and that it does not suffer a competitive disadvantage.’	
14.0.4	National Association of Insurance Commissioners (NAIC)	Typo: should use “address” rather than “addresses”: Solvency requirements reflect a total balance sheet approach on an economic basis and addresses all reasonably foreseeable and relevant risks.	**Agreed to change.**
14.2.2	American Property Casualty Insurance Association	It is not clear what is meant by “extend across insurers” in the last sentence. Does it mean all insurers in a group? All insurers in a jurisdiction? If the latter, we don’t see how that could be achievable given the inherent differences in managerial judgment that applies to various insurers/groups.	**Agreed to change.** Added the wording **-** the term “insurer” means insurance legal entities and insurance groups, including insurance-led financial conglomerates (as per para 15 of the Introduction to ICPs)
14.3.8	American Property Casualty Insurance Association	Suggest that the text distinguish between life and non-life, i.e., adequacy testing is applicable to the former, not the latter.	**No change.** Adequacy testing is not limited to life insurance under all accounting frameworks.
14.4.6	National Association of Insurance Commissioners (NAIC)	Typo – delete the “5” at the end of the last sentence: Where a range of assessments and approaches is evident from a market, a market consistent valuation is one that falls within this range.5	**Agreed to change.**

14.4.12	General Insurance Association of Japan	Regarding "the additional liquidity risk should be considered", how is liquidity risk expected to be considered in the valuation of insurance liabilities?	**Agreed to change.** ~~the additional liquidity risk should be considered~~ *this should be considered in the value of the assets or liabilities.*
14.4.12	National Association of Insurance Commissioners (NAIC)	Typo – delete the comma after "may": Separate components may, be identifiable for insurance contracts which have an investment or deposit component and an insurance risk component.	**Agreed to change.**
14.4.13	General Insurance Association of Japan	Is it correct to understand that concepts of the fulfilment value in IFRS 17 and the MAV in ICS are approximately equivalent (i.e., IFRS and ICS are the same in terms of measuring insurance liabilities by discounting insurance cash flow)? If so, we support the proposed revisions.	**No change.** ICP 14.4.13 suggests broad equivalency.
14.4.17	American Property Casualty Insurance Association	The text should distinguish between impairment, i.e., the realization of credit risk, and the temporary change in market values as interest rates rise. The need for the "asset to be adjusted" relates to the former, not the latter, and this should be so stated.	**No change.** The use of the term "impairment" implies that the change is a permanent reduction in value.
14.5.2	General Insurance Association of Japan	With respect to the reinsurer default risk, it may be assumed that the expectation is reflected as an adjustment to the asset value when determining capital resources and any volatility beyond expectations is covered by the capital requirements. Therefore, we propose revising the final sentence as follows (delete "either" and add "and")	**Agreed to change.** Added and/or
14.6.6	National Association of	Typo: delete the comma after "guarantees":	**Agreed to change.**

	Insurance Commissioners (NAIC)	For insurance contracts with variable premiums, the cash-flows may include voluntary contributions above the minimum required to the extent that there are guarantees, under the current contract.	
14.6.7	Financial Supervisory Commission (FSC) ROC	According to the contents, the future cash flows under some insurance contracts which the insurer has the unilateral right to amend the premiums but cannot terminate the obligations will be included. However, referring to the requirement of IFRS 17 and ICS public consultation document, the cash flows happened after the date on which the insurer has the right to amend the premiums won't be included in the liability current estimates. Considering the consistency of regulation and management, we suggest that the principle of the contract boundary should not contradict the IFRS 17 and ICS below: 1.According to the paragraph 34(a) in IFRS 17, the future cash flows beyond the date which the insurer has the practical ability to reassess and, as a result, can set a price that reflects those risks won't be included in the calculation of liability current estimate. 2.According to the paragraph L2-35 in the ICS public consultation document, future premiums (and associated claims and expenses) beyond the date where the insurer has a unilateral right to amend the premiums or the benefits are not taken into account in the current estimate cash flow projection.	**No change.** The suggested change is beyond the scope of Insurance Core Principles.
14.6.7	National Association of Insurance Commissioners (NAIC)	For consistency, delete the comma after "eg": (eg, by re-underwriting) For clarification, suggest adding "jurisdiction's" before "solvency regime":	**Agreed to change.**

		Although there may be a high expectation that they would be renewed, the insurer is not bound to do so, and accordingly only cash flows arising with respect to the currently in-force or in run-off contracts, are included for valuation purposes, whereas the impact of new business may be considered in capital requirements or capital resources by the jurisdiction's solvency regime.	
14.6.8	National Association of Insurance Commissioners (NAIC)	For clarification, suggest adding "jurisdiction's" before "solvency regime": The impact of new business may be considered in capital requirements or capital resources by the jurisdiction's solvency regime.	**No change.** This is a writing style comment as such no change.
14.6.16	General Insurance Association of Japan	For clarification, we propose revising "relevant industry experience" to "relevant insurance industry experience".	**No change.** The Insurer's own experience could relate to industries other than the insurance industry. Therefore, no change.
14.7.4	General Insurance Association of Japan	Regarding the description of holding capital to cover the cost of uncertain cash flows, it is required by ICS 17.2 and is jurisdiction independent. Therefore, the reference to "In jurisdictions where insurers hold capital to cover the cost of uncertain cash flows," should be revised to "As insurers hold capital to cover the cost of uncertain cash flows,".	**No change.** No changes made as not all jurisdictions have adopted a risk-based capital framework.
14.7.5	American Property Casualty	With respect to MOCE, and as applied to the non-life sector specifically, there are different considerations that would apply in a regime where the valuation basis requires discounting of reserves	**No change.**

