Compiled Comments on Public Consultation on draft criteria that will be used to assess whether the Aggregation Method provides comparable outcomes to the Insurance Capital Standard

08-Jun-22 to 16-Aug-22

Organisation	Jurisdiction	Confidential	Answer / Comment
Q1 Comment on criterion 1.1			
1. Great Eastern Holdings	Asia	No	**Answer:** Nil.
2. Actuarial Association of Europe	Europe	No	**Answer:** The Actuarial Association of Europe is concerned about the vague language of "materially correlated". No matter how "materially correlated" is defined, this will not ensure that the PCR under the AM would be breached at similar points under all possible financial market and insurance risk scenarios as its PCR under the ICS. Moreover, short-term market fluctuations are a reality that must be included in the assessment. The term "over the business cycle" seems to aim at some averaging over time. This would not be appropriate. The PCR is either breached nor not breached at a particular point in time.
3. Insurance Europe	European Union	No	**Answer:** Insurance Europe supports a technical analysis of the degree of correlation between the AM and ICS results. However, criterion 1 needs to be elaborated to clarify how the IAIS will use the results from the technical analysis to evaluate if the required level of correlation is achieved. Currently, criterion 1.1 only describes the IAIS's approach to the assessment of correlation and thus is insufficient to guide the technical analysis and the IAIS's judgement. For it to serve as a real criterion and to avoid it enabling a black-box exercise, it must specify: - the characteristics of the correlation determination and provide sensitivity analysis linked to methodological choices, eg, on the reference period used and the weight of significant data points; - a description of scenarios and sensitivity analysis; and, - the minimum required level of correlation which is defined as "significant". The ICS trigger for supervisory action is the PCR breach, which should be the outcome-equivalent measure for the comparability assessment. Analysis of the correlation between the points of the PCR breach should be explicitly included in the criteria. The exclusion of short-term market fluctuations does not appear to make sense. Analysis under scenarios with short-term fluctuations (for example of the type seen during the 2007-2013 financial crisis) seems in fact to be one of the key areas for comparison as it might lead to different triggers for supervisory action.

			The IAIS needs to clarify what is meant by business cycle. At present, this is not clear. For example, it could mean that scenarios representing the full range of economic situations and claims events should be covered by the analysis. Or it could imply some averaging of the outcomes that would not be appropriate. Scenario analysis should include as many scenarios as needed and be based on essential data gathered from volunteer companies. Beyond this, using simplified modelled companies to make ancillary analysis can be considered beneficial to the robustness of the assessment.
4. Reinsurance Advisory Board	European Union	No	**Answer:** The RAB supports a technical analysis of the degree of correlation between the AM and ICS results. However, criterion 1 needs to be elaborated to clarify how the IAIS will use the results from the technical analysis to evaluate if the required level of correlation is achieved. Currently, criterion 1.1 only describes the IAIS's approach to the assessment of correlation and thus is insufficient to guide the technical analysis and the IAIS's judgement. For it to serve as a real criterion and to avoid it enabling a black-box exercise, it must specify: - the characteristics of the correlation determination and provide sensitivity analysis linked to methodological choices, eg, on the reference period used and the weight of significant data points; - a description of scenarios and sensitivity analysis; and, - the minimum required level of correlation which is defined as "significant". The ICS trigger for supervisory action is the PCR breach, which should be the outcome-equivalent measure for the comparability assessment. Analysis of the correlation between the points of the PCR breach should be explicitly included in the criteria. The exclusion of short-term market fluctuations does not appear to make sense. Analysis under scenarios with short-term fluctuations (for example of the type seen during the 2007-2013 financial crisis) seems in fact to be one of the key areas for comparison as it might lead to different triggers for supervisory action. The IAIS needs to clarify what is meant by business cycle. At present, this is not clear. For example, it could mean that scenarios representing the full range of economic situations and claims events should be covered by the analysis. Or it could imply some averaging of the outcomes that would not be appropriate. Scenario analysis should include as many scenarios as needed and be based on essential data gathered from volunteer companies. Beyond this, using simplified modelled companies to make ancillary analysis can be considered beneficial to the robustness of the assessment.

5. Axa	France	No	**Answer:** We believe that assessing comparability on short-term market fluctuations is absolutely necessary to ensure quantitative comparability. The impact of short-term fluctuations can be pivotal as it may trigger supervisory action. Therefore, if the AM does not reflect the short-term fluctuations as per the ICS, it may trigger different supervisory actions (which is contrary to the above definition of comparable outcomes) as well as capital distributions such as dividends. This is likely to have a significant impact on how investors would compare the stability of a group supervised on an AM basis versus a group supervised on an ICS basis. We thus suggest amending the principle and clarify that the AM and ICS should be significantly correlated including in respect of short-term developments of the nature that can trigger supervisory action under either the ICS or AM. Additionally, we disagree with the removal of any point in the data series used for the assessment of correlation. First there is a concern that the number of observations in the resulting series will be too limited to derive a statistically significant correlation. Second and more importantly, short-term market fluctuations are significant in terms of supervision if they happen during a (annual or quarterly) closing or trigger any sort of supervisory intervention. We consider there is a contradiction in saying that the results are significantly correlated but the quantum of change may differ and therefore is not so important. The quantum of change, along with the direction of change, are both key elements of the correlation determination. Regarding the direction of change alone, this cannot be an effective criterion alone for determining comparability. We trust that both the AM and the ICS should by design and at a bare minimum move in the same direction. The contrary would indicate an even more fundamental issue than a lack of comparability.
6. BNPPARIBAS CARDIF	France	No	**Answer:** We welcome the fact that the IAIS is willing to provide further clarification on how the assessment should be performed from a quantitative perspective. However, we believe that assessing comparability on short-term market fluctuations is absolutely necessary to ensure true comparability and even competition. The impact of short-term fluctuations can be pivotal as it may trigger supervisory action. Therefore, if the AM does not reflect the short-term fluctuations as per the ICS, it may trigger different supervisory actions (which is contrary to the above definition of comparable outcomes) as well as capital distributions such as dividends. This is likely to have a significant impact on how investors would compare the stability of a group supervised on an AM basis versus a group supervised on an ICS basis. We thus suggest amending the principle and clarifying that the AM and ICS should be significantly correlated including in respect of short-term developments of the nature that can trigger supervisory action under either the ICS or AM. Regarding the specifications for criterion 1.1, we regret that there is not a specification of the term "significantly correlated". The questions of how this correlation will be evaluated and what correlation result is sufficient to be considered comparable remain unanswered. The current wording leaves too much room for interpretation. The term "significantly correlated" needs to be quantitatively defined in terms of methodologies, period of reference and range. Additionally, we strongly disagree with the removal of any point in the data series used for the assessment of correlation. First there is a concern that the number of observations in the resulting series will be too limited to derive a

			statistically significant correlation. Second and more importantly, short-term market fluctuations are significant in terms of supervision if they happen during a (annual or quarterly) closing or trigger any sort of supervisory intervention. The IAIS should be transparent on the characteristics of the correlation determination and provide sensitivity analysis linked to methodology choices, e.g., on the period of reference retained and the weight of significant data points. We would question the potential contradiction in saying that the results are significantly correlated but the quantum of change may differ and therefore is not so important. The quantum of change, along with the direction of change and timing, is one of the three ingredients of the correlation determination. The IAIS should explicitly say if this understanding is not correct. Regarding the direction of change alone, this cannot be an effective criterion for determining comparability. we would expect that both the AM and the ICS should by design and at a bare minimum move in the same direction. The contrary would indicate an even more fundamental issue than a lack of comparability.
7. CNP Assurances	France	No	**Answer:** We welcome the fact that the IAIS is willing to provide further clarification on how the assessment should be performed from a quantitative perspective. However, we believe that assessing comparability on short-term market fluctuations is absolutely necessary to ensure true comparability and even competition. The impact of short-term fluctuations can be pivotal as it may trigger supervisory action. Therefore, if the AM does not reflect the short-term fluctuations as per the ICS, it may trigger different supervisory actions (which is contrary to the above definition of comparable outcomes) as well as capital distributions such as dividends. This is likely to have a significant impact on how investors would compare the stability of a group supervised on an AM basis versus a group supervised on an ICS basis. We thus suggest amending the principle and clarifying that the AM and ICS should be significantly correlated including in respect of short-term developments of the nature that can trigger supervisory action under either the ICS or AM. Regarding the specifications for criterion 1.1, we regret that there is not a specification of the term "significantly correlated". The questions of how this correlation will be evaluated and what correlation result is sufficient to be considered comparable remain unanswered. The current wording leaves too much room for interpretation. The term "significantly correlated" needs to be quantitatively defined in terms of methodologies, period of reference and range. Additionally, we strongly disagree with the removal of any point in the data series used for the assessment of correlation. First there is a concern that the number of observations in the resulting series will be too limited to derive a statistically significant correlation. Second and more importantly, short-term market fluctuations are significant in terms of supervision if they happen during a (annual or quarterly) closing or trigger any sort of supervisory intervention. The IAIS should be transparent on the characteristics of the correlation determination and provide sensitivity analysis linked to methodology choices, e.g., on the period of reference retained and the weight of significant data points. We would question the potential contradiction in saying that the results are significantly correlated but the quantum of change may differ and therefore is not so important. The quantum of change, along with the direction of change and

