August 31, 2011

Ms. Monica Maechler  
Chair, Technical Committee  
International Association of Insurance Supervisors  
c/o Bank for International Settlements  
Basel, Switzerland

Dear Ms. Maechler

Re: IAA comments on the IAIS Common Framework for the Supervision of Internationally Active Insurance Groups – Concept Paper

In response to the request for comments on the IAIS Common Framework for the Supervision of Internationally Active Insurance Groups – Concept Paper, I am pleased to transmit, on behalf of the International Actuarial Association, our comments and recommendations.

These comments have been prepared by the ComFrame Task Force of the Insurance Regulation Committee of the IAA. If, upon reading these comments, you identify any points that you wish to pursue, please do not hesitate to contact the chairperson of the ComFrame Task Force, David Sandberg, care of the IAA Secretariat. The IAA will be pleased to develop these ideas further with you.

Yours sincerely

Jean-Louis Massé  
Secretary General

Attachment: IAA comments
International Actuarial Association and its Due Process
The International Actuarial Association (the “IAA”) represents the international actuarial profession. Our sixty-three Full Member actuarial associations, listed in an Appendix to this statement, represent more than 95% of all actuaries practicing around the world. The IAA promotes high standards of actuarial professionalism across the globe and serves as the voice of the actuarial profession when dealing with other international bodies on matters falling within or likely to have an impact on the areas of expertise of actuaries.

The IAA is pleased to be given the opportunity to provide input to the IAIS on its concept paper. These comments have been prepared by the ComFrame Task Force of the Insurance Regulation Committee, the members of which are listed in an Appendix to this statement. It has also been subject to the due process required for it to constitute a formal view of the IAA, and will be posted to the IAA’s official web site.

General Comments
Although the details of the method applied may differ among the jurisdictions, the purpose and overall outcomes achieved should be similar. However, additional clarity is needed to distinguish and clarify various possible objectives and outcomes of ComFrame. For example:

1. What is the purpose of the regulatory oversight?
   a. be a resource for facilitating cooperation among national regulators?
   b. identify breakdowns in regulatory requirements, responses and capacity?
   c. regulate IAIG’s with a new set of regulatory requirements?
   d. identify and manage insurance exposures to and possible creation of systemic risk?

2. What actions/recommendations can actually be implemented based on oversight and stress testing?
   a. Industry – Changes in management of their business?
   b. Regulators – Identify and prioritize needed negotiating of prior agreements prior to a crisis? Used to communicate to FSB?

We would recommend that a focus, for example, on items 1 (a) and (b) as the most achievable and the most valuable, for creating an effective and efficient ComFrame process.

GQ1
Do the Modules and Elements represent a comprehensive framework for the supervision of IAIGs?

IAA Comment
We agree with the individual elements. However, what is missing is a road map and organizational process to navigate the many elements. With the road map, the objective of
efficient and effective regulation can be met. Without it, the individual elements will lead to additional requirements that do not add value to either the regulator or the company. Essential to that road map will be a centralized regulatory risk resource and coordination available to various country supervisors that includes a working partnership/dialogue with industry risk functions such as CRO’s and/or actuaries.

GQ2
Are all the potential material sources of risk for IAIGs addressed?

IAA Comment
Political and regulatory risk, i.e., adverse changes in political, regulatory or judicial actions are not addressed.

GQ3
Are all the supervisory tools conducive to effective and efficient supervision of IAIGs included in the Concept Paper?

IAA Comment
In terms of the exchange of the information and the supervisory authority for the IAIGs, an essential aspect of ComFrame is that the group-wide supervisor and other involved supervisors have the relevant authority based on the legal systems of the jurisdictions.

GQ4
Are the supervisory processes included in the Concept Paper sufficiently streamlined?

IAA Comment
See response to GQ1.

GQ5
Is ComFrame sufficiently structured and articulated to serve as a foundation which can be adopted by supervisors of IAIGs globally?

IAA Comment
The process mentioned in GQ1 will need additional detail which the IAA will continue to work on and develop for your consideration.

Module 1 – Scope of Application

SQ2
Are the tentative size thresholds for the criteria to identify IAIGs at the right level, or are there other proposals for the thresholds?