	Insurance Association	for unpaid losses and loss adjustment expenses, versus a regime that requires undiscounted reserves. In the former, MOCE would be more important/larger, and in the latter, MOCE would be much less important, if necessary, at all. The text should recognize this distinction.	No change as the paragraph is flexible enough to be applied to both non-life and life sectors.
14.7.7	American Property Casualty Insurance Association	Related to our comment on CP 14.7.5, in CP 14.7.7 it is not clear if the phrase "implicit MOCE" is intended to include the prudence in valuation that results when non-life reserves are reported on a non-discounted basis, as is the case for most non-life insurers/lines supervised by state insurance regulators in the U.S. APCIA believes that non-discounted reserving creates such an "implicit MOCE" and that this concept should be explicitly recognized in the text at CP 14.7.7. Moreover, we note specific instances where the draft revised ICP 14 recognizes that jurisdictions may prescribe different accounting treatments, all of which are seen as acceptable by the ICP. But what would be helpful is a principle-based statement, such as the following: "A group solvency approach includes the key elements of valuation (the subject of ICP 14), and criteria for capital resources and capital requirements (the subject of ICP 17). Prudence in one element may offset less prudence in another. Thus, regardless of the asset or liability that is being considered for purposes of assessing against the criteria of ICP 14, a holistic approach must be taken that also considers potential offsets in the other elements in ICP 17."	**No change.** The suggested change is outside the scope of ICP 14 (Valuation).

General comments ICP17 (Capital Adequacy)

	Insurance Europe	Insurance Europe welcomes the amendments to the draft Insurance Core Principles 14 (valuation) and 17 (capital adequacy) to further enhance the consistency of the text and improve readability. In addition, Insurance Europe notes the following: Specifically in ICP 17: - In 17.12.3 (in the previous version of ICP 17 - 17.12.4) the following sentence was deleted: “The IAIS supports the use of internal models where appropriate as they can be a more realistic, risk-responsive method of calculating capital requirements” - In 17.12.11 (in the previous version of ICP 17 - 17.12.13) the following sentence was deleted: "The IAIS supports the use of partial internal models for regulatory capital purposes, where appropriate. " Insurance Europe suggests retaining these sentences in the updated ICP.	Noted. All published material is agreed and supported by the IAIS.

	American Council of Life Insurers, Inc.	The American Council of Life Insurers (ACLI) is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94 percent of industry assets in the United States. We submit a general comment on ICP 17. ACLI appreciates the IAIS's work to improve the usability and clarity of the ICP without compromising its strong foundational standards and guidance. We express our continued support for the recognition throughout ICP 14 of varied economic bases, including amortized cost used in the United States' regulatory framework. We note that the U.S. regulatory framework is aligned with the approaches of ICP 14 and 17 in achieving consistency and transparency when evaluating and reporting a company's capital resources.	Noted

	National Association of Insurance Commissioners (NAIC)	For consistency, need to review throughout the ICP where: • liquidation and resolution are referred to. In some place it is “liquidation/resolution”, in some “liquidation or resolution” and in some just one of these terms. • the different approaches to group supervision are referred to – in most places “legal entity focus” and “group level focus” are used as described in Figure 17.1; however, in some places other wording is used, such as “approaches” rather than “focus” (for example, see 17.11.24).	Agree; text has been made consistent

	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 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	Noted

		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 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 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 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 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 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 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 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. Specific Comments on the ICS Consultation 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. 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.	

		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. We appreciate the opportunity to offer our perspectives on	

		the ICS and ICP consultations. If you would like to follow up on any of the points raised in this letter, please contact Mary Frances Monroe, mmonroe@iif.com. Respectfully submitted, Mary Frances Monroe	

	Global Federation of Insurance Associations (GFIA)	GFIA notes that the changes to the draft Insurance Core Principle 17 (capital adequacy) generally enhance the readability of the texts and present well. These changes are mostly welcomed and supported by GFIA, which anticipates that there will not be a substantive impact as a result of the amendments.	Noted

	Finance Watch	The revision of the ICPs is a welcome evolution to ensure current developments and associated risks are properly evaluated and addressed from the prudential point of view. We welcome the IAIS' work to guarantee solvency of the insurance undertakings, which should also serve the interests of policyholders. However, the text of the revised ICP 17 misses the opportunity to address climate-related financial risks. The 2021 Application Paper already recognised that climate-related risks are a material source of financial risk, with possible adverse impact on financial stability. Furthermore, the 2023 public consultation on climate risk supervisory guidance proposed to add reference to climate-related financial risks in the introduction to the ICPs, acknowledging its growing importance. Thus, including it in prudential measures, such as capital requirements, is indispensable to ensure insurers are adequately capitalised to cushion climate-related losses. We recognise the challenges in quantifying climate-related financial risks, as climate developments are non-linear and forward-looking by nature, which makes it impossible to accurately estimate future risks using historical data. Transition risk, as well, cannot by definition be captured using historical data, as the transition has not yet occurred.	Noted; The IAIS is currently working on further material related to climate

		Nonetheless, financial supervisors and experts recognise that the utter uncertainty of its development poses a considerable threat to the global financial system, requiring a prudent approach to the challenge. Please also refer to the Finance Watch submission to the 2023 IAIS consultation on climate-related risks.	

	Northwestern Mutual	Generally this update has cleaned up and improved the ICP. It is now clearer and the sub-headers, overall organization improvements, and refinements to Glossary terms are helpful and appreciated.	Noted
	International Actuarial Association (IAA)	The IAA agrees that ICP 17 generally is fit for purpose but thinks that the risks that are now emerging mean that there are some areas in which the ICP could be developed.	Noted
General comments on Guidance ICP 17.1.2			
	National Association of Insurance Commissioners (NAIC)	Last sentence, for consistency, suggest using “the supervisor” rather than “a supervisor”.	Agree; text has been made consistent
General comments on Guidance ICP 17.1.6			
	General Insurance Association of Japan	The sentence “Both approaches may be similar in outcome although the detail of the approach may be different.” is considered unnecessary since a look-through of the subsidiary may change the outcome.	Agree; this sentence got deleted.
General comments on Guidance ICP 17.1.9			