			timing, is one of the three ingredients of the correlation determination. The IAIS should explicitly say if this understanding is not correct. Regarding the direction of change alone, this cannot be an effective criterion for determining comparability. we would expect that both the AM and the ICS should by design and at a bare minimum move in the same direction. The contrary would indicate an even more fundamental issue than a lack of comparability.
8. COVEA	FRANCE	No	**Answer:** We welcome the fact that the IAIS is willing to provide further clarification on how the assessment should be performed from a quantitative perspective. However, we believe that assessing comparability on short-term market fluctuations is absolutely necessary to ensure true comparability and even competition. The impact of short-term fluctuations can be pivotal as it may trigger supervisory action. Therefore, if the AM does not reflect the short-term fluctuations as per the ICS, it may trigger different supervisory actions (which is contrary to the above definition of comparable outcomes) as well as capital distributions such as dividends. This is likely to have a significant impact on how investors would compare the stability of a group supervised on an AM basis versus a group supervised on an ICS basis. We thus suggest amending the principle and clarifying that the AM and ICS should be significantly correlated including in respect of short-term developments of the nature that can trigger supervisory action under either the ICS or AM. Regarding the specifications for criterion 1.1, we also regret that there is not a specification of the term "significantly correlated". The questions of how this correlation will be evaluated and what correlation result will be deemed sufficient to be considered comparable remain unanswered. The current wording leaves too much room for interpretation. The term "significantly correlated" needs to be quantitatively defined in terms of methodologies, period of reference and range. Additionally, we strongly disagree with the removal of any point in the data series used for the assessment of correlation. First there is a concern that the number of observations in the resulting series will be too limited to derive any statistically significant correlation. Second and more importantly, short-term market fluctuations are significant in terms of supervision if they happen during a (annual or quarterly) closing or trigger any sort of supervisory intervention. We expect transparency on the characteristics of the correlation determination and to be provided with a sensitivity analysis linked to methodology choices, e.g., on the period of reference retained and the weight of significant data points. We would question the potential contradiction in saying that the results are significantly correlated but the quantum of change may differ and therefore is not so important. The quantum of change, along with the direction of change and timing, is one of the three ingredients of the correlation determination. If this understanding is not correct, it should be explicitely disclosed. Regarding the direction of change alone, this cannot be an effective criterion for determining comparability. We indeed would expect that both the AM and the ICS should by design and at a bare minimum move in the same direction. The contrary would indicate an even more fundamental issue than a lack of comparability.

9. Credit Agricole Assurances	FRANCE	No	**Answer:** We welcome the fact that the IAIS is willing to provide further clarification on how the assessment should be performed from a quantitative perspective. However, we believe that assessing comparability on short-term market fluctuations is absolutely necessary to ensure true comparability and even competition. The impact of short-term fluctuations can be pivotal as it may trigger supervisory action. Therefore, if the AM does not reflect the short-term fluctuations as per the ICS, it may trigger different supervisory actions (which is contrary to the above definition of comparable outcomes) as well as capital distributions such as dividends. This is likely to have a significant impact on how investors would compare the stability of a group supervised on an AM basis versus a group supervised on an ICS basis. We thus suggest amending the principle and clarifying that the AM and ICS should be significantly correlated including in respect of short-term developments of the nature that can trigger supervisory action under either the ICS or AM. Regarding the specifications for criterion 1.1, we regret that there is not a specification of the term "significantly correlated". The questions of how this correlation will be evaluated and what correlation result is sufficient to be considered comparable remain unanswered. The current wording leaves too much room for interpretation. The term "significantly correlated" needs to be quantitatively defined in terms of methodologies, period of reference and range. Additionally, we strongly disagree with the removal of any point in the data series used for the assessment of correlation. First there is a concern that the number of observations in the resulting series will be too limited to derive a statistically significant correlation. Second and more importantly, short-term market fluctuations are significant in terms of supervision if they happen during a (annual or quarterly) closing or trigger any sort of supervisory intervention. The IAIS should be transparent on the characteristics of the correlation determination and provide sensitivity analysis linked to methodology choices, e.g., on the period of reference retained and the weight of significant data points. We would question the potential contradiction in saying that the results are significantly correlated but the quantum of change may differ and therefore is not so important. The quantum of change, along with the direction of change and timing, is one of the three ingredients of the correlation determination. The IAIS should explicitly say if this understanding is not correct. Regarding the direction of change alone, this cannot be an effective criterion for determining comparability. we would expect that both the AM and the ICS should by design and at a bare minimum move in the same direction. The contrary would indicate an even more fundamental issue than a lack of comparability.
10. France Assureurs	France	No	**Answer:** France Assureurs welcomes the fact that the IAIS is willing to provide further clarification on how the assessment should be performed from a quantitative perspective. However, the French industry believes that assessing comparability on short-term market fluctuations is absolutely necessary to ensure true comparability and even competition. The impact of short-term fluctuations can be pivotal as it may trigger supervisory action. Therefore, if the AM does not reflect the short-term fluctuations as per the ICS, it may trigger different supervisory actions (which is contrary to the above definition of comparable outcomes) as well as capital distributions such as dividends. This is likely to have a significant impact on how investors would compare the

			stability of a group supervised on an AM basis versus a group supervised on an ICS basis. We thus suggest amending the principle and clarifying that the AM and ICS should be significantly correlated including in respect of short-term developments of the nature that can trigger supervisory action under either the ICS or AM. Regarding the specifications for criterion 1.1, France Assureurs regrets that there is not a specification of the term "significantly correlated". The questions of how this correlation will be evaluated and what correlation result is sufficient to be considered comparable remain unanswered. The current wording leaves too much room for interpretation. The term "significantly correlated" needs to be quantitatively defined in terms of methodologies, period of reference and range. Additionally, France Assureurs strongly disagrees with the removal of any point in the data series used for the assessment of correlation. First there is a concern that the number of observations in the resulting series will be too limited to derive a statistically significant correlation. Second and more importantly, short-term market fluctuations are significant in terms of supervision if they happen during a (annual or quarterly) closing or trigger any sort of supervisory intervention. The IAIS should be transparent on the characteristics of the correlation determination and provide sensitivity analysis linked to methodology choices, e.g., on the period of reference retained and the weight of significant data points. France Assureurs would question the potential contradiction in saying that the results are significantly correlated but the quantum of change may differ and therefore is not so important. The quantum of change, along with the direction of change and timing, is one of the three ingredients of the correlation determination. The IAIS should explicitly say if this understanding is not correct. Regarding the direction of change alone, this cannot be an effective criterion for determining comparability. France Assureurs would expect that both the AM and the ICS should by design and at a bare minimum move in the same direction. The contrary would indicate an even more fundamental issue than a lack of comparability.
11. French Treasury	France	No	**Answer:** By and large, this yardstick is merely a repetition of the first High Level Principle, although sub-criteria are supposed to further detail HLPs. It is paramount that AM and ICS are compared on the basis of results of capital requirements calculations, and not only trends. Correlations between both methods have to be strictly assessed, and the condition of "similar" changes has to be further detailed. No clear conclusions on the comparability of the two methods could be drawn from a look-alike pattern. At the very least a narrow corridor should be set ex-ante so that a small but acceptable quantum of change is collectively agreed on. Moreover, the notion of "business cycle" is too vague to ensure an assessment of the identical sensitivity of both models, and excluding short term market fluctuations would lead to misleading conclusions. The concept of "business

			cycle" is misleading as it could be understood either as an economic cycle (fluctuations of the Gross Domestic Product on several years long period) or as the fluctuations of a company's activity. In this regard, such a concept cannot be sufficient in itself and must come with accurate short-term horizon. We think that an infra-annual vision of discrepancies between both methods would be a minimum. In particular, one cannot be blind to the downside of the business cycle as the comparability of both frameworks have to be assessed both in normal and stressed situations. IAIS should explain in detail the characteristics of the correlation determination, and numerous points in time are necessary to conclude to any statistical correlation. In that regard, data series should be included. Finally short-term fluctuations are particularly meaningful for certain non-life activities, as their capital requirement coverage can vary dramatically on the short-term, and could lead to an unrealistic view of non-life undertakings. For example, such an exclusion could leave aside to critical periods such as the first months of the pandemic crisis. In addition, short-term market fluctuations are significant in terms of supervision if they occur during a closing or trigger any kind of supervisory intervention. As a consequence, quarterly changes should be taken into account in the analysis and should not be excluded. In conclusion, this criteria is not acceptable in its current form and cannot be endorsed.
12. Groupama	France	No	**Answer:** We welcome the fact that the IAIS is willing to provide further clarification on how the assessment should be performed from a quantitative perspective. However, we believe that assessing comparability on short-term market fluctuations is absolutely necessary to ensure true comparability and even competition. The impact of short-term fluctuations can be pivotal as it may trigger supervisory action. Therefore, if the AM does not reflect the short-term fluctuations as per the ICS, it may trigger different supervisory actions which is contrary to the above definition of comparable outcomes. This is likely to have a significant impact on how investors would compare the stability of a group supervised on an AM basis versus a group supervised on an ICS basis. We thus suggest amending the principle and clarifying that the AM and ICS should be significantly correlated including in respect of short-term developments of the nature that can trigger supervisory action under either the ICS or AM. Regarding the specifications for criterion 1.1, we regret that there is not a specification of the term "significantly correlated". The questions of how this correlation will be evaluated and what correlation result is sufficient to be considered comparable remain unanswered. The current wording leaves too much room for interpretation. The term "significantly correlated" needs to be quantitatively defined in terms of methodologies, period of reference and range. Additionally, we strongly disagree with the removal of any point in the data series used for the assessment of correlation. First there is a concern that the number of observations in the resulting series will be too limited to derive a statistically significant correlation. Second and more importantly, short-term market fluctuations are significant in terms of supervision if they happen during a (annual or quarterly) closing or trigger any sort of supervisory intervention. The IAIS should be transparent on the characteristics of the correlation determination and provide sensitivity analysis linked