IAA Comment
The number of countries should be counted against size criteria to avoid immaterial activity triggering IAIG status. If the number of countries or % of non-domestic business are used as a threshold, it should be on an “and” rather than an “or” basis.
SQ4
Is the application of constrained discretion to allow groups to be included or excluded from ComFrame appropriate? No matter whether you believe this is appropriate, please answer the following questions as if constrained discretion would apply:

- For decisions to exclude from ComFrame groups that meet the ComFrame Criteria, how should the discretion exercised by supervisors be constrained?
- For decisions to include groups within ComFrame that do not meet the ComFrame Criteria, how should the discretion exercised by supervisors be constrained?

IAA Comment
We agree that the criteria can only be a rough guide for this purpose. Size of assets and liabilities are imprecise proxies for risk or potential impact. The requirements in ComFrame can have substantial impact on the management and achievement of strategic success of IAIGs. Thus, constraint should consist of substantial agreement within the college (though prior to agreement to be an IAIG, an international college may not yet have been formed) and include disclosure of the rationale applied for such a decision. Firms should be engaged in the assessment and be given advanced warning of adverse findings and be permitted to appeal them.

M1E1-1
Please comment on M1E1-1 along with the parameters and specifications.

IAA Comment
M1E1-1-1-2. Reliance on certain aspects of IFRS may represent a challenge, although it is difficult at this time to identify such aspects (See SQ43). Until revised IFRSs for insurance contracts and financial instruments is adopted it will be necessary to rely on the accounting standards used by the IAIG, If the IAIG's business model is limited to dividends and/or capital based upon a local accounting basis, then the applicable supervisor needs to be able to understand and assess the impact based on the local accounting standard.

M1E2-2
Please comment on M1E2-2 along with the parameters and specifications.

IAA Comment
We agree that the assessment should look beyond the group that temporarily falls below IAIG recognition. Nevertheless, this logic should also be applied to the initial classification of a group as an IAIG, certainly not solely on the basis of one point in time. This points to the need for the use of constrained discretion that would allow for one off items that are not likely to reoccur based on a current assessment.

IAIG status should also be reviewed following a structural change such as a disposal or acquisition of entities, lines of business or business from selected territories.

Module 1, Element 3
Please comment on Module 1, Element 3 (a Priority B Element).
**IAA Comment**

We recommend reviewing the concepts included in IFRS 10, including its application of the concepts of “power” and “risk” prior to the finalization of this element.

M1E3-1-2 Implies that all SPVs are within the consolidation, which is not true under U.S. GAAP or IFRS. M1E3-1-3 and 5 are sufficient to ensure that appropriate regulatory assessment is made.

M1E3-4-1-1 and 2: Should the concerns be:
1. If it merely hinders supervision?
2. If it creates a situation where adequate supervision is prevented?
3. If the group or one or more parts is unnecessarily fragile?

In M1E3-4-1-1, the practical ability and willingness to implement available risk mitigation tools should also be considered.

**Module 1, Element 4**

*Please comment on Module 1, Element 4 (a Priority B Element).*

**IAA Comment**

We note that, although the range of 40 or 50 IAIGs may be the number that results in their determination, we do not believe that this should represent a goal that must be achieved.

**Module 2**

**SQ7**

*Would Elements 1 to 6 enable involved supervisors to be adequately informed about the risks arising from the structure and businesses of an IAIG? Are there other tools required? Are there additional processes required?*

**IAA Comment**

We believe that an Own Risk & Solvency Assessment (ORSA) oriented approach will provide the most value. However, we also believe that this will also require a centralized risk review function at the supervisory level (or a coordinated, consistently applied and monitored use of delegated risk reviews at the national level. Through such a centralized review control process, solutions and alternatives can be assessed for dealing with, for example, the ability of business units within an IAIG or across IAIG’s to recognize and manage identified and unidentified tail risk, especially relating to new products and in unusual or unique economic environments.

**SQ8**

*From an insurance group perspective, protection of policyholders is the key in a resolution scenario. What actions should be taken by IAIGs in good times in order to safeguard such policyholder protection in times of non-viability?*
IAA Comment
Enhancement of capital position, stress testing and contingency planning and the availability of risk mitigation tools are all possible safeguards that can be applied to manage potentially future adverse internal and external conditions. But, capital requirements can be a very crude and blunt tool that will have important, and perhaps unintended, consequences in the market that will need to be carefully thought through to understand their impact throughout the economic cycle.

