

No.	Questions	Comments
Definition of comparable outcomes	Comparable outcomes to the ICS means that the Aggregation Method (AM) would produce similar, but not necessarily identical, results over time that trigger supervisory action on group capital adequacy grounds.	
1 HLP 1	AM and ICS results are significantly correlated in that they change similarly in response to changing economic and financial market conditions over the business cycle, not short-term market fluctuations, although the quantum of change may differ.	
1.1	The ICS and AM results are significantly correlated, changing similarly in response to changing economic and financial market conditions over the business cycle (as per the sensitivity analysis referenced in criterion 1.3) excluding short term market fluctuations.	
1.2	In assessing whether the results are significantly correlated, correlation of results is analysed over the business cycle, considering both direction and quantum of change, although the quantum of change may differ. The correlation analysis is based on multiple points in time over the business cycle (including the sensitivity analysis referenced in criterion 1.3) to avoid false indications due to short-term market fluctuations, but the results will be assessed over the business cycle as a whole.	
1.2a	This analysis considers direction and quantum of change together over the business cycle to understand how the ICS and AM respond to changing economic and financial market conditions.	<p>We welcome the IAIS’s clarification on the direction to be taken in conducting the sensitivity analysis using scenarios to assess how the ICS and AM respond to changing economic and financial market conditions.</p> <p>With the goal of ensuring that the AM measurement results are at least as prudent as the ICS measurement results, further clarification on the types of scenarios that need to be validated and the criteria for determining their validity is expected. In addition, we also believe that it is necessary to collect as much data as reasonably possible in order to obtain robust analysis.</p>
1.3	<p>Each Volunteer Group in the representative sample conducts sensitivity analysis using the same scenarios² (representing different economic and financial market conditions over the business cycle) for both the ICS and AM.</p> <p>² Information collected as part of the 2022 AM Data Collection may be used to develop scenarios referenced in criterion 1.3."</p>	
1.3a	<p>For AM, sensitivity analysis is conducted by legal entities representing at least two-thirds of total AM required capital, with legal entities from at least three jurisdictions³. In determining the two-thirds level, material legal entities (ie those with the largest total AM required capital) should be included. For the remaining one-third, an approximation or simplified approach may be used to determine the impact of the sensitivity analysis. This allows for a more proportionate approach through the use of a materiality threshold.</p> <p>³ To reflect the international activity of these IAIGs.</p>	We would like the IAIS to clarify the rationale behind setting legal entities that perform the sensitivity analysis as two-thirds of total AM required capital. While we understand the purpose of applying certain simplified approaches, in order to make the analysis robust and reliable, it would be an idea that a higher amount is set as the threshold. If there is a rationale for the threshold (two-thirds), it should be well explained to stakeholders.
1.3b	For ICS, the sensitivity analysis is conducted on the consolidated group.	
1.3c	In addition to the data on the ICS and the AM based on current market conditions (the “base scenario”), Volunteer Groups in the representative sample provide ICS and AM data for a limited number of additional scenarios representing different points in time, which are intended to help inform the analysis of correlation of results over the business cycle.	Regarding the explanation that “ICS and AM data for a limited number of additional scenarios” will be provided, we do not believe it is necessary to stipulate that the number should be limited from the perspective of collecting sufficient data to determine comparability.

1.3d	<p>These additional scenarios are standardised and differentiated according to business models. For life business, the scenarios include changes to equity values, interest rates, credit spreads, mortality rates and lapse rates. For non-life business, the scenarios include changes appropriate to the nature of the business, like changes on non-life insurance risks.</p>	<p>We believe that scenarios of changing economic assumptions, such as equity values, interest rates, and credit spreads, should be applied to non-life business as well. Exchange rate fluctuations could also be subject to scenarios for both life and non-life business.</p> <p>In addition, for non-life insurers, natural catastrophe risk is also an important risk factor and should be included in the scenario analysis.</p>
1.3e	<p>Volunteer Groups also provide the following information to inform the analysis: i. a description of an economic and/or underwriting scenario that would cause AM capital resources to become less than AM capital requirement at the group level and an estimate of AM capital resources and capital requirement under this scenario, as well as the corresponding impact on the ICS. ii. a description of an economic and/or underwriting scenario that would cause ICS capital resources to become less than ICS capital requirement at the group level and an estimate of ICS capital resources and capital requirement under this scenario, as well as the corresponding impact on the AM.</p>	
2 HLP 2	<p>Individual elements of a group solvency approach, ie valuation, capital resources and capital requirement, will be analysed; however, the decision on comparable outcomes will consider the elements in totality.</p> <p>The following will be assessed in undertaking the analysis of the individual elements: The AM captures the same underlying risks as the ICS, even if this is achieved differently within the quantitative calculation of the group capital requirement. The overall AM capital requirement and ICS capital requirement provide a similar level of solvency protection.</p> <p>The overall quality and eligibility of capital resources allowed in the AM is similar to the ICS and is assessed considering the same five key principles identified for ICS capital resources: loss-absorbing capacity, level of subordination, availability to absorb losses, permanence and absence of encumbrances and mandatory servicing costs.</p>	
2.1	<p>When carrying out the analysis of individual elements of a group solvency approach, ie valuation, capital resources and capital requirement, prudence in one element may be used to offset less prudence in another element. The analysis should consider interaction between valuation (eg insurance liabilities), capital resources and capital requirement.</p>	
2.2	<p>The AM captures the same underlying risks as the ICS. To this end, an analysis of risks is performed to understand and determine how all of the risks covered in the ICS are captured in the AM calculation. This could be either an explicit risk charge (taking into account different risk groupings), prudence embedded in valuation (ie accounting conservatism) or other such quantitative measures (eg scalars). In addition, any material risks captured in the AM, but not in the ICS, should be disclosed.</p>	<p>We agree with the criteria that the AM and ICS capture the same underlying risks. Given that the comparability of the ICS and AM implies they represent the same level of prudence and application of supervisory measures, risks captured by the ICS and AM should not be significantly different.</p>
2.3	<p>The analysis includes whether the overall AM capital requirement provides a similar level of solvency protection as the ICS4. As part of this analysis, the proportion of non-risk-based regimes as determined by the AM represents less than 5% of available capital.</p>	