			to methodology choices, e.g., on the period of reference retained and the weight of significant data points. We would question the potential contradiction in saying that the results are significantly correlated but the quantum of change may differ and therefore is not so important. The quantum of change, along with the direction of change and timing, is one of the three ingredients of the correlation determination. The IAIS should explicitly say if this understanding is not correct. Regarding the direction of change alone, this cannot be an effective criterion for determining comparability. we would expect that both the AM and the ICS should by design and at a bare minimum move in the same direction. The contrary would indicate an even more fundamental issue than a lack of comparability.
13. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. The RAB supports a technical analysis of the degree of correlation between the AM and ICS results. However, criterion 1 needs to be elaborated to clarify how the IAIS will use the results from the technical analysis to evaluate if the required level of correlation is achieved. Currently, criterion 1.1 only describes the IAIS's approach to the assessment of correlation and thus is insufficient to guide the technical analysis and the IAIS's judgement. For it to serve as a real criterion and to avoid it enabling a black-box exercise, it must specify: - the characteristics of the correlation determination and provide sensitivity analysis linked to methodological choices, eg, on the reference period used and the weight of significant data points; - a description of scenarios and sensitivity analysis; and, - the minimum required level of correlation which is defined as "significant". The ICS trigger for supervisory action is the PCR breach, which should be the outcome-equivalent measure for the comparability assessment. Analysis of the correlation between the points of the PCR breach should be explicitly included in the criteria. The exclusion of short-term market fluctuations does not appear to make sense. Analysis under scenarios with short-term fluctuations (for example of the type seen during the 2007-2013 financial crisis) seems in fact to be one of the key areas for comparison as it might lead to different triggers for supervisory action. The IAIS needs to clarify what is meant by business cycle. At present, this is not clear. For example, it could mean that scenarios representing the full range of economic situations and claims events should be covered by the analysis. Or it could imply some averaging of the outcomes that would not be appropriate. Scenario analysis should include as many scenarios as needed and be based on essential data gathered from volunteer companies. Beyond this, using simplified modelled companies to make ancillary analysis can be considered beneficial to the robustness of the assessment.

14. SOGECAP	FRANCE	No	**Answer:** We welcome the fact that the IAIS is willing to provide further clarification on how the assessment should be performed from a quantitative perspective. However, we believe that assessing comparability on short-term market fluctuations is absolutely necessary to ensure true comparability and even competition. The impact of short-term fluctuations can be pivotal as it may trigger supervisory action. Therefore, if the AM does not reflect the short-term fluctuations as per the ICS, it may trigger different supervisory actions (which is contrary to the above definition of comparable outcomes) as well as capital distributions such as dividends. This is likely to have a significant impact on how investors would compare the stability of a group supervised on an AM basis versus a group supervised on an ICS basis. We thus suggest amending the principle and clarifying that the AM and ICS should be significantly correlated including in respect of short-term developments of the nature that can trigger supervisory action under either the ICS or AM. Regarding the specifications for criterion 1.1, we regret that there is not a specification of the term "significantly correlated". The questions of how this correlation will be evaluated and what correlation result is sufficient to be considered comparable remain unanswered. The current wording leaves too much room for interpretation. The term "significantly correlated" needs to be quantitatively defined in terms of methodologies, period of reference and range. Additionally, we strongly disagree with the removal of any point in the data series used for the assessment of correlation. First there is a concern that the number of observations in the resulting series will be too limited to derive a statistically significant correlation. Second and more importantly, short-term market fluctuations are significant in terms of supervision if they happen during a (annual or quarterly) closing or trigger any sort of supervisory intervention. The IAIS should be transparent on the characteristics of the correlation determination and provide sensitivity analysis linked to methodology choices, e.g., on the period of reference retained and the weight of significant data points. We would question the potential contradiction in saying that the results are significantly correlated but the quantum of change may differ and therefore is not so important. The quantum of change, along with the direction of change and timing, is one of the three ingredients of the correlation determination. The IAIS should explicitly say if this understanding is not correct. Regarding the direction of change alone, this cannot be an effective criterion for determining comparability. we would expect that both the AM and the ICS should by design and at a bare minimum move in the same direction. The contrary would indicate an even more fundamental issue than a lack of comparability.
15. Allianz SE	Germany	No	**Answer:** While we support a robust technical analysis of the degree of correlation between the AM and ICS results, the exact nature of this analysis should be explained in more detail before it can be assessed. Most importantly, the correlation analysis should be focused on the points in time of breach of the PCR (Prescribed Capital Requirement) since these are essential for supervisory action and thus for any "outcome equivalence" of the two regimes. The exclusion of short-term market fluctuation from the analysis does not appear to be meaningful since consistent supervisory action under both regimes in times of high volatility is one of the key areas for "outcome equivalence" of the

			ICS and the AM. It is not clear what "results […] changing similarly […] over the business cycle" should mean in practice. A comparison after averaging of outcomes over the "business cycle" would not be appropriate as it would not reflect the correlation of points in time of supervisory action taken under ICS and AM respectively. The AM should be transparent with regard to its underlying parameters (e.g., the derivation methodology of scaling factors for national regulatory regimes) before the comparability analysis can be conducted and it should be clarified how changes in national regulatory regimes are reflected in amendments to the scaling factors as well as how the necessity of corresponding updates to the comparability assessment is monitored.
16. German Insurance Association	Germany	No	**Answer:** GDV supports a technical analysis of the degree of correlation between the AM and ICS results. However, criterion 1 needs to be elaborated to clarify how the IAIS will use the results from the technical analysis to evaluate if the required level of correlation is achieved. Currently, criterion 1.1 only describes the IAIS' approach to the assessment of correlation and thus is insufficient to guide the technical analysis and the IAIS' judgement. For it to serve as a real criterion and to avoid it enabling a black-box exercise, it must specify: ? high-level description of scenarios for sensitivity analysis ? the minimum required level of correlation which is defined as "significant". The ICS trigger for supervisory action is the PCR breach, that should be the outcome-equivalent measure for the comparability assessment. Analysis of the correlation/consistency between of the points of breach of the PCR should be explicitly included in the criteria The exclusion of short-term market fluctuations does not appear to make sense. Analysis under scenarios with short-term fluctuations (for example of the types seen during the 2007-2013 financial crisis) seems in fact to be one of the key areas for comparison as it might lead to different triggers for supervisory action. The IAIS needs to clarify what is meant by business cycle. At present, this is not clear. For example, it could mean that scenarios representing the full range of economic situations and claims events should be covered by the analysis. Or it could imply some averaging of the outcomes which would not be appropriate. Sensitivity analysis should include as many scenarios as needed and therefore the analysis based on data gathered from volunteer companies may need to be supplemented by modelling, using simplified companies to understand if the AM and the ICS are likely to be significantly correlated and to trigger supervisory intervention at similar points in time.
17. AIA and Prudential plc	Hong Kong	No	**Answer:** The consultation tool provides no place for an introductory comment. We therefore wish to note here that, as further elaborated below in our response to Q33, these joint comments of AIA Group Limited ("AIA") and Prudential plc ("Pru plc") ("we" in what follows) are made from the perspective of Hong Kong-based IAIG's writing primarily life and