SQ9
Should the standard include requirements for supervisors with respect to policyholder protection schemes and tied assets?

IAA Comment
Although we do not believe that specific policyholder protection schemes or tied assets should be required, it may be appropriate to include appropriate standards for the implementation of such schemes if it is felt by the supervisor to be appropriate in the supervisor’s jurisdiction.

Module 2, Element 1
Please comment on Module 2, Element 1 (a Priority B Element).

IAA Comment
M2E1-1-1-1: We recommend disclosure to the applicable supervisor of the board members’ qualifications in insurance or finance areas and of any personal relationships with other board members or senior management of the entity.

Information to be supplied should be efficiently coordinated with existing solo level submission requirements.

M2E1-3: The supervisors should plan to meet face-to-face at least annually.

Module 2, Element 3
Please comment on Module 2, Element 3 (a Priority B Element).

IAA Comment
M2E3-1-1 should also include significant changes in ceded reinsurance programs. The requirement here for prior approval needs to be carefully assessed to avoid unnecessary impact on the proper management of the company and to avoid making the supervisor a quasi-manager.

Module 2, Element 4
Please comment on Module 2, Element 4 (a Priority B Element).

IAA Comment
M2E4-1-1: The fourth bullet in the list should reference “shareholder” dividends, rather than just “dividends”. Also, rather than “reinsurance”, “changes in reinsurance programs” would be more appropriate. As before, the requirement for prior approval needs to be carefully assessed to avoid unnecessary impact on the proper management of the company and to avoid making the supervisor a quasi-manager.
M2E4-3: Does this mean that the company provided report needs to be audited? If so, by the supervisor or an external independent auditor. If the former, do the supervisors have the resources to perform such an audit? More importantly is to clarify the purpose of such an audit. Should it include (and why):

1. Verification of numbers
2. Verification that documented processes are actually followed
3. Second guessing past risk positions or management actions
4. Reviewing actual to expected results
5. Reviewing that all relevant risks have been identified and comparing these across other IAIG’s
6. Commenting on the quality of risk reports
7. Reviewing a company’s own internal audit procedures to validate its risk framework

Overall, we would recommend relying on the control procedures already being used internally (which will likely include some external audit requirement and/or peer reviews).

What legal authority would regulatory audit findings have within a local jurisdiction or for a foreign subsidiary?

**Module 2, Element 5**

*Please comment on Module 2, Element 5 (a Priority B Element).*

**IAA Comment**

M2E5-3 IAIS should add “regulatory” to the potential barriers.

**Module 2, Element 6**

*Please comment on Module 2, Element 6 (a Priority B Element).*

**IAA Comment**

M2E6-1-1 should refer to specified positions rather than specified people.

M26-1-2: We found that the use of “capital threshold”, “capital requirement” and “triggers” to be somewhat confusing. A more consistent set of terminology would provide assistance to the application would be useful.

M2E6-1-2: In addition to the protocol established, who has the authority to declare that the recovery plan needs to be initiated?

**Module 3 – Qualitative and Quantitative requirements**

**SQ15**

*If the IAIG does not combine or centralise the governance functions within the group, what requirements for governance should apply at the parent and group-wide level?*
IAA Comment
The IAIG should ensure that material risks in the organization are reviewed through the
governance function, especially those not covered under the governance functions of the
individual legal entities and/or operating units. The IAIG should also clearly document the risks
that are created and/or reduced by the group structure and the corresponding assumptions
underlying these views.

SQ17
What are examples of appropriate controls over intra-group transactions and related party
transactions?

IAA Comment
The risk does not disappear from the balance sheet as a result of intra-group transactions; any
material or significant intra-group transactions should be disclosed.

SQ18
Should IAIGs be mandated to have particular types of committees at Board or management level?
(Are there specific considerations for IAIGs in this respect?)

IAA Comment
No. It is important that all critical functions are controlled by the Board or designated
Committees of the Board, with clear responsibility and no gaps in oversight. Groups should
determine the Committee structure to reflect the business and risk activities of the group,
although it may be appropriate to indicate that for certain functions such as audit and risk
management, that the Board or its Committees should be responsible.

SQ19
Are the minimum requirements related to suitability and competence of the Board, management and
key persons in IAIGs adequate?

IAA Comment
Independence should be addressed in M3E1a-3.

