

Glossary	
Alternative risk transfer (ART)	<p>Rather than 'form', we think 'method' is a more appropriate word to describe the meaning of this term. In addition, as we understand that traditional reinsurance markets are not included within ART, the sentence should explicitly state “rather than through traditional reinsurance markets” to distinguish between the two. Specifically, it should be rewritten as follows:</p> <p>A method to transfer risks of insurance liabilities through the capital markets rather than through traditional reinsurance markets.</p>
Control level	<p>Although this term is used in ICP 17, we understand that ICP17 will be subject to public consultation after year 2020. Therefore, the term should be considered together with the revision of ICP 17. In addition, we would like to have an explanation as to why the criteria of the supervisory intervention have been changed from 'the actual solvency level' to 'capital resources'. We would like to know whether there will be any change in the meaning of the definition due to the change in wording.</p>
Corporate Governance framework	<p>It seems strange that the word “framework” refers to “A set of relationships between an insurer’s board, senior management, customers and other stakeholders”. Although we understand that the term combines 'Corporate Governance' with 'Corporate Governance Framework', which are in the current Glossary, we believe that customers or other stakeholders should not be included within the company’s framework itself. Therefore, the revised draft should be reverted back to the original definition as below:</p> <ul style="list-style-type: none"> • Corporate Governance: A set of relationships between an insurer's board, senior management, customers and other stakeholders; and a structure through which the objectives of the insurer are set, and the means of attaining those objectives and monitoring performance are determined. • Corporate Governance Framework: The means through which an insurer implements its corporate governance.
Facultative reinsurance	<p>Facultative Reinsurance contracts are arranged individually for each risk, whereas Treaty Reinsurance is based on the prior agreement reached between the insurer and the reinsurer and the both parties are obliged to cede/assume the risk automatically. To clarify this point, we propose to revise the first sentence as follows:</p> <p>Reinsurance for a single risk or a defined package of risks, of which agreements are arranged individually for each risk.</p>
Reinsurance	<p>For clarification purposes, we propose using the term 'reinsurance premium' instead of 'premium', as below:</p>

	<p>A transaction, in which a ceding insurer transfers some or all of the risks acquired from the insured to the reinsurer, in exchange for a reinsurance premium.</p>
Reinsurer	<p>For clarification purposes, we propose using the term 'reinsurance premium' instead of 'premium', as below:</p> <p>An insurer that assumes the risks of a ceding insurer in exchange for a reinsurance premium.</p>
Retrocession	<p>For clarification purposes, we propose using the term 'retrocession premium', instead of 'premium', as below:</p> <p>Reinsurance ceded by reinsurers to assuming reinsurers in exchange for a retrocession premium.</p>
Special Purpose Entity (SPE)	<p>Since SPE has a legal foundation, we propose adding the word 'legal' to the definition. We also propose adding 'The same as a Special Purpose vehicle (SPV)' here because we think SPV is more generally known than SPE.</p> <p>Specifically as follows:</p> <p>A dedicated legal entity or a legally ring-fenced arrangement, specifically constituted to carry out the transfer of risk. (The same as a Special Purpose vehicle (SPV))</p>
Introduction & Assessment Methodology	
paragraph 63	<p>As mentioned in the third sentence, we understand 'an assessment of ComFrame Standards cannot be done in isolation'. Therefore, an assessment of the level of observance of ComFrame Standards and that of ICP should be conducted at the same time (instead of separately).</p> <p>In addition, in terms of transparency and regulatory predictability, methods, criteria, and the IAIS's points of view regarding the assessment should be disclosed to the stakeholders.</p>
ICP9	