			health business and with no presence in the US. Under the Hong Kong Insurance Authority's group-wide supervisory regime we are subject to a range of group-wide supervisory requirements, including Pillar 1 Group capital requirements based on the Local Capital Summation Method (LCSM), which is a method that aggregates local statutory available and required capital without modification by scalars. Criterion 1.1 requires that the ICS and AM results "are significantly correlated". We do not believe that Criterion 1.1 is legitimately a criterion for assessing whether HLP is satisfied or not but rather a restatement of the principle itself. For clarity and efficiency of exposition, we therefore suggest the IAIS consider deleting Criterion 1.1 as it adds nothing of substance to assessing comparability.
18. The Actuarial Society of Hong Kong	Hong Kong	No	**Answer:** The mission of the Actuarial Society of Hong Kong ("ASHK") is "representing, developing and inspiring the actuarial profession in Hong Kong to serve the public interest". Our comments are therefore made from the point of view of an actuarial professional body based in Hong Kong. Under the Hong Kong Insurance Authority's (HKIA's) group-wide supervisory large multinational Hong Kong-headquartered insurance groups (including IAIG's) are subject to a range of group-wide supervisory requirements, including Pillar 1 capital requirements based on the Local Capital Summation Method (LCSM), which is an aggregation method. Criterion 1.1 seems to be a restatement of HLP1. We have no objection since our understanding is that the HLP's themselves are not subject to modification. We note, however, that judgment will be required to assess "significance" and advise against an overly mathematical interpretation.
19. International Actuarial Association	International	No	**Answer:** The IAA is concerned that the data collected over the monitoring period is insufficient for the use of this criterion. Business cycles vary in length and can vary over time, so a robust evaluation of the AM vis-à-vis the ICS would require evaluation of multiple business cycles. In addition, the monitoring period includes two unusual shocks that make the current business cycle very atypical. Those shocks are the COVID pandemic as well as the Ukraine invasion. The current climate change initiatives also make the current business cycle unique. Capital requirements derived from both regimes (ICS and AM) should be risk sensitive in particular to stressed conditions. Therefore, the IAA regards correlated behaviour in the current business cycle as a necessary condition for comparability, but the current business cycle should not be taken as a representative one. It might be useful to try to write what the word "short term (market fluctuation)" means more clearly.

20. Verbond van Verzekeraars	Netherlands	No	**Answer:** The Dutch Association of Insurers supports a technical analysis of the degree of correlation between the AM and ICS results. However, criterion 1 needs to be elaborated to clarify how the IAIS will use the results from the technical analysis to evaluate if the required level of correlation is achieved. Currently, criterion 1.1 only describes the IAIS's approach to the assessment of correlation and thus is insufficient to guide the technical analysis and the IAIS's judgement. For it to serve as a real criterion and to avoid it enabling a black-box exercise, it must specify: - the characteristics of the correlation determination and provide sensitivity analysis linked to methodological choices, eg, on the reference period used and the weight of significant data points; - a description of scenarios and sensitivity analysis; and, - the minimum required level of correlation which is defined as "significant". The ICS trigger for supervisory action is the PCR breach, which should be the outcome-equivalent measure for the comparability assessment. Analysis of the correlation between the points of the PCR breach should be explicitly included in the criteria. The exclusion of short-term market fluctuations does not appear to make sense. Analysis under scenarios with short-term fluctuations (for example of the type seen during the 2007-2013 financial crisis) seems in fact to be one of the key areas for comparison as it might lead to different triggers for supervisory action. The IAIS needs to clarify what is meant by business cycle. At present, this is not clear. For example, it could mean that scenarios representing the full range of economic situations and claims events should be covered by the analysis. Or it could imply some averaging of the outcomes that would not be appropriate. Scenario analysis should include as many scenarios as needed and be based on essential data gathered from volunteer companies. Beyond this, using simplified modelled companies to make ancillary analysis can be considered beneficial to the robustness of the assessment.
22. DGSFP	SPAIN	No	**Answer:** The comparison between the AM and ICS must be done on the basis of results of capital requirements calculations, and not only trends. Correlations between both methods have to be strictly assessed, and the condition of "similar" changes has to be further detailed. Otherwise there will be no clear and useful conclusions on the comparability of the two methods. The notion of "business cycle" is too vague to ensure an assessment of the identical sensitivity of both models, and excluding short term market fluctuations would lead to misleading conclusions. The determination of the correlation should be specified, and sufficient data series have to be used to be able to draw conclusions.

24. NN Group	The Netherlands	No	**Answer:** NN Group supports a technical analysis of the degree of correlation between the AM and ICS results. However, criterion 1 needs to be elaborated to clarify how the IAIS will use the results from the technical analysis to evaluate if the required level of correlation is achieved. Currently, criterion 1.1 only describes the IAIS's approach to the assessment of correlation and thus is insufficient to guide the technical analysis and the IAIS's judgement. For it to serve as a real criterion and to avoid it enabling a black-box exercise, it must specify: - the characteristics of the correlation determination and provide sensitivity analysis linked to methodological choices, eg, on the reference period used and the weight of significant data points; - a description of scenarios and sensitivity analysis; and, - the minimum required level of correlation which is defined as "significant". The ICS trigger for supervisory action is the PCR breach, which should be the outcome-equivalent measure for the comparability assessment. Analysis of the correlation between the points of the PCR breach should be explicitly included in the criteria. The exclusion of short-term market fluctuations does not appear to make sense. Analysis under scenarios with short-term fluctuations (for example of the type seen during the 2007-2013 financial crisis) seems in fact to be one of the key areas for comparison as it might lead to different triggers for supervisory action. The IAIS needs to clarify what is meant by business cycle. At present, this is not clear. For example, it could mean that scenarios representing the full range of economic situations and claims events should be covered by the analysis. Or it could imply some averaging of the outcomes that would not be appropriate. Scenario analysis should include as many scenarios as needed and be based on essential data gathered from volunteer companies. Beyond this, using simplified modelled companies to make ancillary analysis can be considered beneficial to the robustness of the assessment.
25. acli	U.S.A.	No	**Answer:** ACLI believes that criteria 1.1 and 1.2 would likely preclude AM comparability from both analytical and operational perspectives: First, from an analytical standpoint, the proposed IAIS criteria significantly narrows the definition of "comparability" to mean "significantly correlated." This overly restrictive reliance on "correlation" belies the definition of "comparability" as "the fact or quality of being similar and able to be compared." In other words, two measures should be considered comparable if they can be placed side-by-side, with differences attributed to identifiable factors. Put simply, the IAIS objective to base its assessment strictly on correlation - or, the statistical co-movement of AM and ICS ratios across scenarios - ignores the more prudentially relevant concept of causality, or an identification of the factors driving a given measure and the resultant actions by supervisors in weighing solvency information. The focus on "significant

			correlation" is thus both rigid (since measures based on distinct methodologies are unlikely to behave in the same manner across all situations) and, by the same token, incomplete (in that it does not reflect the true definition of "comparability" that considers a comprehensive and diverse range of substantive factors). From an operational standpoint, many insurance groups do not currently have systems in place to project ICS across scenarios and over the business cycle and attempting to perform such projections on a one-off basis will be orders-of-magnitude more resource-intensive than a baseline ICS run. This challenge is exacerbated by the compressed timeframe for the comparability assessment. The contemplated comparability assessment is a multi-stage process. First, the IAIS needs to design and parameterize relevant scenarios. Companies then need to generate the required analysis and submit the data to the IAIS. Finally, the IAIS evaluates the submitted data to make the final assessment. For life business, the IAIS is requesting that scenarios be standardized and include changes to equity values, interest rates, credit spreads, mortality rates and lapse rates. ACLI has developed alternatives to the proposed volunteer data collection that are operationally feasible; reflect the more comprehensive definition of "comparability"; and provide meaningful group solvency information to inform supervisory actions and outcomes.
26. Institute and Faculty of Actuaries	United Kingdom	No	**Answer:** 1. The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the International Association of Insurance Supervisors' (IAIS) consultation on ´Public Consultation on the draft criteria that will be used to assess whether the Aggregation Method provides comparable outcomes to the Insurance Capital Standard´. 2. In developing our response, we have drawn input from the IFoA Life Board and Life Standards and Consultation Committee. Should you wish to discuss any of the points raised in this submission in more detail please contact Steven Graham, IFoA Policy Manager, steven.graham@actuaries.org.uk in the first instance. 3. The IFoA supports the IAIS's ultimate goal of a single Insurance Capital Standard (ICS) that achieves comparable outcomes across jurisdictions. This consultation is seeking perspectives and technical input on various parameters set out in the consultation. We provide a perspective that we hope you find helpful as you analyse and reflect on the technical input provided by market participants. The remainder of this submission focusses on our substantive points. 4. Definition of "significantly correlated': The correlation between the ICS and AM results is unlikely to remain static. An overly rigid or narrow interpretation of "significantly correlated' within the meaning of HLP 1 could therefore make it difficult for HLP 1 compliance to be maintained over time. Structural changes in IAIGs business mix, investment strategy or approach to risk management could affect the nature of the correlation between AM and ICS results; and the quantum of change that may be considered to meet the "significantly correlated' test. A sufficiently flexible interpretation of "significantly correlated' could be helpfully used by supervisors to, e.g. take account of local specificities, insights or knowledge for the purpose of demonstrating compliance against HLP 1.