SQ21
Is it appropriate to address the governance aspects related to ERM in Element 1 or should they be
covered together with the technical/substantive requirements of ERM in Element 2?

IAA Comment
Governance is multi-faceted. Those aspects related to board structure, responsibilities, etc., do
belong in Element 1. Those relating to the necessary governance and content of the Risk
Committee of the Board fit appropriately in Element 2.

SQ22
Is it appropriate to address the qualitative requirements related to the actuarial function in Element
1 or would it be more pertinent to address them in Module 3 Element 3 in the new material to be
developed relating to Liabilities?
IAA Comment
We think it appropriate to address the qualitative requirements related to the actuarial function in Element 1 as it is essential to the risk management of the IAIG.

Because it should be addressed as a part of the risk control function, it is reasonable to mention the actuarial function in parallel with the risk management function and compliance function. The tasks of actuaries are not limited to those that relate to the liability.

SQ23
What outsourcing policy would be appropriate for an IAIG? What arrangements need to be in place respectively, if the IAIG outsources externally, or internally? Where group-wide functions are centralised and outsourcing occurs internally, what requirements should apply?

IAA Comment
Group-wide functions could be centrally managed in an entity where there may be more than one centralized function (e.g., risk modeling and investment management).

SQ26
What should be included in ComFrame regarding external audit?

IAA Comment
The ORSA represent the documentation of a company’s risk controls and risk exposures and it would be expected to describe the processes used to identify and manage risks, including an assessment of the ability of company to implement changes to react to subsequent changes in risk conditions and exposures.

Note that we do not believe that the ORSA should be a public document. Also see response to Element 2 Module 4 after SQ11.

SQ31
Is it appropriate to require a centralised approach to ERM? Are there areas that could/need to be delegated to decentralised entities or units?

IAA Comment
Although the ERM process needs to be managed and coordinated in a centralized manner, significant elements may be provided by a central pool of resources supported by localized inputs or integrated by a central pool or resources with the primary processes conducted by local resources. However, there needs to be an effective group level review to ensure quality of assessment, quantification, aggregation and reporting.

The same principle is also true at the supervisory level, meaning that the aggregate effect of individual entity risk across regulatory jurisdictions needs a central resource to assemble and aggregate risk identification, monitoring and exposures for an IAIG, as well as to provide insight regarding any implications for needed additional national regulatory agreements and coordination.
Nevertheless, local expertise and knowledge of local conditions can provide useful input into the assessment of the IAIG.

**SQ32**

*Do you think that there are any parts of “Enterprise Risk Management” missing in Element 2 of Module 3? If so, what?*

**IAA Comment**

ERM assesses the risks associated with the underlying value-creating business model of an IAIG. The objective of using an ERM process is not necessarily about eliminating risk, but rather how to take on and manage risk prudently in order to meet the promises it makes to its insureds and to continue to create value.

**SQ33**

*Do you believe that Module 3 Element 2 should list (describe) the minimum risks that the ERM should cover? If so, what should they be?*

**IAA Comment**

A comprehensive list of risks is impossible to develop and maintain. Nevertheless, it should be possible to identify the broad classes of risk that are likely for an IAIG to encounter. It is most important to describe the ERM framework as a process that includes regular feedback loops to continually identifying new emerging risks and reassessing assumptions, to be consistent with actuarial standards of practice.

**SQ34**

*Should all IAIGs be required to use an economic capital model (own model)?*

**IAA Comment**

Subject to proportionality considerations (that is, not necessarily covering all of its subsidiaries based on materiality constraints), IAIGs should be able to model and analyze its risk exposures through the use of an internal economic model.

However, how would ComFrame set this expectation? This is an example of the need to coordinate ComFrame requirements with national ones.

**SQ35**

*How should the role of the Group-wide Risk Management Function operate in relation to the ERM of individual legal entities within the IAIG?*

**IAA Comment**

Similar to what is stated in the response to SQ31, the Group-wide Risk Management function should take into account constraints imposed on individual legal entities as well as evaluate the quality and reliability of its own internal controls within the individual legal entities. It should also expect that the ERM process should be managed internally within each individual legal entity of a material size.
How should a supervisor ensure that the parent of the IAIG has implemented the IAIG ERM Framework throughout the group? Should different approaches to centralised and decentralised functions be tolerated? Is there a need to specify them accordingly?