	American Property Casualty Insurance Association	Regarding figure 17.1: In the bullet points that refer to work that is to be performed by the local supervisors, the text clearly states at the outset “local supervisors.” But for the bullets that apparently are intended to refer to group supervision the text does not specifically mention which supervisor to which the text pertains – the group-wide supervisor or local supervisors. For clarity, we recommend in those instances that the text begin with “the-group wide supervisor...”. So, for example, one instance currently reads, “Capital adequacy is assessed for all relevant legal entities based on the local capital framework but taking into account of group impact; but requirements will not be binding.” We recommend instead as follows: “The group-wide supervisor assesses capital adequacy for all relevant legal entities based on the legal capital framework but taking into account of group impact; but requirements of the group-wide supervisor will not be binding." We recommend similar changes throughout the table where the focus is intended to be on the role of the group-wide supervisor.	Noted

	Northwestern Mutual	We support the updated language within Figure 17.1; it makes the spectrum clearer and more concise, and better facilitates understanding of approaches across jurisdictions. Importantly, the description of “Group Level Focus” (and corresponding text in 17.1.10) recognizes that even in jurisdictions where larger relative weight is placed on the group-wide view, local capital frameworks will be binding on the legal entities within the group (i.e., capital is not fungible within the group).	Noted
General comments on Guidance ICP 17.1.10			
	American Property Casualty Insurance Association	This paragraph states in part, “This assessment includes adjustments to reflect constraints on the fungibility of capital resources and transferability of assets among group members.” It is not clear to us what adjustments this is referencing. “Adjustments” in this context implies specific numeric changes to be made to reported capital resources. We believe that, as a practical matter, the lack of fungibility of capital is addressed by most supervisors on a qualitative basis. Indeed, the IAIS’s Insurance Capital Standard has no such specific quantitative adjustment for fungibility of capital.	Agree. Wording was changed to "This assessment takes into account constraints on the fungibility of capital resources…" and uses consistent language as in 17.11.23
General comments on Guidance ICP 17.1.11			
	National Association of Insurance	Should spell out the acronym “IGTs” in the first instance that it is used.	Agree

	Commissioners (NAIC)		
	American Property Casualty Insurance Association	The last sentence of this paragraph states as follows: “Where an aggregation approach is used for a cross border insurance group, consideration should be given to consistency of valuation and capital adequacy requirements and their treatment of IGTs.” This sentence seems to be referring to the concept of using “scalars” which, over recent years, has been further developed in the Aggregation Method specifications. It might be useful to build this out as a separate paragraph and to leverage some of the knowledge gained and resulting verbiage in the AM specifications. In doing so, and for purposes of the ICP, it would be helpful to also recognize – as was learned in the AM development process – that there are various ways in which scalars can be designed and calculated, and which may vary by sector, for the group-wide supervisor to consider. Also, in some instances, proportionality should be recognized as between selected jurisdictions; in fact, in some cases scalars may simply not be that impactful, and thus not necessary.	Noted

	Northwestern Mutual	We support the recognition of addressing intra-group transactions within an aggregation approach to group-level capital assessment. We note the abbreviation “IGT” first appears in this paragraph, but it is not clarified as “intra-group transactions” or defined until ICP 17.8.23. It is also not included in the Glossary. We suggest clarifying as “intra-group transactions” when first used here and consider incorporating a definition into the Glossary to ensure consistency and understanding across all users and jurisdictions.	IGT is spelled out. Noted.
General comments on Guidance ICP 17.1.12			
	American Property Casualty Insurance Association	A sentence in this paragraph states as follows: “The regulatory capital requirements and regulatory capital resources of the insurance legal entities in the group form a set of connected results but further adjustments are needed for non-insurance legal entities in determining the overall group-wide regulatory capital requirements and group-wide regulatory capital resources.” We recommend clarifying part of the sentence, as follows: “…but further adjustments are needed for non-insurance legal entities that are not owned by a regulated entity within the group and thus would not otherwise be subject to a capital charge in determining the overall group-wide regulatory capital requirements and group-wide regulatory capital resources.”	Noted

General comments on Guidance ICP 17.2.2			
	National Association of Insurance Commissioners (NAIC)	First sentence, should use a comma rather than a semicolon.	Agree
General comments on Guidance ICP 17.2.3			

	Finance Watch	The revised ICP 17 rightfully recognises that requiring insurers to maintain adequate levels of capital resources to enhance the safety and soundness of the insurance sector should not result in increasing the cost of insurance for policyholders beyond its economic value or inhibit the insurers' ability to compete in the marketplace. Yet, the wording of this paragraph suggests that capital requirements are only to be seen as a cost to the institution and its competitiveness in the market. We also do not agree with the implicit suggestion that an increase in capital requirements automatically leads to an increased premium for the policyholder. Capital requirements are a risk-based protection measure for the insurers' as well as for the policyholders, therefore the discussion of tradeoff between private profits and financial stability, which is a public good, is not appropriate from the prudential perspective. In fact, the increase of capital has a proven positive effect on the economy. As suggested by research from the BIS, additional capital has resulted in healthier financial institutions.(1) Mindful that the BIS studies have covered the banking sector, we are not aware of any other authoritative research, which would demonstrate negative impacts on the economy from the insurance prudential capital requirements. Covering potential losses materialising through climate-change is an important	Noted

		measure to ensure that insurers' are able to deal with this emerging and complex to manage risk. Supervisors in different jurisdictions are working to adjust approaches to disclosures and prudential frameworks to better account for climate-related risks. There is a clear risk of diverging approaches and a key role for the IAIS to support harmonisation. Given that this is an emerging area of risk, there is an opportunity to support a collective understanding of how it can be addressed and supervised. This would both ensure that the risk is properly managed, but also that insurers are not disadvantaged in certain jurisdictions through differing approaches to these risks. (1) BIS (2022). Evaluation of the impact and efficacy of the Basel III reforms.	