27. Allstate Insurance Company	United States	No	**Answer:** We believe that criterion 1.1 is redundant with HLP 1, as the only phrase added to criterion 1.1 that is different than HLP 1 is "(as per the sensitivity analysis referenced in criterion 1.3)." Criteria 1.2 and 1.3 are the supporting criteria that explain how HLP 1 would be met. We propose that IAIS delete criterion 1.1.
28. American Academy of Actuaries	United States	No	**Answer:** We suggest that criterion 1.1 should be more clear in terms of whether it is forward-looking or based on historical information ("backward looking"). It is possible that existing monitoring period results could help assess correlation on a backward-looking basis. However, the monitoring period alone seems unlikely to constitute a business cycle. For a hypothetical forward-looking analysis, if "business cycle" is considered the same as an "economic cycle," the assessment period should cover the length of the economic cycle (expansion, peak, contraction, trough). We suggest adding clarity on the meaning of "business cycle," which we believe should cover a long enough period to avoid short term or temporary distortions. Historically, the length of business/economic cycles varies, but the average has been roughly five years. This may be a reasonable minimum for purposes of this assessment.
29. Liberty Mutual Insurance Group	United States	No	**Answer:** Liberty Mutual appreciates the opportunity to comment on the consultation. As a preliminary matter, while we agree that capital is a necessary component of any solvency regime, Liberty Mutual continues to believe the proposed "reference ICS" remains flawed and has significant limitations, including but not limited to: 1) its failure to take into account jurisdictional differences in regulatory regimes and markets; 2) its inability to properly address long-term guarantee products; 3) its pro-cyclicality; 4) its incompatibility with globally accepted financial accounting systems; and 5) its disguising of risk within entities and among entities due its top-down consolidated approach. Further, the proposed ICS is no longer relevant as a purported global capital standard. Several of the largest jurisdictions, including the U.S, Europe, and the U.K., have instituted group capital regimes that differ (in some cases substantially) from the proposed ICS. Importantly, the EU, UK, and the U.S., three of the largest insurance markets, have entered into agreements that go into full effect this fall that recognize their respective group capital regimes. Finally, global insurance markets under existing capital and regulatory regimes have withstood a historic real-life stress

			the past several years with the COVID-19 pandemic, which was a significant and potentially systemic insurance shock. At its core, the role of the IAIS and any standards it develops is to ensure insurance regulatory efficacy and safe and solvent global insurance markets. As explained above, the question of regulatory efficacy has already fundamentally been answered in the largest insurance markets by the adoption and recognition of their existing jurisdiction specific capital regimes. As such, events have overtaken the agreements made in Kuala Lumpur and Abu Dhabi to such a degree that the comparability exercise is moot. Moreover, comparability seeks to answer the wrong question, as the evaluation compares one standard to another, rather than seeking to answer the more critical question of whether each standard provides an appropriate level of policyholder and solvency protection. Whether one standard looks the same, or performs the same, as another from a quantitative perspective is not relevant if one or both do not provide appropriate protection. By the same token, whether they operate the same is not important if both meet regulatory needs and protect policyholders. Even assuming, arguendo, a comparability process was appropriate, the proposed approach is fundamentally and fatally flawed. First, the proposed comparability framework inappropriately favors the ICS, and assumes the ICS is an appropriate baseline standard, despite the fact it is untested under actual market conditions, and notwithstanding its significant limitations (described above). Second, the criteria inappropriately narrow the question of regulatory effectiveness to capital alone, and completely ignore that the AM fits harmoniously into a broader solvency system that includes multiple regulatory tools. To view the AM in isolation of other tools that may exist such as entity level risk-based capital standards, investment limitations, examination protocols, hazardous financial condition triggers, licensing authorities, an effective resolution framework (which several IAIS jurisdictions do not have), and a guaranty fund system (which also is noticeably absent from several jurisdictions' insurance regulatory regimes) mistakenly assumes that effective solvency supervision can rest its laurels solely on capital. Third, the proposed criteria fail to focus on ensuring similar supervisory outcomes as part of coordinated solvency oversight, taking into consideration all the components of that oversight, as described above. An appropriate definition of "comparable outcomes" should emphasize the qualitative nature of the supervisory action that is initiated by the application of a particular comprehensive methodology, not simply a quantitative comparison of the results produced by just one piece of that methodology (i.e., a measurement of capital). Fourth, the draft criteria over-emphasize quantitative calculations as the primary, if not controlling or even the exclusive, factor as to whether the AM will be comparable with the ICS. As noted above, we believe the substantive approach to

			group capital in the ICS is flawed, is fundamentally different than the AM, and is recognized by U.S. regulators and policymakers as not fit for purpose in the U.S. market. Any comparison between the AM and the ICS based on a quantitative analysis would be a false one. Fifth, the criteria also appear to condition comparability on company participation in the process. That is entirely inappropriate. This is a standard setting process, not a supervisory process, and therefore does not require company specific information of the type contemplated. There are plenty of ways to analyze the two standards absent company-provided data. Some have proposed dummy balance sheets. At least in the U.S., there are also copious amounts of statutory data, not to mention public filings. Finally, the AM is based on the U.S. functional regulatory regime, particularly the U.S. insurance legal entity regime. The specifications of the U.S. regulatory regime are well-known and can be obtained from public sources (not to mention directly from the NAIC or other U.S. IAIS members). In light of the considerations set forth above, Liberty Mutual believes the IAIS should move expeditiously either: 1) to abandon the comparability process and acknowledge the regulatory efficacy of the current jurisdictional capital regimes of its largest members, or 2) to declare the AM is comparable to the yet to be adopted ICS. IAIS resources should also be more appropriately directed towards educating IAIS members about the design of the AM (and any other adopted and recognized alternative capital approaches), its merits and how best to interpret its results to ensure constructive supervisory communication. Notwithstanding and in recognition of the above perspective, Liberty Mutual's views on the specific criteria are largely aligned with those of the broader U.S. Property and Casualty industry. Nevertheless, set forth below are our comments on certain of the criteria. Turning specifically to criterion 1.1, Liberty Mutual agrees that if there is to be a comparability assessment, it should be responsive to changes over business cycles, rather than at each point in time and that the assessment should consider results over time rather than in response to temporary market movements. However, it is unnecessary for results to be "correlated." The focus should be on how a supervisor reacts to the information provided by the methodology as a matter of supervisory judgment, not whether the internal workings of the AM or any other ICS-comparable methodology are "correlated" with respect to any economic or financial market conditions. The incompatibility of the ICS with existing insurance accounting systems and the resulting challenges in auditing a group's financial position under the ICS further complicates the possibility of "correlated" results.
30. National Association of Mutual Insurance Companies	United States	No	**Answer:** The draft criteria for High Level Principle 1 are wholly vague and subject to not only wide application but also politicization and a starting point which tilts all wheels impermissibly against the AM, seemingly predetermining a failure of the comparison.

			The terms "significantly correlated," "business cycle," and "short term market fluctuations are poorly defined and could be subject to many different interpretations. Further, determining whether the two methodologies are comparable has been narrowed based on how someone may interpret the term "significantly correlated." Combine this with the fact that the beginning points - the valuation of assets and liabilities - are quite distinct between methodologies, adding not only complexity, but in our estimate, precluding the AM at the outset. We also have concerns that the meaning and final definitions of these terms won't come until later in the process, perhaps too late to provide adequate stakeholder input. Given these concerns, we believe this would result in a process that would ultimately preclude the AM from being deemed outcomes equivalent to the ICS. There has been a significant amount of data collected already through field-testing and now the monitoring period and this creates a significant reporting burden. Future data requests, particularly around sensitivity analysis will increase the reporting burden without the benefit of learning anything new about whether these two methods can be comparable in the first place. Alternatively, interim progress reports based on the data already collected could go a long way to understanding potential results of the comparability analysis. Some have suggested that the term "significantly correlated" is a concept that could be tested in the interim based on the data already collected. NAMIC would be interested in learning more about what the IAIS has gleaned from the data and analysis already completed that could be shared publicly and that would assist in understanding the key components - scenario and sensitivity analysis - to be used to assess comparability. Finally, the acknowledgement in the Explanatory Note that the task to design a comparability assessment is complex because "the ICS and the AM framework are methodologically and conceptually quite distinct" is well understood; however, given the limiting nature of terms like "significantly correlated" and differing starting points (Market-Adjusted Valuation vs. Statutory Accounting or GAAP+) we believe this complicates the exercise further and could open it up to continuing changes in interpretations, weakening the overall process. Accordingly, NAMIC asserts that the framework and methodology is irrelevant when conducting a comparability evaluation. What is important is whether the result is comparable as a regulatory tool, given jurisdictional differences. The IAIS should eliminate this criterion because it narrows how comparability will be assessed and precludes the AM at the outset.
31. RAA	United States and many other jurisdicitons	No	**Answer:** The RAA is very concerned with HLP 1 generally and criteria 1.1 and 1.2 in particular because as drafted it would preclude AM comparability with the ICS. These criteria conflict with the IAIS commitment dating back to the K-L agreement in 2019 that that the AM is neither precluded at the outset as an outcome equivalent approach to the ICS for measuring group capital, nor given a free pass. Criteria 1.1 requires that the AM and ICS results are significantly correlated in response to changing market conditions