	4 The ICS has a target calibration of 99.5% Value at Risk over a one-year time horizon. The AM capital requirement is computed as the aggregation of scaled risk-based legal entity capital requirements that have a target calibration of at least a 0.5% probability of default.	
2.4	The overall quality and eligibility of capital resources allowed in the AM is similar to the ICS for the representative sample. This determination is made by considering the following:	Given that the comparability of the ICS and AM implies they represent the same level of prudence and application of supervisory measures, the composition of capital resources should not be significantly different between the ICS and AM.
2.4a	a. An analysis of capital elements other than financial instruments is performed to determine how the capital resources recognised in the ICS are treated in the AM. Any capital elements recognised in the AM, but not in the ICS, should be disclosed.	
2.4b	b. An analysis of deductions from ICS capital resources is performed to determine how the AM treats such items. This could take the form of non-admitted assets that have already been removed from the entity level balance sheet.	
2.4c	c. The financial instruments recognised in the AM are assessed considering the same five key principles identified for ICS capital resources: loss-absorbing capacity, level of subordination, availability to absorb losses, permanence and absence of encumbrances and mandatory servicing costs.	
2.4d	d. The capital composition limits in the AM are compared to those of the ICS.	
3 HLP 3	The AM could be more but not less prudent than the ICS, which is being developed as a minimum standard.	
3.1	The AM triggers supervisory action on group capital adequacy grounds ⁵ under similar conditions over the business cycle as the ICS showing that the level of solvency protection in totality could be more but not less prudent than the ICS. ⁵ A prescribed capital requirement (PCR) is a solvency control level above which the supervisor does not intervene on capital adequacy grounds, as defined in ICP 17.	We support the standard where AM triggered supervisory actions could be more but not less prudent than the ICS.
3.1a	a. For purposes of the analysis, the AM and ICS solvency ratios for individual IAIGs are used to understand when the AM triggers supervisory action compared to the ICS; however, the assessment will consider the results of the representative sample in totality. Additionally, to support this understanding, the analysis considers movements in capital resources and capital requirement (as well as their difference - ie excess capital) at different points in time to understand the drivers of the movements in solvency ratios. Material differences in these items (between the ICS and AM) are explained ⁶ . ⁶ The explanation of differences will also take into account any changes made to the ICS in response to the public consultation on the final design of the ICS as a PCR.	
4 HLP 4	The AM and ICS use the same scope of the group, consistent with that set out in ComFrame.	
4.1	The scope of the group for the AM is determined as per ICP 23.2, which is the same as that for the ICS. In particular, all entities in the scope of the ICS calculation are also captured in the AM calculation.	
5 HLP 5	A representative sample of Volunteer Groups, covering a diversity of business models, provide both ICS and AM data under various economic and financial market conditions over the business cycle.	
5.1	The sample of Volunteer Groups providing both AM and ICS results is representative of the business models and risks of IAIGs headquartered in the US and other interested jurisdictions. Representativeness is determined	