	International Actuarial Association (IAA)	In the IAA's experience more emphasis is put by supervisors on the adequacy of required capital and less on the cost of capital and its impact on insurance affordability. With more consideration being given by the IAIS to the "Protection Gap", this may be an area which could be given more emphasis.	Noted
General comments on Guidance ICP 17.2.6			
	General Insurance Association of Japan	In conjunction with the change of “going concern capital" to “core regulatory capital resources", the phrase “or “gone concern capital"" should be deleted and the phrase “It would be expected that going concern capital” should be revised to “It would be expected that core regulatory capital resources”.	Agree
General comments on Guidance ICP 17.2.12			
	National Association of Insurance Commissioners (NAIC)	Third sentence, the comma after “including” can be deleted. Fifth sentence, should add a comma after “the insurance group”.	Agree
General comments on Guidance ICP 17.3.4			

	General Insurance Association of Japan	Whether or not seeking enforcement of supervisory measures requires court approval vary according to jurisdiction. Therefore, the statement "In this case, control levels should generally be simple and readily explainable to a court when seeking enforcement of supervisory measures" should be revised as follows: “In jurisdictions where enforcement of supervisory measures require court decision, control levels should generally be simple and readily explainable to a court”.	Agree. Sentence changed to "The criteria used by the supervisor to establish solvency control levels should generally be clear and readily explainable.
General comments on Guidance ICP 17.3.6			
	The Life Insurance Association of Japan	・We support the proposed introduction of transitional measures as the burden for both insurers and supervisor to meet the process and requirement of approval for the use of an internal model is significant except for insurers that are part of an insurance group from a jurisdiction where its use of an internal model has already been implemented and approved by the supervisory. ・However, an insurer could potentially apply the internal model partially to its advantage (i.e. some sort of cherry-picking). The use of a partial internal model, proposed as a transitional measure in the revised paragraph 17.13.6, should therefore be noted.	
General comments on Guidance ICP 17.3.7			

	International Actuarial Association (IAA)	Although the adequacy of risk management and governance frameworks is mentioned here, the IAA considers that this could be expanded to allow for the fact that with emerging risks such as climate change and cyber both quantitative and qualitative assessment is needed, as well as how this interacts with government policy at a macro level.	Noted. ICP17 is principled based to cover all material risks. Therefore, there is no need to adjust the ICP whenever new risks are emerging. Nonetheless, the IAIS is currently working on further material related to climate
General comments on Guidance ICP 17.4.2			
	International Actuarial Association (IAA)	For the sentence "This does not preclude the supervisor from requiring action for other reasons, such as weaknesses in the risk management or governance of the insurer." the IAA understands there are cases where action is necessary, but such action should be focused first to the reason the action is taken (risk management, governance etc.), not to the raise of the regulatory capital ratio. The sentence seems to make the meaning of the PCR somewhat ambiguous. We recommend changing the word "action" to "other action, which may influence the regulatory capital ratio," in the sentence	Noted
General comments on Guidance ICP 17.4.4			

	American Property Casualty Insurance Association	We believe we understand the point that the phrase “minimum safety net” is intending to convey in the context of the MCR, i.e., that the MCR is the lowest (the minimum) level below which the supervisor’s strongest actions are to be taken. However, the phrase could be taken by some to mean that the MCR, as a safety net, offers minimum protections. Given that the phrase is used multiple times in the revised draft ICP 17, we recommend that the IAIS consider some modification to it to avoid any unintended connotation.	Agree. The phrase "minimum safety net" was deleted.
General comments on Guidance ICP 17.4.6			
	National Association of Insurance Commissioners (NAIC)	The sentence beginning “However, this may not be true in all cases…” seems out of place with the previous sentence. Suggest the following edits: For example, some capital elements may lose some or all of their value in the event of a solvent run-off, resolution or liquidation, because of a forced sale, or because they reflect the anticipated value of writing. Likewise, some liabilities…	Agree
General comments on Standard ICP 17.5			
	National Association of Insurance Commissioners (NAIC)	For clarity, it may be helpful to note whose approval is required by adding “its”: In determining regulatory capital requirements, the supervisor establishes standardised approaches and may	Agree

		allow, subject to its approval, the use of more tailored approaches including (partial or full) internal models.	
General comments on Guidance ICP 17.5.2			
	American Property Casualty Insurance Association	Regarding the last sentence, “To achieve consistency for insurance legal entity assessments, it may be necessary to adjust the capital requirements used for insurance legal entities so they are suitable for group-wide assessment.” It seems that this is referring to the concept of scaling, a matter that is now more developed in the IAIS literature due in large measure to the work done on the Aggregation Method. If that is indeed the concept to which this sentence is referring, it would be clearer to specifically reference scaling and perhaps define it in the terms section.	Noted
General comments on Guidance ICP 17.5.3			
	American Property Casualty Insurance Association	Similar to the comment made for ICP 17.5.2, the last two sentences seem to refer to the concept of scaling, for which we believe it would be clearer to specifically reference scaling and perhaps define it in the terms section.	Noted
General comments on Standard ICP 17.6			

	General Insurance Association of Japan	The following statement should not be deleted because it is important to be open and transparent about regulatory capital requirements: “The regulatory capital requirements are established in an open and transparent process, and the objectives of the regulatory capital requirements and the bases on which they are determined are explicit.” The following should not be deleted as well. - Current 17.6.1 "Transparency as to the regulatory capital requirements that apply is required to facilitate effective solvency assessment and supports its enhancement, comparability and convergence internationally." - Current 17.6.5 “Usually the MCR would be constructed taking into consideration the possibility of closure to new business. It is, however, relevant to also consider the going concern scenario in the context of establishing the level of the MCR, as an insurer may continue to take on new risks up until the point at which MCR intervention is ultimately triggered. The supervisor should consider the appropriate relationship between the PCR and MCR, establishing a sufficient buffer between these two levels (including consideration of the basis on which the MCR is generated) within an appropriate continuum of solvency control levels, having regard for the different situations of business	Noted. ICP2 requires the supervisor to be transparent. Therefore, there is no need to make it explicit in other ICPs as well.

		operation and other relevant considerations." - Current 17.7.4 "The supervisor should be explicit as to where risks are addressed, whether solely in technical provisions, solely in regulatory capital requirements or if addressed in both, as to the extent to which the risks are addressed in each. The solvency requirements should also clearly articulate how risks are reflected in regulatory capital requirements, specifying and publishing the level of safety to be applied in determining regulatory capital requirements, including the established target criteria (refer to Standard 17.8)."	

