

ICP 15.1.8	If regulatory investment requirements are set and applied directly to specific classes of investment, the diversity of insurers' services and the flexibility of their investment activities could be impeded. Instead, such rules should be based upon restrictions to, or deductions from, available capital.
15.1.9	<p>While the current ICP 15 describes both the merits (15.1.8) and demerits (15.1.9) of rules-based approaches, the current 15.1.9 is deleted in the revised ICP 15, which only deals with the merits.</p> <p>Since regulatory investment requirements should be neutral to both rules-based and principles-based approaches, we suggest adding the following sentences of the current ICP 15.1.9 at the end of this guidance: "However, rules-based regulatory requirements may stifle innovation and may restrain the insurer from holding the assets that it believes are most appropriate for meeting its financial objectives. Also, since the nature of business and structure of liabilities differ among insurance companies, a uniform rule-based regulatory requirement on investment, which is applicable to all insurers, may discourage insurers from developing their own risk management."</p>
15.1.14	Insurers make investments according to the characteristics of liabilities and limitations on capital. While it is necessary to consider the impact of investments made by individual group entities on the group as a whole, re-balancing at the group level could increase the mismatching risk at the entity level. Since this guidance places greater emphasis on regulatory investment requirements, it should be revised to reflect what is explained in the current ICP 15.3.4 ("The investment requirements should consider...").
15.2.2	<p>While we understand the importance of recognising low security assets, there are cases in which insurers intentionally hold such assets, and have sufficient ability to deal with them. This guidance could be read to indicate that "mitigation" is the only approach to cope with such assets, and could therefore be misinterpreted.</p> <p>We suggest revising the last sentence as follows: "There should be appropriate measures in place to recognise and control aggregations of exposure...".</p>
15.2.4	<p>Although external credit ratings can assist the insurer in determining the credit risk of an investment, there is a limit to the use of such ratings. Hence, insurers should make and manage investments based on their own appropriate analysis of credit risks. Besides external credit ratings, insurers can make investments at their discretion within acceptable risk levels, taking account of particular factors such as investees and investment management companies.</p> <p>Setting requirements on the appropriate use of external credit ratings could hinder the above practices. Therefore, "establish requirements" in the last sentence should be revised to "provide reference".</p>



CF 15.2a	<p>While this standard requires establishment of a group-wide investment policy that addresses "the selection of, and exposure to, low-quality investments or investments whose security is difficult to assess", IAIGs could deal with these issues through other measures, depending on factors such as the nature of businesses, the characteristics of liabilities, asset management systems, and the financial strength of their individual group entities.</p> <p>This standard should not aim to provide for a uniform approach only in the form of an investment policy. Rather, it is more important to focus on how the Head of the IAIG appropriately manages investments, even if by different means.</p> <p>Therefore, we suggest adding the following sentence at the end of this standard: "However, alternative approaches (other than a uniform one in the form of the IAIG's group-wide investment policy) should be permitted according to factors such as the nature of businesses, the characteristics of liabilities, asset management systems, and the financial strength of individual entities within the IAIG".</p>
15.2.12	<p>Even if liquidity of part of an insurer's investment asset portfolio is exhausted, the ability to settle obligations towards policyholders can be secured as long as liquidity across the insurer's overall portfolio has been maintained.</p>
CF 15.2c.1	<p>Regarding specific legislative restrictions that apply to the transfer of capital and assets from one jurisdiction to another as well as additional restrictions that apply in the case of the resolution of an entity, approaches other than documentation could be taken. Therefore, we suggest deleting this guidance or adding "depending on materiality and necessity" to the first sentence.</p>
CF 15.2d	<p>Since the asset liquidity of group entities should be examined individually taking into account factors such as their reinsurance policy and insurance contract portfolios, or major hazards and governmental involvement in jurisdictions where they operate, it is not always necessary to create uniform, IAIG-wide criteria.</p> <p>Therefore, we suggest adding the following sentence at the end of this standard: "However, alternative approaches (other than a uniform one in the form of the IAIG's group-wide investment policy) should be permitted according to factors such as the nature of businesses, the characteristics of liabilities, asset management systems, and the financial strength of individual entities within the IAIG".</p>
CF 15.2e	<p>Setting limits and identifying levels of exposure regarding all assets are not always necessary. Thus, we suggest revising this standard as follows: "The Head of the IAIG may set limits or other requirements...". Alternatively, even when establishing such requirements, it should be clarified that setting levels of concentration in, and/or exposure solely to important assets will be sufficient.</p> <p>In addition, we suggest adding the following sentence at the end of this standard: "However, alternative approaches (other than a uniform one in the form of the IAIG's group-wide investment policy) should be permitted according to factors such as the nature of businesses, the characteristics of liabilities, asset management systems, and the financial strength of individual entities within the IAIG".</p>