	separately for life and non-life operations (as per criterion 5.2) with composite groups being split between their life and non-life operations.	
5.2	For purposes of the determination of representativeness:	
5.2a	a. Volunteer Groups provide relevant and sufficient data for both the ICS and AM data collections necessary to assess the criteria.	
5.2b	b. Material geographical areas, as determined by the legal entity location, of US (or other interested jurisdictions) IAIGs are included in the representative sample including, as applicable, North America, Europe and South Africa, Japan, Asia and Oceania.	
5.2c	c. For life, in recognition of the more heterogenous nature of life operations, a relatively large sample is needed. For purposes of demonstrating representativeness, the analysis will consider the minimum ratio of total AM required capital of US (or other interested jurisdictions) IAIGs participating in both the ICS and AM data collections to the total AM required capital of all US (or other interested jurisdictions) IAIGs ⁷ . ⁷ For the current sample of US headquartered life groups providing both AM and ICS data, this ratio is 92%.	
5.2d	d. For non-life, in recognition of the more homogenous nature of non-life operations in some jurisdictions, a smaller sample is needed. For purposes of demonstrating representativeness, the analysis will consider indicators such as: material lines of business of non-life US (or other interested jurisdictions); similarity of investment portfolios; the correlation between the net loss ratios of the representative sample and the total net loss ratio for all US (or other interested jurisdictions) IAIGs; and the correlation between the solvency ratios of the representative sample and the solvency ratio for all US (or other interested jurisdictions) IAIGs.	<p>Although “the more homogenous nature of non-life operations” is cited as a reason for separating the representativeness factor between life and non-life insurers, we don’t think the criteria provides enough detail as to why the elements of representativeness are different between life and non-life insurers. And we are not sure that non-life business is less heterogenous than life business. We believe that if different representativeness criteria are to be set for life and non-life insurers, the reasons should be explained to stakeholders in more detail within the criteria.</p> <p>As a way of confirming whether a small sample of non-life insurers meet representativeness, we propose setting some indicators and analyzing the magnitude of variation and correlations of them. Indicators for the analysis could include the percentage of the value and the composition of each account line item of assets and liabilities on the balance sheet, as well as the share of gross written premiums outside of the home jurisdiction, which is the ratio of total gross written premiums recorded by the group to ones recorded outside of the group's home jurisdiction, for the non-life operations of IAIGs headquartered in the US and other interested jurisdictions as a population and for the non-life operations of the sample of Volunteer Groups as a subpopulation.</p>
5.2e	e. For non-life, both IAIGs and other Volunteer Groups can contribute to the determination of representativeness (geographical areas and lines of business), when both AM and ICS results are provided.	
5.3	The Volunteer Groups providing both AM and ICS data is stable or increases during the monitoring period.	
6 HLP 6	The AM and ICS are similarly transparent, in terms of facilitating understanding and comparability, within and across jurisdictions, of the group solvency position through public disclosure and reporting to group-wide supervisors.	
6.1	When introduced in ComFrame ⁸ , IAIG capital reporting to group-wide supervisors and public disclosure requirements, including their content, granularity, and frequency, will also apply to the AM. ⁸ ComFrame requirements on transparency will be developed consistent with ICS Principle 9: The ICS is transparent, particularly with regard to the disclosure of final results.	We welcome the standard that states that the reporting and public disclosure requirements to group-wide supervisors based on ComFrame will also apply to the AM; we understand that this is also important in terms of ensuring continued comparability after ICS implementation.

6.2	The assessment considers preparatory work that shows evidence of a commitment to meet ComFrame public disclosure and supervisory reporting requirements, including, for example, relevant text in the AM Level 1 document.	
Consultation questions		
Q31	Please provide any feedback on the design and parameters of scenarios that the IAIS could use to conduct the sensitivity analysis envisaged in criterion 1.3 in order to adequately capture different economic and financial market conditions over the business cycle.	<p>(Same comments on criterion 1.3d)</p> <p>We believe that scenarios that fluctuate with the economy, such as equity values, interest rates, and credit spreads, should be applied to non-life business as well. Exchange rate fluctuations could also be subject to scenarios for both life and non-life business.</p> <p>In addition, for non-life insurers, natural catastrophe risk is also an important risk factor and should be included in the scenario analysis.</p>
Q32	Please provide feedback on the appropriateness of the analysis to determine representativeness of the sample as described in criterion 5.2, including the appropriateness of the indicators and the level of homogeneity of the non-life market for the US and other interested jurisdictions (5.2 d).	<p>(Same comments on criterion 5.2d)</p> <p>Although “the more homogenous nature of non-life operations” is cited as a reason for separating the representativeness factor between life and non-life insurers, we don’t think the criteria provides enough detail as to why the elements of representativeness are different between life and non-life insurers. And we are not sure that non-life business is less heterogenous than life business. We believe that if different representativeness criteria are to be set for life and non-life insurers, the reasons should be explained to stakeholders in more detail within the criteria.</p> <p>As a way of confirming whether a small sample of non-life insurers meet representativeness, we propose setting some indicators and analyzing the magnitude of variation and correlations of them. Indicators for the analysis could include the percentage of the value and the composition of each account line item of assets and liabilities on the balance sheet, as well as the share of gross written premiums outside of the home jurisdiction, which is the ratio of total gross written premiums recorded by the group to ones recorded outside of the group's home jurisdiction, for the non-life operations of IAIGs headquartered in the US and other interested jurisdictions as a population and for the non-life operations of the sample of Volunteer Groups as a subpopulation.</p>
Q33	General comment on the draft criteria to inform the criteria that will be used to assess whether the Aggregation Method provides comparable outcomes to the ICS	<p>We welcome the progress of the IAIS’s work on comparability criteria between the AM and ICS.</p> <p>As noted in the Explanatory notes, we believe there is a need for ongoing verification after the implementation of the ICS that the AM provides comparable outcomes to the ICS, especially in situations where the definition of "business cycle", of which there are several in this document, is not clear to stakeholders.</p>

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