	Northwestern Mutual	We are strongly supportive of all jurisdictions having standard, open, and transparent processes that facilitate the same open and transparent marketplace to provide the best possible coverage to the largest possible population of the market. Transparency ensures companies understand the requirements and can make better informed, holistic decisions, including supporting appropriate risk management, for their business model. Therefore, we respectfully support reintroducing the language around establishing regulatory capital requirements in an open and transparent process to ICP 17.6 and reincluding original paragraph ICP 17.6.1 describing the reason for a transparent process.	Noted. ICP2 requires the supervisor to be transparent. Therefore, there is no need to make it explicit in other ICPs as well.
General comments on Guidance ICP 17.6.6			
	American Property Casualty Insurance Association	We believe we understand the point that the phrase “minimum safety net” is intending to convey in the context of the MCR, i.e., that the MCR is the lowest (the minimum) level below which the supervisor’s strongest actions are to be taken. However, the phrase could be taken by some to mean that the MCR, as a safety net, offers minimum protections. Given that the phrase is used multiple times in the revised draft ICP 17, we recommend that the IAIS consider some modification to it to avoid any unintended connotation.	Agree. The phrase "minimum safety net" was deleted.
General comments on Guidance ICP 17.7.1			

	International Actuarial Association (IAA)	The IAA agrees that the potential for increased correlation of risks in stressed conditions is an important consideration but would also extend this to the potential for increased correlation across geographies. In addition, due to the impact of changes in the environment, e.g. due to climate change and technological developments, the potential impact and frequency of extreme events may be greater than has been seen historically.	Agree. A reference to geography was added tp 17.7.2.
General comments on Guidance ICP 17.7.4			
	General Insurance Association of Japan	In the examples of qualitative requirements in the last sentence, "risk controls" seems to be intended as "risk control measures". Therefore, we suggest adding "measures" for clarification as follows: - Requiring the insurer to control particular risks via exposure limits and/or qualitative requirements (such as additional systems and control measures) may be more appropriate than requiring the insurer to hold additional regulatory capital resources.	Noted.

	Finance Watch	There is an opportunity to add climate-related risks to ICP 17.7.4 as a clear example of a risk that is difficult to quantify. Although climate risk will probably manifest via market, liquidity and natural catastrophe risks, the timing and scale of materialisation are unlikely to be measured with any degree of precision. Given the non-linear nature of these risks, there is a strong case for taking a precautionary approach to applying capital requirements to account for climate-related financial risks - starting with exposures which are most certainly subject to high transition risk and contributing to the increasing physical risks in the system.(2) Thus, we consider it essential to mention climate-related financial risks explicitly under the provisions of ICP 17.7.4. Based on the insights from net-zero climate scenarios and the international climate objectives, we can clearly conclude that certain sectors of the economy such as fossil fuel exploration and production are subject to high transition risk. As such, this risk should be recognised by insurers and supervisors and adequate capital provisions should be made to cushion climate-related losses. Additionally, accounting for climate risk in capital requirements overcomes existing data and modelling challenges aimed at precise measures, which will neither be possible nor timely.	Noted.

		(2) Finance Watch (2021). Insuring the uninsurable: Tackling the link between climate change and financial instability in the insurance sector.	

	Northwestern Mutual	We note that references to liquidity risk have been removed from paragraphs within ICP 17.7. We agree that liquidity risk does not need to be referenced in ICP 17.7.1 as a type of risk to be addressed explicitly within valuation and capital requirements. However, concerns over capital sufficiency can amplify liquidity risk in some circumstances. We believe liquidity risk is a good example of a sort of risk that, while in some cases bearing a relationship with capital sufficiency, is not best addressed through capital requirements and therefore requires different methods and forms of control. As such, we recommend retaining the references to liquidity risk that had been removed from ICP 17.7.4 (previously ICP 17.7.5).	Noted.
	International Actuarial Association (IAA)	Given the importance of climate change risk and cyber risk, the IAA believes there is merit in mentioning those as specific emerging risks which are hard to quantify. It is also worth mentioning that while it may be hard to come up with a single point estimate of such risks, the quantitative estimate of them should take the form of a range of possible states considered stochastically. Only such an approach can bring about cohesive narratives around the magnitude of the risk faced, thereby prompting commensurate responses of mitigation and adaptation.	Noted. ICP17 is principled based to cover all material risks. Therefore, there is no need to adjust the ICP whenever new risks are emerging. Nonetheless, the IAIS is currently working on further material related to climate
General comments on Guidance ICP 17.7.5			

	Finance Watch	The last sentence of ICP 17.7.5 should further add the importance that insurers not only address material risk in their ORSA, but also draw conclusions about their capital adequacy to cover identified material risk by taking a precautionary approach to capital requirements.	Noted.
	International Actuarial Association (IAA)	Similarly, the IAA considers it important that climate change is considered in the ORSA given the different time horizons over which transition and physical risk are likely to emerge.	Noted. ICP17 is principled based to cover all material risks. Therefore, there is no need to adjust the ICP whenever new risks are emerging. Nonetheless, the IAIS is currently working on further material related to climate
General comments on Guidance ICP 17.8.5			
	International Actuarial Association (IAA)	Sometimes it will be preferable, in the decision or amendment of the standard model, to make clear what risk is considered as temporary or permanent. For example, the factor for the long-term single-payment (category 2) morbidity/disability risk in Japan 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. It may include claims on deemed hospitalizations, staying in places other than hospitals (for example their homes or hotels reserved by local governments) by the temporary change of the government policy. To know whether it	Noted.

		includes these claims or not much helps risk managements of insurers.	
General comments on Guidance ICP 17.8.7			
	Northwestern Mutual	The updates to Figure 17.2 make the Figure clearer, more concise, and better able to facilitate understanding of jurisdictional approaches. We support the IAIS's efforts towards improving holistic readability/usability as part of these updates.	Noted.
	International Actuarial Association (IAA)	Some shocks like pandemics increase the liability. It is better to add the phrase showing the picture is an example.	Noted. Changed the title of the text to clarify that it is meant to be an illustrative example.
General comments on Guidance ICP 17.8.13			
	National Association of Insurance Commissioners (NAIC)	First sentence, it seems in this context "The supervisors…" should be singular, "The supervisor…"	Agree.