CF 15.2f	<p>Setting limits and identifying levels of exposure regarding all assets are not always necessary. Thus, we suggest revising this standard as follows: "The Head of the IAIG may set limits or other requirements...". Alternatively, even when establishing such requirements, it should be clarified that setting levels of concentration in, and/or exposure solely to important assets will be sufficient.</p> <p>In addition, we suggest adding the following sentence at the end of this standard: "However, alternative approaches (other than a uniform one in the form of the IAIG's group-wide investment policy) should be permitted according to factors such as the nature of businesses, the characteristics of liabilities, asset management systems, and the financial strength of individual entities within the IAIG".</p>
CF 15.2f.1	<p>Regarding the second sentence, it is redundant to require the IAIG to regularly report exposures that do not exceed limits. It should be sufficient to require the Head of the IAIG to hold a scheme by which it can, when necessary, recognize exposures within the limits that could create financial difficulties.</p> <p>Therefore, we suggest deleting this sentence or, alternatively, revising it as follows: "To get a picture of its group-wide exposures, it will be helpful for the IAIG to hold a scheme by which it can, when necessary, recognize exposures even within the limits that could create financial difficulties, in cases where the value or liquidity of its investments decrease".</p>
CF 15.4a	<p>Rather than establishing uniform limits on intra-group investments, greater emphasis should be placed on developing a mechanism to assess each intra-group investment appropriately. Thus we suggest revising "limits on intra-group investments" to "guidelines on the management of intra-group investments".</p> <p>In addition, we suggest adding the following sentence at the end of this standard: "However, alternative approaches (other than a uniform one in the form of the IAIG's group-wide investment policy) should be permitted according to factors such as the nature of businesses, the characteristics of liabilities, asset management systems, and the financial strength of individual entities within the IAIG".</p>
15.5.2	<p>This guidance indicates the possibility of the supervisor establishing restrictions on insurers' investment activities and the scope of their investments. In order to promote insurers' appropriate investment activities and enable their flexible management, regulatory investment requirements should be established "as necessary".</p> <p>Therefore, we suggest adding "as necessary" to the first sentence.</p>
16.0.7	<p>"Internal models" within ICPs have the following different meanings:</p> <ul style="list-style-type: none"> <li>(i) Capital models which an insurer uses to measure its own risks (ICP 16.0.7).</li> <li>(ii) Internally-developed models, as opposed to externally-developed models (ICP 16.2.6).</li> <li>(iii) Insurer-specific models used to calculate regulatory capital requirements, as an alternative to standard methods (ICP 17).</li> </ul> <p>The definition of internal models in the IAIS glossary (models used to calculate regulatory capital requirements) is inconsistent with what</p>

	<p>internal models mean in ICP 16.2.6 (internally-developed models, as opposed to externally-developed ones).</p> <p>Thus, we suggest adding to the glossary the definition of the latter, which are differentiated in terms of who develops them, or revising ICP 16.2.6 to clearly refer to the differences between internal models developed inside the insurer and those developed outside.</p> <p>In addition, a reference to economic capital models, which are described in CF 16.2a, should be included here.</p>
16.1.6	<p>It is difficult to identify every possible risk arising from non-insurance legal entities and non-consolidated subsidiaries within an insurance group. Therefore, we suggest revising the last sentence as follows: "To be effective, the management of insurance group risk should take into account risks arising from non-insurance legal entities (regulated or unregulated) and partly-owned entities in cases where these entities have a material impact on the management of the insurance group."</p>
CF 16.1a	<p>It is difficult to ensure uniformity and consistency across group entities and overseas subsidiaries by means of the IAIG's risk management rules to secure the effectiveness of its ERM framework. Therefore, we suggest revising "Any differences" in the second sentence to "Material differences".</p>
16.2.3	<p>When measuring risks associated with small subsidiaries and affiliates within a group, there are cases where it is preferable to refer to the results of financial statements or regulatory measures, due to factors such as difficulties in measuring risks according to category and the relatively low degree of the impact of such risks. Therefore, we suggest deleting the third sentence.</p>
16.2.6	<p>"Internal models" within ICPs have the following different meanings:</p> <ul style="list-style-type: none"> <li>(i) Capital models which an insurer uses to measure its own risks (ICP 16.0.7).</li> <li>(ii) Internally-developed models, as opposed to externally-developed models (ICP 16.2.6).</li> <li>(iii) Insurer-specific models used to calculate regulatory capital requirements, as an alternative to standard methods (ICP 17).</li> </ul> <p>The definition of internal models in the IAIS glossary (models used to calculate regulatory capital requirements) is inconsistent with what internal models mean in ICP 16.2.6 (internally-developed models, as opposed to externally-developed ones).</p> <p>Thus, we suggest adding to the glossary the definition of the latter, which are differentiated in terms of who develops them, or revising ICP 16.2.6 to clearly refer to the differences between internal models developed inside the insurer and those developed outside.</p> <p>In addition, a reference to economic capital models, which are described in CF 16.2a, should be included here.</p>
16.2.8	<p>In order to use internal models to calculate figures, insurers need to meet relevant regulatory requirements. However, this guidance only partly explains the expected benefits of using internal models, without clarifying relevant regulatory requirements and those specific to internal models. Therefore, we suggest deleting this guidance and instead describing the capital requirements in relation to internal models</p>