ICP9.1.8	The risk assessment framework described in this section should be conducted by focusing on risk exposures that can realistically have a negative impact on financial stability and the entire insurance sector, and care should be taken to avoid imposing an excessive burden compared to the current level.
CF 9.2.b.1	<p>Supervisors in different jurisdictions should conduct the group-wide risk assessment in a consistent manner in order to ensure the predictability of regulation and a level playing field in terms of comparison among insurance companies, i.e., within the insurance sector. For example, supervisors should ensure that requirements on the IAIGs do not become inconsistent or cumulatively excessive as the result of discretionary application of regulations by each supervisor.</p> <p>In addition, supervisors should take due account of fair competition with other financial sectors, bearing in mind the fact that the systemic risk in the insurance sector is much smaller than that in the banking sector. Supervisors should also consider the proportionality principle as well as the characteristics of the insurance business including its risk management such as ALM.</p>
CF 9.2.b.8	As insurers do not engage in settlements, their systemic risk is small compared to that of banks. Therefore, it would be an excessive requirement to require macro-prudential analysis for all IAIGs, including those that demonstrate financial soundness and that have not been designated as SIFIs.
ICP10	
<p>ICP10 General Comments</p>	<p>In considering systemic risk in the insurance sector, in particular, the fact that the degree of systemic risk in the insurance sector is smaller than that in the banking sector should be noted. For example, regarding potential systemic risk that may simultaneously occur in both the banking sector and the insurance sector, developing and assessing common indicators are important from a macro-prudential point of view. On the other hand, the dimensions of the banking and insurance sectors and their activities are significantly different. As such, treating them the same in terms of data collection and policy measures may be an excessive limitation that will impede the sound development of the insurance sector. For the above reasons, data collection frameworks and policy measures should cautiously take the differences in the sizes and main activities of the banking sector and the insurance sector into consideration. In addition, assessment of systemic risk should be conducted across the financial sector, including other sectors such as banking and securities, rather than the insurance sector alone.</p> <p>Also, when applying regulations in each country in the future, predictability and fairness to insurers should be ensured, and consistency across jurisdictions should be secured to prevent arbitrary operation of regulations by authorities.</p>
ICP10.2.7	Insurers should not be imposed unfairly excessive burdens beyond the original obligations as the result of exercise of powers

	described in this guidance.
Holistic Framework / ICP16	
the Holistic Framework for Systemic Risk in the Insurance Sector General Comments	We recognize that the items in this public consultation were revised in light of the IAIS "Holistic Framework for Systemic Risk". To that extent, the scope of the application of these items should be limited to groups or insurers determined to have systemic risk on an entity basis or on an activity basis based on the data collection by supervisors described in ICP 24 and decided on whether they have exposures potentially leading to systemic impact.
ICP16 General Comments	<p>In considering systemic risk in the insurance sector, in particular, the fact that the degree of systemic risk in the insurance sector is smaller than that of the banking sector should be noted. For example, regarding potential systemic risk that may simultaneously occur in both the banking sector and the insurance sector, developing and assessing common indicators are important from a macro-prudential point of view. On the other hand, the dimensions of the banking and insurance sectors and their activities are significantly different. As such, treating them the same in terms of data collection and policy measures may be an excessive limitation that will impede the sound development of the insurance sector. For the above reasons, data collection frameworks and policy measures should cautiously take the differences in the sizes and main activities of the banking sector and the insurance sector into consideration. In addition, assessment of systemic risk should be conducted across the financial sector, including other sectors such as banking and securities, rather than the insurance sector alone.</p> <p>Also, when applying regulations in each country in the future, predictability and fairness to insurers should be ensured, and consistency across jurisdictions should be secured to prevent arbitrary operation of regulations by authorities.</p> <p>Moreover, whether the IAIGs and insurers are vulnerable to exposures which are likely to be a cause of systemic risk, such as liquidity risk, differ depending on their business model. Therefore, different granularity of responses based on proportionality should be allowed.</p>
ICP16.2	We would like to clarify that the phrase "assess the resilience of its total balance sheet" means verifying the resilience of the capital component of the balance sheet, and not the resilience of each components of the balance sheet.

