

ICP8	<p>While IAIG governance structures can be centralised or decentralised, the ComFrame material in ICP 8 is seemingly premised on IAIGs whose governance structures are centralised to a considerable degree. As business and regulatory environments vary among insurance legal entities within an IAIG, in addition to centralised governance approaches which establish a unified risk management system at the group level, decentralised approaches should be allowed, where, according to the IAIG's risk management framework, each group entity establishes its own risk management system in consideration of factors such as its business size and surrounding environment. Therefore, at the beginning of the ComFrame material integrated with ICP 8, it should be clarified that both approaches are allowed.</p>
8.1	<p>The definition of "an effective and appropriately documented" (risk management system) is ambiguous. Therefore, we suggest revising as follows: "In order to effectively capture and control business risks, the supervisor requires the insurer to establish, and operate within, an effective and appropriately documented risk management system, which includes, for example:".</p>
8.1.2	<p>Factors needed for a risk management system could differ depending on the IAIG's size, nature of its businesses as well as the jurisdictions in which it operates. Therefore, it is not always necessary to document all the listed matters here. We suggest revising as follows: "An effective risk management system may:".</p>
CF8.1a	<p>Although this standard is premised on more centralised control functions, more decentralised control functions should also be allowed. Each group entity establishes its risk management system in consideration of jurisdictional regulations. It is not always necessary to document, in the IAIG's risk management system, all the differences in the group entities' risk management systems. Therefore, we suggest revising "reflect" to "take into account".</p>
CF8.1a.1	<p>As we commented on CF 8.1a, we suggest revising "include explanations of" to "take into account". In addition, the rationales as to the risk appetite for different individual entities within the IAIG are based on regulations and market conditions of each jurisdiction. As it is not always necessary to take into account and document all the rationales in the IAIG's risk management system, we suggest adding "where necessary under the proportionality principle" at the end of this paragraph.</p>
8.1.15	<p>Each group entity sets its risk management function according to the size of its businesses, the risk characteristics, and other factors. Requiring horizontal consistency between legal entities within the group could hinder effective risk management. Therefore, the third sentence should be revised as follows: "Within an insurance group, the head of the group and the legal entities should ensure appropriate</p>

	<p>coordination (based on factors including the size, nature of businesses and complexity of the entities, jurisdictions in which they operate, local regulations, as well as the complexity of the group's structure) and consistency between the head of the group and the legal entities when setting risk management policies."</p> <p>In addition, the fourth and fifth sentences should be deleted.</p>
CF8.1b	<p>Although this standard is premised on more centralised control functions, more decentralised control functions should also be allowed. As the description is too detailed for a standard, the list should be moved to a guidance level and it should be clarified that the listed matters are examples.</p> <p>Even if the list is dealt with in guidance, we are concerned that (although this is not explicitly stated) the description could be read to indicate that strict documentation of all the matters on the list is required to establish a risk management system. In particular, it is impractical to require documentation of "laws and regulations of the jurisdictions in which the IAIG operates". It is more appropriate to require the Head of the IAIG to establish a system that "considers" these listed matters, rather than "covers".</p>
CF8.1c	<p>It is not always necessary for all the IAIGs to annually review how emerging risks could affect their risk management system. Therefore, "annually" should be revised to "where necessary" or "when environmental changes have significantly affected the IAIG's business strategy".</p>
CF8.2a	<p>Although this standard is premised on centralised control functions, more decentralised control functions should also be allowed. As the description is too detailed for a standard, the list should be moved to a guidance level and it should be clarified that the listed matters are examples.</p> <p>Even if the list is dealt with in guidance, we are concerned that the description could be read to indicate that strict documentation of all the matters on the list is required to establish an internal controls system. In particular, it is impractical to document "laws and regulations of the jurisdictions where the IAIG operates". At the same time, although there are lots of relevant laws and regulations, the scope of this standard is ambiguous. It is more appropriate to require establishment of a system that "considers" these listed matters in documents, rather than "covers".</p>
CF8.6a	<p>Although this standard is premised on centralised control functions, more decentralised control functions should also be allowed. As the</p>

description is too detailed for a standard, the list should be moved to a guidance level and it should be clarified that the listed matters are examples.

Even if the list is dealt with in guidance, it should be revised to flexibly allow for different approaches. It is common in Japan that an insurer's actuarial function is fulfilled collectively by several divisions, and we recognise that such practices do not entail problems.

Therefore, such practices as the above should clearly be allowed under ComFrame.

In particular, detailed requirements on the operations of an IAIG's actuarial function will increase the burden of the Head of the IAIG.

Hence, it should be clarified that, with regard to the IAIG's actuarial function, simplified responses and those depending on proportionality are allowed. We would also like to note that the application of the proportionality principle should be clarified for other functions as well.

Moreover, the added bullet point ("procedures to identify compliance issues...") could be read to refer to overall compliance issues within an insurance entity, and therefore misleading. It should be clarified that this bullet only deals with compliance issues regarding actuarial activities. We suggest, for example, revising it to "procedures to identify compliance issues relevant to the IAIG's actuarial activities...".