	in ICP 17.
CF 16.2a	As we commented on ICP 16.0.7, a reference to relationships between internal models and economic capital models should be included here.
16.4.1	Since an insurer's risk appetite statement deals with its risk-taking approach linked to its business strategy, it is not always necessary to include in the statement the quantitative measures used to calculate the insurer's capital and risks. Therefore, we suggest revising this guidance to clarify that an insurer's risk appetite statement may cover the listed quantitative measures "as necessary".
16.5.7	As it is redundant to reflect in the group-wide ALM policy any legal restrictions that may apply to the treatment of assets and liabilities within the jurisdiction in which a group operates, we suggest revising "reflect" to "take into account".
16.6.6	Insurers should not necessarily be required to match assets and liabilities, as these are managed subject to each insurer's investment policy. Therefore, we suggest revising "manage and match" in the third sentence to "manage or match".
16.6.7	It is impractical to identify every relevant risk within complex investment activities. In order to promote effective investment activities under the insurer's investment policy, we suggest revising "reflecting all relevant risks of complex investment activities" in the first sentence to "reflecting all relevant risks of complex investment activities in principle" or "reflecting material risks of complex investment activities".
16.7	<p>An underwriting policy included in an insurer's ERM framework should chiefly aim to prevent excessive risk-taking. Practical matters to manage underwriting risks, risk transfer and claim payments should be addressed separately in practical management procedures and policies.</p> <p>Therefore, instead of requiring insurers to include in their ERM frameworks the matters described in ICP 16.7.1 - 16.7.6, we suggest revising this standard, and the guidance under it, to clarify that insurers are permitted to address these matters in practical management procedures and policies, according to factors such as the volume and characteristics of their businesses, and ERM systems.</p> <p>In particular, we suggest deleting ICP 16.7.1 and 16.7.2, since the matters described are related to practical procedures to manage underwriting risks, which should be addressed in management procedures and policies, not in ERM frameworks.</p>
16.7.1	As we commented on ICP 16.7, we suggest deleting ICP 16.7.1 and 16.7.2, since the matters described are related to practical procedures to manage underwriting risks, which should be addressed in management procedures and policies, not in ERM frameworks.
16.7.2	As we commented on ICP 16.7, we suggest deleting ICP 16.7.1 and 16.7.2, since the matters described are related to practical procedures to manage underwriting risks, which should be addressed in management procedures and policies, not in ERM frameworks.
16.7.3	As we commented on ICP 16.7, an underwriting policy included in an insurer's ERM framework should chiefly aim to prevent excessive

	risk-taking. Thus, the practical matters described here should be addressed separately in management procedures and policies.
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16.7.5	As we commented on ICP 16.7, an underwriting policy included in an insurer's ERM framework should chiefly aim to prevent excessive risk-taking. Thus, the practical matters described here should be addressed separately in management procedures and policies.
16.7.6	As we commented on ICP 16.7, an underwriting policy included in an insurer's ERM framework should chiefly aim to prevent excessive risk-taking. Thus, the practical matters described here should be addressed separately in management procedures and policies.
CF 16.7a	In the fields of underwriting, pricing and reinsurance, there would be cases where group entities operate according to their product features and risk characteristics, within the risk tolerance levels set by the Head of the IAIG. As such, this standard could impede the efficiency of group entities' businesses. Therefore, we suggest revising it to allow for practices such as the above.
CF 16.7a.1	Although this guidance is premised on more centralised control functions, in the fields of underwriting, pricing and reinsurance, there would be cases where group entities operate according to their product features and risk characteristics, within the risk tolerance levels set by the Head of the IAIG. As such, this guidance could impede the efficiency of group entities' businesses. Therefore, we suggest revising it to clearly allow for more decentralised control functions.
CF 16.7b	Although this standard is premised on centralised control functions, claims management policies vary significantly depending on jurisdictional legislation and practices, or business lines. In addition, criteria for damage assessment and claims processing need to be consistent with jurisdictional legal systems as well as the nature of each entity's products. Therefore, in order to ensure greater effectiveness, it is favorable for each group entity to have its own claims management policies that correspond to such specific conditions. We suggest revising this standard to clearly allow for more decentralised control functions such as the above.
CF 16.7b.1	As for claims management, although it is necessary to have strict management systems at the entity level, it is redundant to require establishment of the escalation procedure at the group level. Therefore, we suggest deleting this guidance.
CF 16.7c	Although this standard is premised on more centralised control functions, group-wide reinsurance strategies and risk transfer strategies vary depending on their governance systems, group entities, etc.  In the fields of underwriting, pricing and reinsurance, there would be decentralised approaches under which each group entity operates depending on its product features and risk characteristics, within the risk tolerance levels set by the Head of the IAIG. In these cases, this standard could impede the efficiency of group entities' businesses. Therefore, we suggest revising this standard to clearly allow for more