	<p>If not, we suggest revising the sentence, “the resilience of its total balance sheet” to “the capital adequacy” in line with the description of “Stress testing” in the Glossary that it is “a method of solvency assessment”.</p>
CF16.2.b	<p>We would like to clarify that the phrase “the total balance sheet effects of macroeconomic stresses” means verifying the effects of macroeconomic stresses on the capital component of the balance sheet, and not the effects on each component of the balance sheet.</p> <p>If not, we suggest revising the sentence, “the resilience of its total balance sheet” to “the capital adequacy” in line with the description of “Stress testing” in the Glossary that it is “a method of solvency assessment”.</p>
CF16.2.b.2	<p>The macroeconomic risk in general insurance products is mostly limited to inflation. For insurance groups whose core business is general insurance, the proportion of products that involve options vulnerable to macroeconomic risk and/or long-term minimum guarantees, is low and the degree of their vulnerability to macroeconomic stresses is relatively low. Supervisors should focus on insurance companies with high proportion of products that are vulnerable to macroeconomic stresses. For insurance groups whose core business is general insurance, a relatively simplified approach, such as limiting the scope of stress testing scenarios to inflation only, should be allowed based on proportionality.</p>
ICP16.6.4	<p>Asset concentration related to "Credit Rating" will not necessarily cause concentration risk if, for example, credit ratings of assets concentrate on high-ratings but the assets themselves are diversified. Therefore, we would like to clarify the asset concentration related to "Credit Rating" assume concentration on low rated assets.</p> <p>If so, "Credit Rating" should be replaced by "Low Credit Rating".</p> <p>If not, it could be misinterpreted to mean that invested assets must be diversified in terms of credit rating to include both high and low rated assets. In that case, "Credit Rating" should be deleted from this guidance.</p>
CF16.6.b	<p>CF introduction 21 describes that "it does not create a one-size-fits all approach to IAIG supervision as, ultimately, what is important is that supervisors and IAIGs achieve the outcomes described by ComFrame". Therefore, the requirements in the group-wide investment policy should not be required in a uniform manner.</p>

	<p>Specifically, with regard to requirements regarding what should be addressed in the intra-group investment policy prescribed in CF16.6a, CF16.6b, and CF16.6.c, alternative approaches such as addressing them in other group-wide policies such as the risk management policy and addressing them at the individual entity level within the IAIG according to the nature of their businesses, the characteristics of their liabilities, their asset management systems, and their financial strength, etc., should be permitted. Also, it should be stated in the respective guidance.</p> <p>CF16.6.a states that the group-wide supervisor requires the Head of the IAIG to set criteria for investment quality and respond to low-quality investments. Based on the previous comment from the IAIS, we understand that this guidance does not intend to require IAIGs to create a uniform approach.</p> <p>CF16.6b states that the group-wide supervisor requires the Head of the IAIG to set limits to its investment assets as well as to identify levels of exposures in its group-wide investment policy.</p> <p>CF16.6.c states that the group-wide supervisor requires the Head of the IAIG to establish criteria for intra-group investments in its group-wide investment policy.</p>
CF16.6.b.1	<p>With regard to the reference on “financial market”, we assume that this criteria was added to capture concentrations on segments which cannot be captured by items such as “type of assets” or “geographic area”. We would like to confirm whether there are any particular segments envisaged such as stock exchange.</p>
CF16.6.b.1	<p>As we mentioned in our comments on ICP16.6.4, if the asset concentration related to "Credit Rating" assumes concentration on low rated assets, "Credit Rating" should be replaced by "Low Credit Rating". If not, it could be misinterpreted to mean that invested assets must be diversified in terms of credit rating to include both high and low rated assets. In that case, "Credit Rating" should be deleted from this guidance.</p>
CF16.6.b.2	<p>As for the phrase "at the legal entity level", it is excessive to require an assessment of the asset concentration "at the legal entity level" in ComFrame, which is a group-wide level requirement. ComFrame should only include requirements at the group level. Therefore, we propose to revise the phrase as follows:</p> <p>both at the legal entity level and group-wide level.</p>