IAA Comment
The supervisor should ensure that the parent of the IAIG has implemented the IAIG framework throughout the group via on-site discussions.

We believe that diverse approaches to the degree of centralization of ERM might be equally effective, depending on the culture and resources of the IAIG. Nevertheless, each IAIG entity needs to be aware of and take advantage of the strengths and overcome the weaknesses created by their particular choice of structure. Whichever structure is used though, the IAIG should still be accountable to communicate its tolerances and limits for its major risk exposures as a consolidated entity.

Do you believe that an IAIG’s ERM Framework should be subject to independent review? If so, would you consider independent to mean external to the function or the parent company of the group overall? Do you think that it should be specified in Module 3 Element 2 the nature of the review, who should perform it and how often?

IAA Comment
Validation is at the heart of all risk management and can be provided by several sources.

Internal methods include:
1. Tracking actual to expected results
2. Use of independent economic capital models
3. Visible evidence of the effectiveness of ERM in affecting business decisions
4. Control procedures for the use and validation of internal models.

Externally, the supervisory review function can provide validation in a macro sense, as it compares the processes, risks identified and risk reports used by different organizations. The use of independent reviews through an independent audit may provide the supervisor enhanced assurance of the effectiveness of internal controls. Validation of the effective application of the ERM process may be useful, for example, provided through supervisory or independent actuarial review.

See also our response to SQ11.

Do you believe that an ORSA should be conducted at a group-wide level as well as at each individual, legal entity? If not, why not?

IAA Comment
Yes.
SQ39
Should the IAIG be allowed to account for diversification in the group ORSA?

IAA Comment
Yes.

SQ40
Do you think that it would be helpful for a supervisor to prescribe a ‘template’ for an ORSA? Should this be within a jurisdiction or on a group-wide basis?

IAA Comment
Not likely. Minimum required information would be helpful, but a template can be a double-edged sword. While there may be ways to develop an effective standard template, the use of such templates can create “off template risk”, be non-responsive to the individual IAIG situation, and can reduce the incentive to enhance future development of ORSAs.

SQ42
What aspects of liabilities do you think should be covered?

IAA Comment
Both guaranteed and non-guaranteed aspects of the obligations of insurer liabilities should be considered. In particular, the circumstances that could impair the ability of the IAIG to fulfill its promises to its policyholders?

SQ43
Are there any aspects of “Assets/Investments” that you believe are not adequately covered here? If so which ones?

IAA Comment
The reliance on IFRS may represent a challenge for the following reasons/circumstances:

1. While the aims of general purpose accounting standards and those of regulatory reporting have many similarities, the IASB’s objectives are to provide useful information to investors, while those of supervisors are to protect the interest of policyholders. These objectives may in some instances be inconsistent with each other.
2. The IAIG may be sited in a home jurisdiction where IFRS has not yet been implemented.
3. The development of an IFRS for insurance contracts and financial instruments is still being developed, with final requirements difficult to assess at this time as to both content and timing of their resolution and implementation. As a result, it difficult to assess the complete compatibility between the interests mentioned in 1) above.
4. The lack of complete consistency in measurement of assets and liabilities in IFRS may represent an additional challenge to supervisors.


SQ45
Does Element 4 provide an appropriate basis for valuation of assets and liabilities in an IAIG context?

IAA Comment
Yes, on an overall basis. We encourage the IAIS to retain the high level nature of guidance, rather than being overly prescriptive when the products and assets available can vary so dramatically by jurisdiction. Furthermore, it is not necessary to repeat or alter what is already included in ICP 14.

SQ46
In ICP 17.1, a total balance sheet approach is required to assess the solvency of an insurer. For an insurance group, the capital adequacy assessment falls into two broad sets of approaches, a group level focus (consolidated group or aggregated group), a legal entity focus or a combination of the two (granular approach). Should there be any limitations of approaches for IAIGs, and if so what?

IAA Comment
We cannot see any reason to limit the approaches.

SQ47
Should ComFrame allow for different risk measurements (TAILVaR, VAR) and different confidence levels for determining the Capital Required, to be called a corridor approach?

IAA Comment
Since risk measurement depends on the actual risks and business model of the risks being underwritten/accepted by the IAIG, there should be an allowance for differing risk measurements and confidence levels that need to be used where the methods applied and risks undertaken are different. The risk measure and time horizon should be reflective of the inherent risks involved in the assets owned and liabilities promised by the insurance groups.