General comments on Guidance ICP 17.8.17			
	American Property Casualty Insurance Association	Regarding the last phrase, "…or whether regulatory capital requirements should be recalculated according to the requirements of the jurisdiction in which the ultimate parent of the group is located." A more practical approach could be scaling, a concept which is now more developed through the work on the Aggregation Method. Therefore, we would suggest the following; "….or whether regulatory capital requirements should be recalculated according to the requirements of the jurisdiction in which the ultimate parent of the group is located, or otherwise scaled to a measure more comparable to that of the parent's capital regime."	Noted.
General comments on Guidance ICP 17.9.1			
	National Association of Insurance Commissioners (NAIC)	Last sentence, suggest deleting the comma after "group level" and moving the comma after "higher risk activities" to after the parenthetical.	Agree.
General comments on Guidance ICP 17.9.4			
	National Association of Insurance Commissioners (NAIC)	Suggest adding a comma after "For example".	Agree.
General comments on Guidance ICP 17.10.4			

	National Association of Insurance Commissioners (NAIC)	Last sentence, suggest deleting the comma after “defined period”.	Agree.
General comments on Guidance ICP 17.10.7			
	National Association of Insurance Commissioners (NAIC)	Missing a period at the end of the sentence.	Agree.
General comments on Guidance ICP 17.10.8			

	American Property Casualty Insurance Association	Regarding the first two sentences of this section: “Subordinated debt instruments (whether perpetual or not) may be treated as regulatory capital resources if they satisfy the criteria established by the supervisor. Adequate recognition should be given to contractual features of the debt such as embedded options which may change its loss absorbency.” We agree with the first sentence. However, the addition of the second sentence which references only the contractual terms of an instrument suggests that structurally subordinated debt should not qualify as a capital resource. Considering the extensive attention that this matter has received in the ICS, we believe that the text in the ICP regarding subordination should be further developed to acknowledge that structural subordination in certain regimes where appropriate conditions are in place would also qualify. We note that ICP 17.11.16 does state that subordination can be either contractual or structural, and then briefly explains structural subordination. Perhaps that text should be moved and added to ICP 17.10.8.	Noted.
General comments on Guidance ICP 17.10.10			

	National Association of Insurance Commissioners (NAIC)	Suggest deleting the comma after “accounting standards”.	Agree.
General comments on Guidance ICP 17.10.12			
	American Property Casualty Insurance Association	We noted that the following phrase was added to this section: “These investments include, for example, the equity of, or loans or bonds issued by, related parties;” It is not clear to us that any and all such investments would necessarily lose value in the event of solvent runoff or liquidation. Therefore, we would suggest adding the word “may”, as follows: ““These investments may include, for example, the equity of, or loans or bonds issued by, related parties;”	Noted.
General comments on Guidance ICP 17.10.16			
	National Association of Insurance Commissioners (NAIC)	The penultimate bullet should end with “and” or “or”.	Agree.
General comments on Guidance ICP 17.10.18			

	Northwestern Mutual	We find the newly incorporated Figure 17.3 confusing and potentially misleading. It is not clear if the Figure is intended to be an example structure, but we note that not all insurers have Common Shares and/or Debt, for example. Insurers utilizing US Statutory Accounting, for example, would have different Capital Resource structures than is being suggested. We propose removing the left-most box and retaining the remaining boxes, then using footnotes for “Other Capital Elements” and “Financial Instruments” to incorporate the items currently shown in the left-most box. For example, “Other Capital Elements” would have a footnote stating: “i.e., Retained Earnings, Share Premium, Surplus Notes, etc.” However, if no other changes are made, at a minimum we respectfully suggest including that this is an “example Company’s Capital Resources” to avoid confusion. Finally, we note that the color-coding is not well defined or clear, we respectfully suggest incorporating a key or otherwise defining the chosen colors.	Partly agree. The title of the figure has been amended to make explicit that is meant as an illustrative example.
General comments on Standard ICP 17.11			

	Northwestern Mutual	We support continuing to include the language in previous ICP 17.11.49 (related to leverage) within the revised version(s). This would provide helpful clarity in an insurer's/group's consideration of their Capital Resources. We find the continued inclusion and incorporation of the "double gearing" concept helpful and could be considered a component of the phrase, but we continue to view the removed paragraph on leverage (previously 17.11.49) as necessary. Additionally, we support the inclusion of "Related Party Leverage" being incorporated into the existing Glossary definition of "Leverage."	Noted.
General comments on Guidance ICP 17.11.4			
	National Association of Insurance Commissioners (NAIC)	Last sentence, suggest deleting the comma after "level is breached".	Agree.
General comments on Guidance ICP 17.11.5			
	American Property Casualty Insurance Association	We believe we understand the point that the phrase "minimum safety net" is intending to convey in the context of the MCR, i.e., that the MCR is the lowest (the minimum) level below which the supervisor's strongest actions are to be taken. However, the phrase could be taken by some to mean that the MCR, as a safety net, offers minimum protections. Given that the phrase is used multiple times in the revised draft ICP 17, we recommend that the IAIS	Agree. The phrase "minimum safety net" was deleted.

		consider some modification to it to avoid any unintended connotation.	
General comments on Guidance ICP 17.11.7			
	Northwestern Mutual	We are supportive of the overall readability and improvement efforts, such as to this paragraph, completed as part of this update process. We appreciate the incorporation of the updated terminology in relation to each example characteristic.	Noted.
General comments on Guidance ICP 17.11.8			