			over the business cycle. While the language states that the quantum of change may differ, any reasonable interpretation of "significantly correlated," which is a statistical concept, would require that the AM and ICS change together at an all but constant rate and have a linear relationship. Such a standard also implies that it will be possible to achieve a significant degree of granular precision in the estimates of the AM and ICS capital ratios, which is not supported by the results of prior ICS or AM field testing. Given the recognition that the IAIS correctly makes that the AM uses a significantly different accounting and valuation models, we see no possibility that a reasonable interpretation of these two criteria could result in a determination of comparability among the ICS and the AM.
32. Chubb	US	No	**Answer:** Please refer to final question for Chubb commentary
33. American Property Casualty Insurance Association	USA	No	**Answer:** The American Property Casualty Insurance Association (APCIA) is pleased to respond to the IAIS draft criterion to assess whether the Aggregation Method (AM) produces comparable outcomes to the Insurance Capital Standard (ICS). APCIA is the primary U.S. trade association for home, auto, and business insurers. The association promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members represent all sizes, structures, and regions–protecting families, communities, and businesses in the U.S. and across the globe. Notably, APCIA's membership includes four US-based IAIGs. Unfortunately, the draft criteria, both individually and read as a whole, preclude at the outset a finding that the AM produces comparable outcomes to the ICS, due to the overly restrictive criterion regarding representativeness of the sample, and because the criteria's apparent focus on a quantitative assessment of whether solvency ratios involving two separate constructs are significantly correlated, notwithstanding that it is well known that those constructs are fundamentally different in some key respects. Secondly, the process whereby U.S. volunteers would be required to test scenarios to evaluate the AM and ICS would require a prohibitive expenditure of company resources. This also ignores the ample data that the IAIS has amassed over years of field testing and the monitoring period, and which can be harnessed to evaluate differences between the AM and ICS. Finally, we believe the comparability assessment must be both quantitative and qualitative. The assessment must consider the differing solvency frameworks in which the AM and ICS reside and the timing at which supervisory actions may be taken within those frameworks. Without redrafting the base criteria to take these concerns into account, the comparability process can only lead to a predictable outcome that the AM is not comparable to the ICS (which is incomplete itself and with known flaws). APCIA is quite concerned about criterion 1.1, both because of the use of critical terms that are not defined, and

			because it will very likely preclude the AM from being assessed as comparable to the ICS at the outset. Even if those terms are defined, we still do not see the scenario analysis as a viable way forward for the comparability analysis. Aside from the large burden it would place on participating groups to model the scenarios, scenario analysis invokes a degree of judgment in selecting scenarios; differentiating those that are deemed short-term from long-term would seem arbitrary. We believe the IAIS has already gathered much information during the monitoring period that can be the linchpin for a more pragmatic way forward. We see little mention of utilizing that data in the proposed criterion. Regarding the term "Business cycle", the consultation document does not define the term. The U.S. Federal Reserve Board defines this term as "the "ups and downs" in economic activity, defined in terms of periods of expansion or recession." The "National Bureau of Economic Research has designated nine business cycles over the years from 1945 to 1991. During this period, the average business cycle lasted about five years; the average expansion had a duration of a little over four years, while the average recession lasted just under one year." Much of the life and retirement insurance business is long-term in nature, certainly by comparison to a five-year average business cycle. Even some non-life insurance business in the U.S. is long-term. We also note that the term "business cycle" must be read in the consultation document in the context of the use of the phrase "short-term market fluctuations," which also is not defined. Both terms imply analysing results over some extended period of time, whereas the comparability analysis now seems settled on using data as of a point in time and applying the scenarios to hypothetically replicate what results over time might look like. Whether a business cycle is considered to be five years or otherwise implies that a decision will be arbitrarily made to exclude one or more scenarios on the basis that they are assumed to be short-term, and include others as presumed to be long-term. The consultation document provides a sense of what those scenarios might be but remains unclear on what they actually will be. Moreover, the proposed scenario approach promises a significant additional burden on firms that can be largely avoided by referring to data that has already been collected, both in the monitoring period as well as field testing (as to the latter, one example is the aggregation-based baseline proxy group capital measure that is quite similar to the AM and that has been reported by U.S. groups in field testing, and which continues to be reported during the monitoring period). The IAIS' explanatory note states that the definitions of "business cycle" and "short-term market fluctuations" are "issues that the IAIS will return to after the development of scenarios for the sensitivity analysis," suggesting that the IAIS will decide their meaning at some undefined later time. Given the fundamental implications those definitions will surely have on the comparability assessment process and its results, stakeholders should not only have an opportunity for input on those definitions but also to be able do so earlier in the process. There is no opportunity to do so in the ICS project plan.

			"Significantly correlated" is also not defined per se; rather, a possible definition is only implied by analogy to how it might be exhibited in or assessed from the data underlying the analysis. For example, "…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" adding "(as per the sensitivity analysis referenced in criterion 1.3)" and also adding "based on multiple points in time over the business cycle." We also note that criterion 5.2.d expects "correlation between the solvency ratios of the representative sample and the solvency ratio for all US (or other interested jurisdictions) IAIGs." "Correlation" is a technical term that has a precise definition in the fields of mathematics and statistics. It is a concept that can be quantifiably and statistically measured, i.e., as a correlation coefficient with a resulting value that can range from -1 to +1. Any value greater than 0 indicates a degree of positive correlation, with a result of +1 meaning perfect correlation. Conversely, any value less than 0 indicates a degree of non-correlation with a result of -1 indicting perfect non-correlation. Our concern is that "significantly correlated" implies a value much closer to +1 than to 0, and that where it should be in that range will be a continued source of disagreement among IAIS members. There are members who will insist on a degree of comparability/correlation that is simply unreasonable, particularly in light of what the IAIS has acknowledged, i.e., that the "ICS and the AM framework are methodologically and conceptually quite distinct." Given (1) the fundamental differences between the ICS and the jurisdictional-based data that underlies the AM, particularly for regimes like the U.S. where a significant portion of assets and liabilities are reported at book value rather than on a market-adjusted basis, and (2) the "significantly correlated" requirement of this criterion, it is difficult to comprehend how the AM of U.S.-based groups would not be precluded from being comparable to the ICS at the outset. That said, as a trade organization and stakeholder, we are not privy to the data that has been reported by firms to the BIS. We believe that existing data at the BIS - specifically, the baseline proxy group capital measure and the calculated ICS for U.S. groups reported during field testing, and the calculated ICS and AM reported during the monitoring period to date -- can be informative as to whether there is a reasonable chance that the AM could be found to be "significantly correlated" to the ICS, or even more prudent than the ICS. If it cannot be foreseen that there is a reasonable chance that the AM is significantly correlated to the ICS, then there is no point in putting U.S. firms and supervisors through this exercise, and it should be clear that a more viable approach to determining comparability should be found.
Q2 Comment on criterion 1.2			
34. Great Eastern Holdings	Asia	No	**Answer:** Nil.

35. Actuarial Association of Europe	Europe	No	**Answer:** The Actuarial Association of Europe is concerned about Criterion 1.2 as it will not ensure that the PCR under the AM would be breached at similar points under all possible financial market and insurance risk scenarios as its PCR under the ICS. It seems a pure co-movement analysis. Moreover, short-term market fluctuations are a reality that must be included in the assessment. The freedom to choose and exclude points "over the business cycle entails the potential to suppress "short term fluctuations".
36. Insurance Europe	European Union	No	**Answer:** The new reference to "direction" as another key element in technical analysis of the correlation of results is a positive addition. However, as currently drafted, the criteria would still allow inconsistent outcomes between the ICS and AM. Even when the direction of travel is the same, supervisory actions may be triggered at different points in time, and result in a lack of comparability. Therefore, significant correlation should not be recognised if the timing of supervisory action is different. The high-level principles and/or criteria should be updated to include the comparability of PCR breaches and supervisory triggers and to make clear that "the AM should trigger supervisory action no later than the ICS". The reference to the risk of false indications due to short-term market fluctuations in criterion 1.2 and the proposal to attempt to exclude such impacts is very concerning because short-term market fluctuations could lead to supervisory action. If either the ICS or AM shows sensitivity to market movements that would create false indications of solvency, then this is a fault in the design/calibration of those measures and should be fixed by improving the measure and not ignored by the analysis. Comparability criteria should not be tweaked to bypass problems inherent in a framework.
37. Reinsurance Advisory Board	European Union	No	**Answer:** The new reference to "direction" as another key element in technical analysis of the correlation of results is a positive addition. However, as currently drafted, the criteria would still allow inconsistent outcomes between the ICS and AM. Even when the direction of travel is the same, supervisory actions may be triggered at different points in time, and result in a lack of comparability. Therefore, significant correlation should not be recognised if the timing of supervisory action is different. The high-level principles and/or criteria should be updated to include the comparability of PCR breaches and supervisory triggers and to make clear that "the AM should trigger supervisory action no later than the ICS". The reference to the risk of false indications due to short-term market fluctuations in criterion 1.2 and the proposal to attempt to exclude such impacts is very concerning because short-term market fluctuations could lead to supervisory action. If either the ICS or AM shows sensitivity to market movements that would create false indications of solvency, then this is a fault in the design/calibration of those measures and should be fixed by improving the measure and not ignored by the analysis. Comparability criteria should not be tweaked to bypass problems inherent in a framework.