Since new measures may be developed it would be best not to restrict the measures that may be used, although objectives of the measurement should be developed.

A Corridor approach can be one of the solutions to provide requirements for the risk measurements and confidence levels to be used within risk categories such as life, non-life or duration of the risks. However, the fact that a unified risk measurements and confidence level can create pro-cyclicality needs to be considered.

SQ48
In ICP 17.6, regulatory capital requirements may be determined using a range of approaches, such as standard formulae, or other approaches more tailored to the individual insurers such as partial or full internal models. In determining the Capital Required for an IAIG, should ComFrame allow both a standardised and internal model approach?

If a standardised approach is allowed what should be the nature of the standardised approach, and should there be an allowance for variations/optionality at the discretion of group wide supervisors. Under what circumstances an internal model should be allowed to be used to determine the Required Capital? Under what circumstances should a partial internal model be allowed?
IAA Comment
The approach to be used by the IAIG should be reviewed by the group-wide supervisor and shared with the host country supervisors for its appropriateness. The following considerations complicate the option of allowing both standard and internal models:

1. How will the results of the model be used by the company? (For example, to distribute dividends or for management of the IAIG’s target rating?)
2. Since the IAIG will likely be quite large, it will be rare that it would be using a standardized model applicable to a single jurisdiction to manage their business.
3. How does the model work at both the individual and aggregate level? A standard model may not be appropriate for aggregating different local jurisdictions' standard models.
4. What level of conservatism should be targeted in a standard model? Different countries may have very different minimum levels and create a lack of comparability of results.

A partial internal model should be permitted using the same criteria that is used for a full internal model.

SQ49
ICP 17.10 outlines a number of approaches a supervisor could use for the determination of capital resources. To what extent should the individual jurisdictions be in a position to allow additional capital resources to be recognised?

IAA Comment
It is desirable for this to be consistent throughout the IAIG and also available to all IAIGs. Considerations need to include:

1. What assets will be recognized/not recognized?
2. Is there a consistent way to view liquidity?
3. What is the impact of various different possible legal structures that can be used by an IAIG?
4. Would the IAIS have authority (other than persuasion) to prohibit actions by individual jurisdictions?

SQ50
In ICP 17.4 solvency control levels of the PCR and MCR are established. Do you see merits in establishing a PCR and/or an MCR for an IAIG? If you see merit in establishing a PCR and/or an MCR, on what basis should a PCR and/or an MCR for an IAIG be established?

IAA Comment
Use of the PCR would be appropriate for a group-wide supervisor. But detailing and agreeing on different intervention steps would be important and whether they only apply at the group level or within each legal entity. For example, certain intervention steps used at a legal entity level may be counter-productive or limit the ability to manage a group, depending on fungibility of capital and other liquidity requirements.
Absent prior legal agreements between supervisors, it is difficult to see how a MCR could work at a group level.

SQ51
ICP 16.1.14 to 16.1.17 describe stress testing and scenario analysis. To what extent should an IAIG be performing stress testing and scenario analysis and to what extent, if any, should it impact an IAIG's capital adequacy requirement?

IAA Comment
Whether a standardized or Internal Model (IM) approach is used, additional stress testing/scenario analysis provides valuable information and should be reported on via the ORSA. If stress testing/scenario analysis indicates an inability to respond adequately, the options might be to increase capital, place limits on new sales or investment approaches or more likely, a better understanding of the inter jurisdictional legal agreements that would be needed to address a crisis situation. Stress testing is a tool that can be used to illustrate the effect of alternative risk mitigation techniques and what IAIG’s and their supervisors should be prepared for if challenging times arise.

Module 3 Element 1a
Please comment on Module 3 Element 1a (a Priority B Element)

IAA Comment
M3E1a-6-4-1 asks what are the indications of a well-integrated group wide framework for internal controls. These indications include a well-defined process in which responsibilities are well documented and are monitored on an independent basis.

M3E1a-8 and M3E1a-7-2: Under what circumstances will a non-host supervisor be able to request and receive information?