ICP 16.7	<p>In case where underwriting policy, in particular those that concern practical matters related to the management of underwriting risks, risk transfer and claims payment, is required to be included in an insurer's ERM framework, flexibility of form and application should be permitted depending on the company's size, nature of their business, and their ERM position.</p> <p>We suggest deleting "interaction of the underwriting strategy with the insurer's reinsurance strategy and pricing" described in ICP16.7. The item is rather practical and is not necessarily a part of the ERM framework.</p>
ICP 16.7.5	<p>Whether or not there are potential impacts on the financial position from correlated exposures between macroeconomic conditions and the insurance portfolio will differ depending on the product characteristics. Therefore, the phrase "if it is material" should be added.</p>
ICP 16.9	<p>As described in ICP 16.9.3, whether it is necessary to require more detailed liquidity risk management processes should be considered, taking into account the nature, scale and complexity of the insurer's activities that lead to increased liquidity risk exposure. We recognize that the liquidity risk management processes described in this standard and the related guidance were added in light of the IAIS "Holistic Framework for Systemic Risk". To that extent, the liquidity management processes should be strengthened if it is determined based on the data collection by supervisors described in ICP 24 that there is systemic risk on an entity basis or on an activity basis. It is not desirable for all insurers/groups to be required to strengthen their processes uniformly.</p> <p>In addition, even if the insurer/group is determined to have systemic risk, the contents of the liquidity risk management processes should differ depending on the business model or the products of the insurer/group. Therefore, the four standards listed here should be provided as guidance.</p> <p>We understand that the content of a contingency funding plan is not necessarily limited to external funding and other measures such as assets sale or transfer between entities within the group can also be taken. We would like to clarify whether this understanding is correct.</p> <p>Lastly, if insurers are required to assess the effects of macroeconomic stress and counterparty exposures, ORSA report should be able to replace the reporting requirements on liquidity risk management report.</p>
CF16.9.a.6	<p>Whether the IAIG is vulnerable to the liquidity risk depends on its business model. While we understand to some extent the necessity to determine its net stressed cash outflows, as described in our comments on Q11, the guidance should be applied in a proportionate</p>

	manner and allow difference in the granularity of the evaluation.
CF16.9.b	As described in our comments on Q1, the application of this standard should not be decided on whether or not the insurer is an IAIG, but if it is a group/insurer with significant exposures that may potentially lead to a systemic impact.
CF16.9.b.5	Even if the IAIG holds a portfolio of high-quality liquid assets of a certain size, unless the IAIG "holds a considerable share of the market", it will not necessarily be subject to a large loss due to the inability to monetize its assets as planned. Therefore, it is not necessary to require "its portfolio of high-quality liquid assets is sufficiently diversified". Therefore, the first sentence "The Head of the IAIG should ensure that its portfolio of high-quality liquid assets is sufficiently diversified. This may include looking through to the underlying assets to determine the extent of concentration risk" should be deleted.
CF16.9.c	As described in our comments on Q1, the application of this standard should not be decided on whether or not the group/insurer is an IAIG, but on if it is a group/insurer with significant exposures that may potentially lead to a systemic impact. As we commented in ICP16.9, we understand that the content of a contingency funding plan is not necessarily limited to funding and other measures such as assets sale and transfer between entities within the group can also be taken. We would like to clarify whether this understanding is correct.
CF16.9.c.2	When the IAIG is managing funds in a way that can maintain liquidity even under the probable worst-case stress scenarios, the IAIG does not necessarily need to detail the strategies for addressing liquidity shortfalls in stress situations. Therefore, this guidance should be revised as follows: In case where there are liquidity shortfalls in stress situations , a contingency funding plan should detail the strategies for addressing liquidity shortfalls in stress situations , including the methods that the IAIGs would use to access alternative sources of funding.
CF16.9.d	As described in our comments on Q1, the application of this standard should not be decided on whether or not the group/insurer is an IAIG, but on if it is a group/insurer with significant exposures that may potentially lead to a systemic impact. As stated in CF16.9.d.1, there are cases where it is deemed sufficient if the group-wide supervisor can obtain the necessary information in effect through other reports and data. Therefore, this standard should be revised as follows:

	<p>CF 16.9.d. The group-wide supervisor requires the Head of the IAIG to report, at least annually, on its management of liquidity risk. The report may be substituted with other forms of information provided by the IAIG, which includes at least items such as the following:</p> <p>In addition, reference to "liquidity risk limits" in the second bullet should be deleted or replaced with other terms such as "quantitative management". In general, liquidity risk is not compatible with the concept of "risk amount" which assesses impact on capital, and is calculated statistically.</p> <p>Further, when the Head of the IAIG is required to assess and report the macroeconomic stress and the impact of counterparty risk, the ORSA should be able to replace the report on its management of liquidity risk.</p>
ICP 16.12	<p>A prescriptive requirement on the insurer's ORSA process could result in constraining the insurer's ability to design appropriate stress scenario and diminishing the effect of the ORSA to assess the insurer's own risk. Therefore, this standard should be revised as follows:</p> <ul style="list-style-type: none"> · encompass all reasonably foreseeable and relevant material risks including at a minimum items such as insurance, credit, market, concentration, operational and liquidity risks and (if applicable) group risk; and
ICP 16.12	<p>Counterparty exposure could be assessed by methods other than stress test such as credit management. Therefore, the fourth bullet should be deleted or amended to allow for methods other than stress tests and stated as guidance provisions.</p>
CF16.12.b	<p>Counterparty exposure could be assessed by methods other than stress test such as credit management. Therefore, the second bullet should be deleted or amended to allow for methods other than stress tests and stated as guidance provisions.</p>
ICP20	
ICP 20.2	<p>We believe that public disclosure of information on liquidity risk should not be established at a standard level for the following reasons:</p> <ul style="list-style-type: none"> - Developing uniform standards would be in conflict with the current ICP 20, which states disclosure should take into account the nature, scale and complexity of the insurers. - Liquidity risk manifests in different ways depending on the nature of products and liabilities. This is why disclosure based on uniform standards may lead to misunderstandings by the users and cause unnecessary confusion in markets. - In addition, to achieve the objective of dealing with systemic risk, we think reporting to supervisors the information of liquidity risk is more important than public disclosure.

ICP 20.11	<p>As stated in 20.0.5, the supervisor's application of disclosure requirements should be dependent on the nature, scale and complexity of insurers.</p> <p>Minimum disclosure requirements at a standard level must be consistent with the requirements in accounting standards of the jurisdiction. Therefore, this standard should be revised as below and mentioned in the guidance provisions.</p> <p>The supervisor may require that disclosures about the insurer's liquidity risk as necessary considering the unintended consequences of disclosures. Disclosures include sufficient quantitative and qualitative information to allow a meaningful assessment by market participants of the insurer's material liquidity risk exposures.</p>
ICP22	
ICP 22.1	<p>When the supervisor requests insurers to submit data, the rationale of such requests should be considered cautiously in order to avoid imposing any unnecessary burden on insurers.</p>
ICP 22.1.6	<p>We understand liability insurance payments have no application to what is intended here. (In the case of liability insurance payment, the customer may not always be the recipient since the insurance payment is intended to be paid to the victim from the standpoint of victim relief.)</p>
ICP 22.2	<p>We expect due consideration is given not to impede the sound development of the insurance industry in issuing enforceable means.</p>
ICP24	
<p>ICP24 General Comments</p>	<p>In considering systemic risk in the insurance sector, in particular, the fact that the degree of systemic risk in the insurance sector is smaller than that in the banking sector should be noted. For example, regarding potential systemic risk that may simultaneously occur in both the banking sector and the insurance sector, developing and assessing common indicators are important from a macro-prudential point of view. On the other hand, the dimensions of the banking and insurance sectors and their activities are significantly different. As such, treating them the same in terms of data collection and policy measures may be an excessive limitation that will impede the sound development of the insurance sector. For the above reasons, data collection frameworks and policy measures should cautiously take the differences in the sizes and main activities of the banking sector and the insurance sector into consideration. In addition, assessment of systemic risk should be conducted across the financial sector, including other sectors such as banking and securities, rather than the insurance sector alone.</p> <p>Also, when applying regulations in each country in the future, predictability and fairness to insurers should be ensured, and consistency</p>