38. Axa	France	No	**Answer:** We consider that allowing the "quantum of change", the "direction", and responsiveness between the ICS and the AM to differ can lead to cases where the change in one method (be it ICS or AM) would lead to supervisory actions (eg supervisory intervention, limitations on dividend distributions) and the other would not. Clearly such a scenario, which is contrary to what is envisaged in the definition of comparable outcomes, could not be considered a global, comparable, consistent approach to prudential supervision and defeat the overall purpose of an ICS. Using terminology such as short-term market fluctuations is misleading. As noted above, it can be short-term market fluctuations that lead to supervisory actions in some cases and therefore ignoring these leads to important differences in supervisory actions between ICS and AM. It would defeat the notion of comparability. It is also not clear why short-term fluctuations may provide false indications as they are equally relevant to determine a frameworks' responsiveness. Under ICS and any similar market value-based framework short-term fluctuations may trigger supervisory action. It is unclear why the ICS is completely calibrated in detail to capture short term market fluctuations and using a capital framework based on a 1-year horizon, as a minimum framework, but for the AM comparability this key element would be completely ignored. Using the term "business cycle" as a reference comparison timeframe is also misleading.
39. BNPPARIBAS CARDIF	France	No	**Answer:** On top of the concern expressed in comment to 1.1, we consider that allowing the "quantum of change", the "direction", and responsiveness between the ICS and the AM to differ can lead to cases where the change in one method (be it ICS or AM) would lead to supervisory actions (e.g. supervisory intervention, limitations on dividend distributions) and the other would not. Clearly such a scenario, which is contrary to what is envisaged in the definition of comparable outcomes, could not be considered a global, comparable, consistent approach to prudential supervision, and defeat the overall raison d'être of an ICS. If the quantum of change may differ without any clarity on the range, there cannot be any real comparability established. If the AM is much less responsive in terms of quantum (or even in direction) than supervisory action may not be triggered where it would be under the ICS. As noted above, it can be short-term market fluctuations that lead to supervisory actions in some cases and therefore ignoring these leads to important differences in supervisory actions between ICS and AM. It would defeat the notion of comparability. Also, non-life business is usually short(er)-term and should not be excluded from a proper comparability assessment as a result of this criterion. It is also not clear why short-term fluctuations may provide false indications as they are equally relevant to determine a frameworks' responsiveness. Under ICS and any similar market value-based framework short-term fluctuations may trigger supervisory action. It is unclear why the ICS is completely calibrated in detail to capture short term market fluctuations and using a capital framework based on a 1-year horizon, as a minimum

			framework, but for the AM comparability this key element could be completely ignored when it is more relevant. Using the term "business cycle" as a reference comparison timeframe is also misleading, not least due to 1) the various perspectives of research on this term and 2) the global context. Clearly, an objective comparability cannot be assessed on the basis of such a vague term. The analysis of correlation should be based on the dates of supervisory reporting as well as at the point in time of the sensitivity analysis.
40. CNP Assurances	France	No	**Answer:** On top of the concern expressed in comment to 1.1, we consider that allowing the "quantum of change", the "direction", and responsiveness between the ICS and the AM to differ can lead to cases where the change in one method (be it ICS or AM) would lead to supervisory actions (e.g. supervisory intervention, limitations on dividend distributions) and the other would not. Clearly such a scenario, which is contrary to what is envisaged in the definition of comparable outcomes, could not be considered a global, comparable, consistent approach to prudential supervision, and defeat the overall raison d'être of an ICS. On top of the concern expressed in comment to 1.1, we consider that allowing the "quantum of change", the "direction", and responsiveness between the ICS and the AM to differ can lead to cases where the change in one method (be it ICS or AM) would lead to supervisory actions (e.g. supervisory intervention, limitations on dividend distributions) and the other would not. Clearly such a scenario, which is contrary to what is envisaged in the definition of comparable outcomes, could not be considered a global, comparable, consistent approach to prudential supervision, and defeat the overall raison d'être of an ICS. If the quantum of change may differ without any clarity on the range, there cannot be any real comparability established. If the AM is much less responsive in terms of quantum (or even in direction) than supervisory action may not be triggered where it would be under the ICS. As noted above, it can be short-term market fluctuations that lead to supervisory actions in some cases and therefore ignoring these leads to important differences in supervisory actions between ICS and AM. It would defeat the notion of comparability. Also, non-life business is usually short(er)-term and should not be excluded from a proper comparability assessment as a result of this criterion. It is also not clear why short-term fluctuations may provide false indications as they are equally relevant to determine a frameworks' responsiveness. Under ICS and any similar market value-based framework short-term fluctuations may trigger supervisory action. It is unclear why the ICS is completely calibrated in detail to capture short term market fluctuations and using a capital framework based on a 1-year horizon, as a minimum framework, but for the AM comparability this key element could be completely ignored when it is more relevant. Using the term "business cycle" as a reference comparison timeframe is also misleading, not least due to 1) the various perspectives of research on this term and 2) the global context. Clearly, an objective comparability cannot be assessed

			on the basis of such a vague term. The analysis of correlation should be based on the dates of supervisory reporting as well as at the point in time of the sensitivity analysis.
41. COVEA	FRANCE	No	**Answer:** On top of the concern expressed in comment to 1.1, we consider that allowing the "quantum of change", the "direction", and responsiveness between the ICS and the AM to differ can lead to cases where the change in one method (be it ICS or AM) would lead to supervisory actions (e.g. supervisory intervention, limitations on dividend distributions) and the other would not. Clearly such a scenario, which is contrary to what is envisaged in the definition of comparable outcomes, could not be considered a global, comparable, consistent approach to prudential supervision, and defeat the overall raison d'être of an ICS. If the quantum of change may differ without any clarity on the range, there cannot be any real comparability established. If the AM is much less responsive in terms of quantum (or even in direction) then supervisory action may not be triggered where it would be under the ICS. As noted above, it can be short-term market fluctuations that lead to supervisory actions in some cases and therefore ignoring these leads to important differences in supervisory actions between ICS and AM framework. It would therefore defeat the notion of comparability. Also, non-life business is usually short(er)-term and should not be excluded from a proper comparability assessment as a result of this criterion. It is also not clear why short-term fluctuations may provide false indications as they are equally relevant to determine a frameworks' responsiveness. Under ICS and any similar market value-based framework short-term fluctuations may trigger supervisory action. It is unclear why the ICS is completely calibrated in detail to capture short term market fluctuations and using a capital framework based on a 1-year horizon, as a minimum framework, but for the AM comparability the priority should be consistency between what is used for the comparison and how will actually be implemented the ICS. Using the term "business cycle" as a reference comparison timeframe is also misleading, not least due to 1) the various perspectives of research on this term and 2) the global context. Clearly, an objective comparability cannot be assessed on the basis of such a vague term. The analysis of correlation should be based on the dates of supervisory reporting as well as at the point in time of the sensitivity analysis.
42. Credit Agricole Assurances	FRANCE	No	**Answer:** On top of the concern expressed in comment to 1.1, we consider that allowing the "quantum of change", the "direction", and responsiveness between the ICS and the AM to differ can lead to cases where the change in one method (be it ICS or AM) would lead to supervisory actions (e.g. supervisory intervention, limitations on dividend distributions) and the other would not. Clearly such a scenario, which is contrary to what is envisaged in the definition of comparable outcomes, could not be considered a global, comparable, consistent approach to prudential supervision, and defeat the overall raison d'être of an ICS.