M3E1a-7-2: Can supervisors really “ensure”? It may be better to refer to “…monitoring and assessing the effective implementation of …”

M3E1a-11-2-1 specifies a list of items on which the actuarial function should provide advice. It should be noted that there is a considerable overlap between functions. For example, “risk assessment” could also include an ERM process. M3E1-a11-2-1 asks whether specifications are needed – we do not believe that these should be turned into rules, which IAIG's could simply turn into a compliance exercise.

Module 3 Element 1b
Please comment on Module 3 Element 1b (a Priority B Element)

IAA Comment
M3E1b-1-1: Documentation of the governance framework should include the risk management decision making framework (including identified responsibilities), the regular reporting that supports the risk management decision making framework and the decisions taken.

Similar documentation is appropriate for the regulatory monitoring and decision framework.
Module 3 Element 2
Please comment on Module 3 Element 2 (a Priority B Element)

IAA Comment
M3E2-3-1: Currency (foreign exchange rate) risk needs to be included.

Module 3 Element 4
Please comment on Module 3 Element 4 (a Priority B Element)

IAA Comment
M3E4-1: What if an IAIG does not use IFRS? For example, say it and its subsidiaries use U.S. GAAP. Must it then calculate its financial statements under IFRS as well?

Is “risk-adjusted present value” uniquely defined? Although the current view of the IASB with respect to insurance contracts (except for short-duration contracts) includes this approach, this may need to be revised if their final assessment is different? (See our comments on SQ43.)

M3E4-1-5: In general, we discourage the over-specification of a single methodology.

M3E4-1-8: References to IFRS requirements may be somewhat premature, since revisions to IFRS 4 are not expected to be finalized until 2012.

Module 4 – Supervisory cooperation and interaction

IAA Comment
The initial setup for ComFrame will be a substantive effort by the supervisors. While any supervisor will know its own country's companies and issues, it will take some time to develop sufficient knowledge of the issues in all other jurisdictions. To accomplish this, experienced supervisors will be needed. In addition, continuity will be important. Being the lead supervisor could be an intensive, multi-month or year commitment. Face-to-face meetings with all relevant supervisors of an IAIG would be very valuable. However, over time an emphasis on leveraging the value of risk reviews and reporting should make subsequent regulation and oversight more efficient and less resource intensive.

This views the IAIG regulatory process as an investment in the development of more efficient and effective regulation, not as an additional reporting process that represents an additional cost of doing business.

SQ55
Should the IAIG Annual Supervisory Reporting Package be based on the calendar year-end or the reporting year-end that the IAIG uses for its general purpose financial reports? Should the quarterly reporting align with this reporting year-end (i.e. if an October year end the quarters would end on 31 January, 30 April, and 31 July)?
IAA Comment
Since the insurer should be solvent each day of the year, it should make no difference as to what the "as of" date is as long as the report is filed annually. The "as of" date can be selected by each IAIG so that it capitalizes on work done for another purpose or correlates with the best time of year that resources are available.

SQ56
What would be a reasonable period of time, from the relevant reporting year end, in which an IAIG could prepare the IAIG Annual Supervisory Reporting Package?

IAA Comment
This depends on the nature of the ORSA reporting structure and any additional required regulatory customization. The first time one is produced, possibly five to six months may be needed to allow for proper calculation, aggregation and review of the required results and assembly of the report. On an ongoing basis, this timeframe should be able to be reduced substantially.

Module 4, Element 2
Please comment on Module 4, Element 2 (a Priority B Element)

IAA Comment
M4E2-2-4: The IAIS should elaborate on what will happen if a joint decision is not possible.
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Benoît Courmont Institut des Actuaires
Angel Crespo Rodrigo Instituto de Actuarios Españoles
Kris DeFrain Casualty Actuarial Society
Marius Du Toit Actuarial Society of South Africa
Shinsuke Hashizume Institute of Actuaries of Japan
Patrick Healy Society of Actuaries in Ireland
Thomas Karp Institute of Actuaries of Australia
Philipp Keller Association Suisse des Actuaires
Esko Kivisaari Suomen Aktuaariyhdistys
Jolanta Krastina Latvijas Aktuāru Asociācija
Helena Kudlakova Slovenska Spolocnost Aktuárov
En-Kuei Liu Actuarial Institute of Chinese Taipei
Deana Macek Hrvatsko Aktuarsko Drustvo
Helge-Ivar Magnussen Den Norske Aktuarforening
Ana Maria Martins Pereira Instituto dos Actuários Portugueses
Gennaro Olivieri Istituto Italiano degli Attuari
Gábor Ferenc Pásztor Magyar Aktuárius Társaság
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<td>Godfrey Perrott</td>
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<td>Colegio Nacional de Actuarios A. C.</td>
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<td>Richard Roth Jr.</td>
<td>Conference of Consulting Actuaries</td>
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<td>Arne Sandström</td>
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<td>John Smith</td>
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<td>Jacques Tremblay</td>
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<td>H.W.M. Van Broekhoven</td>
<td>Het Actuarieel Genootschap</td>
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<td>Eret Võsa</td>
<td>Eesti Aktuaaride Liit</td>
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<td>Igor Zoric</td>
<td>Udruženje Aktuara Srbije</td>
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Appendix B