	Northwestern Mutual	Our response is from our perspective as a U.S. mutual life insurer. As such, our access to external sources of capital is largely limited to our capacity to issue surplus notes, as we have no ability to issue common or preferred stock. Surplus notes and are viewed as long-term capital by insurers when issued, that is, they are generally not issued with an intent to prematurely call. They are relatively uniform instruments across the U.S. marketplace, with fairly standard contracts and features. Surplus notes' attributes may also reflect loss absorbing characteristics (particularly the requirement for supervisory approval of payments), and therefore, for better clarity, we suggest including an example reflecting other "loss absorbing capacity" concepts, such as those reflected in surplus notes.	Agree. The following text was added at the end of 17.11.11. "Other instruments may require supervisory approval prior to each payment (including payments of principal and interest) to holders of the instrument, which may also provide loss absorbency as the supervisor considers the solvency position of the insurer in determining whether to approve each payment."
General comments on Guidance ICP 17.11.12			
	Financial Supervisory Commission (FSC) ROC	The statements in 17.11.12 and 17.11.15 are exactly the same. It's suggested to consolidate the statements.	Agree.
General comments on Guidance ICP 17.11.15			
	National Association of Insurance	This is verbatim the last two sentences of 17.11.12 – either delete this paragraph or the text in 17.11.12 to remove duplication.	Agree.

	Commissioners (NAIC)		
General comments on Guidance ICP 17.11.24			
	American Property Casualty Insurance Association	This part of the ICP states, in part, as follows: “Conversely a group level approach using consolidated accounts (which generally assumes that regulatory capital resources and assets are readily fungible/transferable around the group) should be adjusted to provide for the restricted availability of funds.” It is not clear to us what adjustments this is referencing or how any such adjustments might be objectively determined. “Adjustments” in this context implies specific numeric changes to be made to reported capital resources. We believe that, as a practical matter, the lack of fungibility of capital is addressed by most supervisors on a qualitative basis. Indeed, the IAIS’s Insurance Capital Standard has no such specific quantitative adjustment for fungibility of capital.	Agree. Text was changed to "Conversely a group level approach focus using consolidated accounts (which generally assumes that regulatory capital resources and assets are readily fungible/transferable around the group) should take into account the restricted availability of funds." and uses consistent language to 17.1.10
General comments on Guidance ICP 17.11.25			

	National Association of Insurance Commissioners (NAIC)	First sentence, based on the context, suggest this should start “The supervisor” rather than “Supervisors”.	Agree.
General comments on Guidance ICP 17.11.26			
	General Insurance Association of Japan	The reference to “the duration of the insurer’s obligations to policyholders, which should be assessed on an economic basis rather than strict contractual basis" should be consistent with the boundaries for insurance contracts referenced in ICP 14.6.4.	Noted.
General comments on Guidance ICP 17.11.28			
	National Association of Insurance Commissioners (NAIC)	Last sentence, suggest deleting the comma after “after issue”.	Agree.
General comments on Guidance ICP 17.11.34			
	General Insurance Association of Japan	We propose that “the quality and suitability of capital resources" be revised to “the quality and suitability of capital elements".	Agree.
General comments on Guidance ICP 17.11.35			

	National Association of Insurance Commissioners (NAIC)	First sentence, in this context “perspective” does not seem necessary.	Agree.
General comments on Guidance ICP 17.11.36			
	National Association of Insurance Commissioners (NAIC)	First sentence, in this context, suggest this should read “the supervisor” rather than “supervisors”.	Agree.
General comments on Guidance ICP 17.11.39			
	National Association of Insurance Commissioners (NAIC)	Penultimate sentence, need to move the period after the close parenthesis.	Agree.
General comments on Guidance ICP 17.11.40			
	National Association of Insurance Commissioners (NAIC)	First sentence, suggest deleting the comma after “insurance business”.	Agree.
General comments on Guidance ICP 17.11.41			

	National Association of Insurance Commissioners (NAIC)	First sentence, in this context, suggest it should read "the supervisor" rather than "a supervisor" and replace the second "the supervisor" with "it": As an illustration, in setting regulatory capital requirements the supervisor can consider the maximum probability over a specified time period with which it is willing to let unexpected losses cause the insolvency of an insurer.	Agree. (17.11.47 instead of 17.11.41)
General comments on Guidance ICP 17.12.3			
	Insurance Europe	In 17.12.3 (in the previous version of ICP 17 - 17.12.4) the following sentence was deleted: "The IAIS supports the use of internal models where appropriate as they can be a more realistic, risk-responsive method of calculating capital requirements" Insurance Europe suggests retaining this sentence in the updated ICP.	Noted.
General comments on Guidance ICP 17.12.6			
	National Association of Insurance Commissioners (NAIC)	Last sentence, for consistency, suggest adding "the" before "PCR".	Agree. (17.12.8 instead of 17.12.6)
General comments on Guidance ICP 17.12.7			

	American Property Casualty Insurance Association	We believe we understand the point that the phrase “minimum safety net” is intending to convey in the context of the MCR, i.e., that the MCR is the lowest (the minimum) level below which the supervisor’s strongest actions are to be taken. However, the phrase could be taken by some to mean that the MCR, as a safety net, offers minimum protections. Given that the phrase is used multiple times in the revised draft ICP 17, we recommend that the IAIS consider some modification to it to avoid any unintended connotation.	Agree. The phrase "minimum safety net" was deleted.
General comments on Guidance ICP 17.12.11			
	Insurance Europe	In 17.12.11 (in the previous version of ICP 17 - 17.12.13) the following sentence was deleted: "The IAIS supports the use of partial internal models for regulatory capital purposes, where appropriate. " Insurance Europe suggests retaining this sentence in the updated ICP.	Noted.
General comments on Guidance ICP 17.12.12			
	National Association of Insurance Commissioners (NAIC)	Last sentence, it would be helpful to add an example or two of what could be appropriate measures the supervisor should take (for example, see the end of 17.12.13).	Noted.
General comments on Guidance ICP 17.13.1			

	General Insurance Association of Japan	We propose deleting the statement "regulatory capital requirements reconcile to the solvency balance sheet used in determining regulatory capital resources”. The B/S used in the internal model may more appropriately reflect the reality of the IAIGs than the B/S in the ICS, which emphasizes minimizing 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, inconsistency with the B/S specifications in determining regulatory capital resources should not be a barrier to internal model approval.	Noted.
General comments on Guidance ICP 17.13.6			
	General Insurance Association of Japan	Does "a temporary minimum level of the regulatory capital requirements during the transition period" here mean the same as "a capital requirements add-on during the transitional period" in 17.12.13? If so, the wording should be the same.	Noted.
	National Association of Insurance Commissioners (NAIC)	Third sentence, is “include” the correct word in this context? Would “the supervisor could allow the use” be more appropriate here?	Agree.