	across jurisdictions should be secured to prevent arbitrary operation of regulations by authorities.
ICP 24.0.4	As for substitutability, considering the fact that underwriters can be replaced easily etc. in highly competitive general insurance markets, the probability of a lack of substitutability to occur is low. Therefore, it is unlikely to be a cause of systemic risk and “lack of substitutability” should be deleted.
ICP 24.1.1	<p>As the first bullet point notes, we agree with "Efficiency of data collection: the supervisor should examine costs and benefits when considering data collection".</p> <p>For instance, taking insurers' workload into account, supervisors may set a certain quantitative threshold regarding systemic risk using data from disclosed documents. Supervisors should only require insurers/groups that exceed the threshold to submit the detailed data. This narrows down the scope of data collection for insurers/groups that do not exceed the threshold.</p> <p>Moreover, when requiring detailed data, supervisors should target insurers only after carefully selecting indispensable data in light of the purpose. They should firstly consider making do with the data they already have and require additional data only if they find it insufficient.</p> <p>In addition, even when supervisors collect ad hoc data stated in the sixth bullet point, the supervisor should make use of all available data sources and asks insurers to collect data at a level that will not impose an excessive burden on insurers.</p>
ICP 24.1.2	<p>As described in ICP 24.1.1, the supervisor should examine costs and benefits and collect data taking efficiency into account.</p> <p>For instance, taking insurers' workload into account, supervisors may set a certain quantitative threshold using data available from disclosed documents. Supervisors should only require insurers/groups that exceed the threshold to submit the detailed data. This narrows down the scope of data collection for insurers/groups that do not exceed the threshold.</p>
ICP 24.1.3	<p>As described in ICP 24.1.1, the supervisor should examine costs and benefits and collect data taking efficiency into account.</p> <p>For instance, taking insurers' workload into account, supervisors may set a certain quantitative threshold using data available from disclosed documents. Supervisors should only require insurers/groups that exceed the threshold to submit the detailed data. This narrows down the scope of data collection for insurers/groups that do not exceed the threshold.</p>
ICP 24.1.4	<p>As described in ICP 24.1.1, the supervisor should examine costs and benefits and collect data taking efficiency into account.</p> <p>For instance, taking insurers' workload into account, supervisors may set a certain quantitative threshold using data available from disclosed documents. Supervisors should only require insurers/groups that exceed the threshold to submit the detailed data. This narrows down the scope of data collection for insurers/groups that do not exceed the threshold.</p>

ICP 24.1.5	<p>As described in ICP 24.1.1, the supervisor should examine costs and benefits and collect data taking efficiency into account.</p> <p>For instance, taking insurers' workload into account, supervisors may set a certain quantitative threshold using data available from disclosed documents. Supervisors should only require insurers/groups that exceed the threshold to submit the detailed data. This narrows down the scope of data collection for insurers/groups that do not exceed the threshold.</p> <p>Also, collecting all the microeconomic data described in this item may be excessive. Deciding whether or not to do so should be judged according to the materiality within each insurer. Therefore, we believe that the sentence "the supervisor should collect microeconomic data" should be revised to "the supervisor should collect microeconomic data as needed".</p>
ICP 24.2.6	<p>As for supervisory stress tests, top-down stress tests should in principle be conducted because, judging by their roles, precisely calculating each insurer's figures is not very important. Conducting bottom-up stress tests should be limited to cases where there is a need to consider elements specific to individual insurers.</p>
ICP 24.2.9	<p>As we commented on 24.0.4, "lack of substitutability" should be deleted.</p>
ICP 24.3.1	<p>"The supervisor should take a total balance sheet approach" should be deleted since the meaning of it is unclear.</p>
ICP 24.4	<p>The following should be added as Guidance.</p> <p>"When assessing systemic risk, supervisors should not assess the insurance sector alone, but rather the whole financial sector including banking and securities and make comparisons across them."</p>
ICP 24.4.3	<p>We understand that the statement "one or more insurers have been identified as systemically important" is in line with the notion of EBA. However, in identifying systemically important insurers, supervisors should assess and identify them after prioritizing systemically important financial institutions across financial sectors including banking.</p>
ICP 24.4.4	<p>When determining which insurers are to be subject to the supervisory responses and measures referred to in this item, decisions should be based on assessment of the systemic importance of the individual insurer and/or a group of insurers, as ICP24.4.3 states. For example, it is undesirable to require insurers, or a group of insurers, which have been identified based on thresholds unrelated to systemic risk such as those for IAIGs, to be subject to uniform supervisory responses or measures.</p> <p>Also, in applying supervisory responses or measures, predictability and fairness to insurers should be ensured, and consistency across jurisdictions should be secured to prevent arbitrary operation of regulations by authorities.</p>

ICP 24.4.5	<p>This Guidance states that requirements to be applied on "the common exposures or behaviours of a group of insurers or across the sector" could be rules-based or discretionary. However, on top of regular assessment of their appropriateness, the activation of requirements should in principle be rules-based because, as pointed out, discretionary approach is not as transparent as rules-based approach. In addition, although this Guidance makes no mention of it, it should also be made clear that requirements on "the distress or disorderly failure of an individual insurer" are also rules-based.</p>
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