Full Member Associations of the IAA
Caribbean Actuarial Association
Consejo Profesional de Ciencias Económicas de la Ciudad Autónoma de Buenos Aires (Argentina)
Institute of Actuaries of Australia (Australia)
Aktuarvereinigung Österreichs (AVÖ) (Austria)
Institut des Actuaires en Belgique (Belgique)
Instituto Brasileiro de Atuação (IBA) (Brazil)
Bulgarian Actuarial Society (Bulgaria)
Canadian Institute of Actuaries/Institut Canadien des Actuaires (Canada)
China Association of Actuaries (China)
Actuarial Institute of Chinese Taipei (Chinese Taipei)
Institut des Actuaires de Côte D'Ivoire (Côte D'Ivoire)
Hrvatsko Aktuarsko Drustvo (Croatia)
Cyprus Association of Actuaries (Cyprus)
Česká Společnost Aktuářů (Czech Republic)
Den Danske Aktuarforening (Denmark)
Egyptian Society of Actuaries (Egypt)
Eesti Aktuaaride Liit (Estonia)
Suomen Aktuaariryhmistys (Finland)
Institut des Actuaires (France)
Deutsche Aktuarvereinigung e.V. (DAV) (Germany)
Hellenic Actuarial Society (Greece)
Actuarial Society of Hong Kong (Hong Kong)
Magyar Aktuárius Társaság (Hungary)
Félag Islenskra Tryggingastærðfræðinga (Iceland)
Institute of Actuaries of India (India)
Persatuan Aktuaris Indonesia (Indonesia)
Society of Actuaries in Ireland (Ireland)
Israel Association of Actuaries (Israel)
Istituto Italiano degli Attuari (Italy)
Institute of Actuaries of Japan (Japan)
Japanese Society of Certified Pension Actuaries (Japan)
The Actuarial Society of Kenya (Kenya)
Latvijas Aktuaru Asociācija (Latvia)
Lebanese Association of Actuaries (Lebanon)
Lietuvos Aktuarių Draugija (Lithuania)
Persatuan Aktuari Malaysia (Malaysia)
Colegio Nacional de Actuarios A.C. (Mexico)
Association Marocaine des Actuaires (Morocco)
Het Actuarieel Genootschap (Netherlands)
New Zealand Society of Actuaries (New Zealand)
Den Norske Aktuarforening (Norway)
Pakistan Society of Actuaries (Pakistan)
Actuarial Society of the Philippines (Philippines)
Polskie Stowarzyszenie Aktuariszy (Poland)
Instituto dos Actuários Portugueses (Portugal)
Academia de Actuarios de Puerto Rico (Puerto Rico)
Russian Guild of Actuaries (Russia)
Udruženje Aktuara Srbije (Serbia)
Singapore Actuarial Society (Singapore)
Slovenska Spolocnost Aktuarov (Slovakia)
Slovensko Aktuarsko Drustvo (Slovenia)
Actuarial Society of South Africa (South Africa)
Col.legi d'Actuaris de Catalunya (Spain)
Instituto de Actuarios Españoles (Spain)
Svenska Aktuarieföreningen (Sweden)
Association Suisse des Actuaires (Switzerland)
Society of Actuaries of Thailand (Thailand)
Institute and Faculty of Actuaries (United Kingdom)
American Academy of Actuaries (United States)
American Society of Pension Professionals & Actuaries (United States)
Casualty Actuarial Society (United States)
Conference of Consulting Actuaries (United States)
Society of Actuaries (United States)