	The Life Insurance Association of Japan	・We support the proposed introduction of transitional measures as the burden for both insurers and supervisor to meet the process and requirement of approval for the use of an internal model is significant except for insurers that are part of an insurance group from a jurisdiction where its use of an internal model has already been implemented and approved by the supervisory. ・However, an insurer could potentially apply the internal model partially to its advantage (i.e. some sort of cherry-picking). The use of a partial internal model, proposed as a transitional measure in the revised paragraph 17.13.6, should therefore be noted.	Noted.
General comments on Guidance ICP 17.13.7			
	National Association of Insurance Commissioners (NAIC)	First sentence, suggest deleting both commas after "model" and use "condition of" rather than "condition on". The last sentence is rather unclear. Who would be introducing these powers and when? Having appropriate supervisory powers in place can require a number of processes; if such powers are needed they should be in place well before the supervisor would be in the position to allow internal models. Suggest clarifying this sentence.	Agree. The paragraph was shortened to increase readability. "The supervisor may need to impose additional regulatory capital requirements (capital requirements add-ons) or take other supervisory measures to address any identified weaknesses in an internal model."
General comments on Guidance ICP 17.13.14			

	National Association of Insurance Commissioners (NAIC)	First sentence, suggest adding a comma after “one jurisdiction”.	Agree.
General comments on Guidance ICP 17.13.15			
	National Association of Insurance Commissioners (NAIC)	First sentence, for clarification and consistency, suggest adding at the end, “if internal models are allowed”: In the case of an insurance group that wishes to use its group-wide internal model in more than one jurisdiction to calculate insurance legal entity regulatory capital requirements, the supervisor of each of those jurisdictions should consider approval of the specific application of the group-wide internal model in its jurisdiction, if internal models are allowed.	Noted.
General comments on Guidance ICP 17.13.20			
	National Association of Insurance Commissioners (NAIC)	Last sentence, for clarification, suggest saying “within its own jurisdiction” rather than “for its own purposes”: The home supervisor, however, does not need to have the approval of the host supervisors in order to approve the use of the insurance legal entity’s internal model within its own jurisdiction.	Partly agree. The phrase "for its own purposes" was deleted, no replacement made.
General comments on Standard ICP 17.14			
	General Insurance	Regarding the heading "Quality test for internal models", ICP 17.3 uses "statistical quality test," and we think the terms should be aligned.	Noted.

	Association of Japan		
	International Actuarial Association (IAA)	The IAA's view is that in reality it is often not possible to prove underlying data is complete and accurate, particularly when considering emerging risks such as climate change and cyber risk. The IAA suggests adding "as far as possible".	Noted.
General comments on Guidance ICP 17.14.1			
	National Association of Insurance Commissioners (NAIC)	This paragraph is rather dense – suggest splitting into two paragraphs to improve readability starting with "There are several different risk quantification techniques…"	Agree.
General comments on Guidance ICP 17.14.2			
	National Association of Insurance Commissioners (NAIC)	This paragraph is rather dense – suggest splitting into two paragraphs to improve readability starting with "Where the internal model is used…"	Agree.
General comments on Guidance ICP 17.15.2			
	National Association of Insurance	In the last sentence, if the insurer is required to demonstrate that it satisfies the specified modelling criteria per 17.15, is it correct to say that the insurer "may need to	Noted.

	Commissioners (NAIC)	recalibrate" if their model uses different criteria? In this context, should "may" be "should"?	
General comments on Standard ICP 17.16			
	National Association of Insurance Commissioners (NAIC)	Need to replace the periods at the end of the first bullet with a semicolon, the end of the sub-bullets of the second bullet with "; and" rather than a period, and the last bullet with a period rather than a semicolon.	Agree.
General comments on Guidance ICP 17.16.7			
	General Insurance Association of Japan	Regarding the final sentence "The use test should also ensure the adequacy of systems and controls in place for the maintenance, data feeds and results of the model.", we propose revising "The use test" to "The insurer" since it is not about the "use test" (the third bullet point of the requirement listed in 17.16) but about the "adequate governance and internal controls" (the first bullet point).	Agree.
General comments on Guidance ICP 17.17.5			
	National Association of Insurance Commissioners (NAIC)	First bullet should use a lower case "a" rather than "A".	Agree.
General comments on Guidance ICP 17.17.8			

	International Actuarial Association (IAA)	At the end of the paragraph, the phrase “adverse financial conditions” exists. The IAA considers there is no reason to limit the case for only financial conditions.	Agree.
General comments on Guidance ICP 17.18.1			
	National Association of Insurance Commissioners (NAIC)	The second sentence states that the supervisor should reassess on a regular basis but then the next sentence says in general the supervisor should reassess only when there is a material change. Which is it – on a regular basis or only when there’s a material change? Additionally, the second sentence ends with “where appropriate” but it’s not clear what this is referring to – the regular basis or the means of calculating regulatory capital requirements. Suggest clarifying the expectation here.	Agree. The phrase "In general, only" got deleted.
General comments on definition of going concern capital			
	National Association of Insurance Commissioners (NAIC)	It is not clear why reference is made to “reducing the loss to policyholders in the event of liquidation or resolution” if the definition is with regard to going concern capital. Given this is going concern capital shouldn’t there be reference to the ability to support writing new business instead?	The term has been deleted from the glossary.