	decentralised control functions such as the above.
CF 16.7d	<p>Although this standard is premised on more centralised control functions and ERM policies set by such functions, it is common in Japan for an insurer's actuarial function to be fulfilled collectively by several divisions. As this decentralised approach does not entail problems, we suggest revising this standard to clearly allow for practices such as the above.</p> <p>In addition, some risk models are not always based on actuarial decisions. Risk models should not be addressed partly in an actuarial policy, but in the overall ERM framework. Therefore, we suggest deleting the last bullet point, or where necessary, moving it to ICP 17.</p>
CF 16.7d.1	<p>Materiality thresholds to trigger management interaction should be established in accordance with jurisdictional laws and regulations as well as the size of each group subsidiary. Moreover, it is difficult to set group-wide criteria which are uniform and fixed.</p> <p>Regarding model usage, it is common in Japan for an insurer's actuarial function to be fulfilled collectively by several divisions. As this practice does not entail problems, we suggest revising the guidance to clearly allow for practices such as the above.</p> <p>Furthermore, as the frequency of monitoring actuarial activities should be determined according to the structure of entities, we suggest deleting "quarterly" in the last bullet point.</p> <p>We also suggest deleting the fifth bullet point, as we commented on CF 16.7d.</p>
CF 16.7e	<p>This standard is premised on cases where an independent division assumes an actuarial function and is required to directly report to the IAIG Board. However, it is common in Japan for an insurer's actuarial function to be fulfilled collectively by several divisions, and this practice does not entail problems. Therefore, we suggest revising this standard to clearly allow for practices such as the above.</p> <p>In addition, the words "sufficiency" and "adequacy" in this standard indicate an over-emphasis on the degree of certainty in terms of what the group-wide actuarial function will be required. As it is deemed usual for such a function to confirm the "reasonability" of the listed matters, we suggest revising "sufficiency" and "adequacy" to "reasonability".</p>
CF 16.7e.1	<p>This guidance is premised on cases where an independent division assumes an actuarial function and is required to report directly to the IAIG Board. It is common in Japan for an insurer's actuarial function to be fulfilled collectively by several divisions, and this practice does not entail problems. Therefore, we suggest revising this guidance to clearly allow for practices such as the above.</p>
CF 16.7e.2	<p>The words "adequacy" in this guidance indicates an over-emphasis on the degree of certainty in terms of what the group-wide actuarial function will be required. As it is deemed usual for such a function to confirm the "reasonability" of the listed matters, we suggest revising "adequacy" to "reasonability".</p>
Actuarial	<p>Although the ICP material is premised on more centralised control functions, more decentralised control functions should also be permitted.</p>

policy	It is common in Japan for an insurer's actuarial function to be fulfilled collectively by several divisions. As we have found this to be not at all problematic, such practices should clearly be given due consideration.
Actuarial governance and reporting	<p>As we commented in reference to CF16.7e, in addition to more centralised control functions, more decentralised control functions should also be permitted. It is common in Japan for an insurer's actuarial function to be fulfilled collectively by several divisions. As we have found this to be not at all problematic, ComFrame should be revised to allow for such practices.</p> <p>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.</p>
Others ICS	The direction of the ICS application as a group PCR is expected to be determined through discussions among supervisors (for example, in supervisory colleges) and dialogue between supervisors and insurers during the monitoring period starting in 2020 for confidential reporting to group-wide supervisors. Therefore, it is appropriate to allow for materiality criteria, which are based on supervisory discretion according to a given jurisdiction's legal regime and other factors, rather than clarifying the criteria in ComFrame.