			If the quantum of change may differ without any clarity on the range, there cannot be any real comparability established. If the AM is much less responsive in terms of quantum (or even in direction) than supervisory action may not be triggered where it would be under the ICS. As noted above, it can be short-term market fluctuations that lead to supervisory actions in some cases and therefore ignoring these leads to important differences in supervisory actions between ICS and AM. It would defeat the notion of comparability. Also, non-life business is usually short(er)-term and should not be excluded from a proper comparability assessment as a result of this criterion. It is also not clear why short-term fluctuations may provide false indications as they are equally relevant to determine a frameworks' responsiveness. Under ICS and any similar market value-based framework short-term fluctuations may trigger supervisory action. It is unclear why the ICS is completely calibrated in detail to capture short term market fluctuations and using a capital framework based on a 1-year horizon, as a minimum framework, but for the AM comparability this key element could be completely ignored when it is more relevant. Using the term "business cycle" as a reference comparison timeframe is also misleading, not least due to 1) the various perspectives of research on this term and 2) the global context. Clearly, an objective comparability cannot be assessed on the basis of such a vague term. The analysis of correlation should be based on the dates of supervisory reporting as well as at the point in time of the sensitivity analysis.
43. France Assureurs	France	No	**Answer:** On top of the concern expressed in comment to 1.1, France Assureurs considers that allowing the "quantum of change", the "direction", and responsiveness between the ICS and the AM to differ can lead to cases where the change in one method (be it ICS or AM) would lead to supervisory actions (e.g. supervisory intervention, limitations on dividend distributions) and the other would not. Clearly such a scenario, which is contrary to what is envisaged in the definition of comparable outcomes, could not be considered a global, comparable, consistent approach to prudential supervision and defeat the overall raison d'être of an ICS. If the quantum of change may differ without any clarity on the range, there cannot be any real comparability established. If the AM is much less responsive in terms of quantum (or even in direction) than supervisory action may not be triggered where it would be under the ICS. As noted above, it can be short-term market fluctuations that lead to supervisory actions in some cases and therefore ignoring these leads to important differences in supervisory actions between ICS and AM. It would defeat the notion of comparability. Also, non-life business is usually short(er)-term and should not be excluded from a proper comparability assessment as a result of this criterion. It is also not clear why short-term fluctuations may provide false indications as they are equally relevant to determine a frameworks' responsiveness. Under ICS and any similar market value-based framework short-term fluctuations may trigger supervisory action. It is unclear why the ICS is completely calibrated in

			detail to capture short term market fluctuations and using a capital framework based on a 1-year horizon, as a minimum framework, but for the AM comparability this key element could be completely ignored when it is more relevant. Using the term "business cycle" as a reference comparison timeframe is also misleading, not least due to 1) the various perspectives of research on this term and 2) the global context. Clearly, an objective comparability cannot be assessed on the basis of such a vague term. The analysis of correlation should be based on the dates of supervisory reporting as well as at the point in time of the sensitivity analysis.
44. French Treasury	France	No	**Answer:** One of the goals of the assessment is to verify that the change in one method (ICS or AM) would not lead to supervisory actions (supervisory intervention, limitations on dividend distribution) that would happen in the other method. Meeting this goal requires an accurate measure of both methods sensitiveness. Then, for the reasons already explained in Q1, the correlation of results must be compared both over the business cycle and on the short-run, on the basis of sufficient data series. On "business cycles", see our answer to criterion 1.1 on the shortcomings of this notion. Furthermore, the "quantum of change" should be almost identical to assess any comparability. In this regard, the current phrasing of criterion 1.2 leaves too much room for interpretation, and it cannot be plainly asserted that "quantum of change may differ". A clear limit to the acceptable range of quantum of change should be set before starting the assessment, so that the rules are made clear to every stakeholder of the exercise, and to enhance the legitimacy of the outcome. Moreover, the analysis based on multiple points should account for the core of the comparability analysis, and the analysis on the whole business cycle can only be a supplement. It is also not clear why short-term fluctuations may provide false indications as they are equally relevant to determine a frameworks' responsiveness. In conclusion, this criteria is not acceptable in its current form and cannot be endorsed.
45. Groupama	France	No	**Answer:** On top of the concern expressed in comment to 1.1, we consider that allowing the "quantum of change", the "direction", and responsiveness between the ICS and the AM to differ can lead to cases where the change in one method (be it ICS or AM) would lead to supervisory actions (e.g. supervisory intervention) and the other would not. Clearly such a scenario, which is contrary to what is envisaged in the definition of comparable outcomes, could not be considered a global, comparable, consistent approach to prudential supervision, and defeat the overall raison d'être of an ICS. If the quantum of change may differ without any clarity on the range, there cannot be any real comparability established. If the AM is much less responsive in terms of quantum (or even in direction) than supervisory action may not be

			triggered where it would be under the ICS. As noted above, it can be short-term market fluctuations that lead to supervisory actions in some cases and therefore ignoring these leads to important differences in supervisory actions between ICS and AM. It would defeat the notion of comparability. Also, non-life business is usually short(er)-term and should not be excluded from a proper comparability assessment as a result of this criterion. It is also not clear why short-term fluctuations may provide false indications as they are equally relevant to determine a frameworks' responsiveness. Under ICS and any similar market value-based framework short-term fluctuations may trigger supervisory action. It is unclear why the ICS is completely calibrated in detail to capture short term market fluctuations and using a capital framework based on a 1-year horizon, as a minimum framework, but for the AM comparability this key element could be completely ignored when it is more relevant. Using the term "business cycle" as a reference comparison timeframe is also misleading, not least due to 1) the various perspectives of research on this term and 2) the global context. Clearly, an objective comparability cannot be assessed on the basis of such a vague term. The analysis of correlation should be based on the dates of supervisory reporting as well as at the point in time of the sensitivity analysis.
46. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. The new reference to "direction" as another key element in technical analysis of the correlation of results is a positive addition. However, as currently drafted, the criteria would still allow inconsistent outcomes between the ICS and AM. Even when the direction of travel is the same, supervisory actions may be triggered at different points in time, and result in a lack of comparability. Therefore, significant correlation should not be recognised if the timing of supervisory action is different. The high-level principles and/or criteria should be updated to include the comparability of PCR breaches and supervisory triggers and to make clear that "the AM should trigger supervisory action no later than the ICS". The reference to the risk of false indications due to short-term market fluctuations in criterion 1.2 and the proposal to attempt to exclude such impacts is very concerning because short-term market fluctuations could lead to supervisory action. If either the ICS or AM shows sensitivity to market movements that would create false indications of solvency, then this is a fault in the design/calibration of those measures and should be fixed by improving the measure and not ignored by the analysis. Comparability criteria should not be tweaked to bypass problems inherent in a framework.
47. SOGECAP	FRANCE	No	**Answer:** On top of the concern expressed in comment to 1.1, we consider that allowing the "quantum of change", the "direction", and responsiveness between the ICS and the AM to differ can lead to cases where the change in one

			method (be it ICS or AM) would lead to supervisory actions (e.g. supervisory intervention, limitations on dividend distributions) and the other would not. Clearly such a scenario, which is contrary to what is envisaged in the definition of comparable outcomes, could not be considered a global, comparable, consistent approach to prudential supervision, and defeat the overall raison d'être of an ICS. If the quantum of change may differ without any clarity on the range, there cannot be any real comparability established. If the AM is much less responsive in terms of quantum (or even in direction) than supervisory action may not be triggered where it would be under the ICS. As noted above, it can be short-term market fluctuations that lead to supervisory actions in some cases and therefore ignoring these leads to important differences in supervisory actions between ICS and AM. It would defeat the notion of comparability. Also, non-life business is usually short(er)-term and should not be excluded from a proper comparability assessment as a result of this criterion. It is also not clear why short-term fluctuations may provide false indications as they are equally relevant to determine a frameworks' responsiveness. Under ICS and any similar market value-based framework short-term fluctuations may trigger supervisory action. It is unclear why the ICS is completely calibrated in detail to capture short term market fluctuations and using a capital framework based on a 1-year horizon, as a minimum framework, but for the AM comparability this key element could be completely ignored when it is more relevant. Using the term "business cycle" as a reference comparison timeframe is also misleading, not least due to 1) the various perspectives of research on this term and 2) the global context. Clearly, an objective comparability cannot be assessed on the basis of such a vague term. The analysis of correlation should be based on the dates of supervisory reporting as well as at the point in time of the sensitivity analysis.
48. Allianz SE	Germany	No	**Answer:** Supervisory action may be triggered at different points in time under AM and ICS in particular when considering a broad set of potential economic environments, which would be indicative of AM and ICS lacking comparability of outcomes. Any analysis should therefore not exclude short term market fluctuations and should not be averaged over the "business cycle". In order to avoid misunderstanding or false interpretation we suggest that "… on multiple points in time over the business cycle …" is more precisely defined, e.g., who decides on the duration of the business cycle, will the business cycle differ between segments (life, health, non-life) or even between lines of business, etc.
49. German Insurance Association	Germany	No	**Answer:** The new reference to "direction" as another key element in technical analysis of correlation of results is a positive addition, however, as currently drafted, the criteria would still allow inconsistent outcomes between the ICS and AM. Even when the direction of travel is the same, supervisory actions may be triggered at different point in time, and therefore a lack of comparability. Therefore, significant correlation should not be recognised if the timing of supervisory

			action is different. The high-level principles and/or criteria should be updated to include comparability of PCR breaches and supervisory triggers and to make clear that "the AM should trigger supervisory action no later than the ICS". The reference to the risk of false indications due to short term market fluctuations in criterion 1.2 and the proposal to attempt to exclude such impacts is very concerning because short-term market fluctuations could lead to supervisory action. If either of the ICS or AM shows sensitivity to market movements which would create false indications of solvency then this is a fault in the design/calibration of those measures and should be fixed by improving the measure and not ignored by the analysis. Comparability criteria should not be tweaked to bypass problems inherent to a framework.
50. AIA and Prudential plc	Hong Kong	No	**Answer:** The assessment criteria need to be developed with a view to how the assessment can be made in a more practical way. For example, while HLP1 refers to changing economic and financial market conditions over the business cycle, doing an analysis over "the business cycle" may be very challenging. As others have highlighted, "the business cycle" is not a well-defined term. Every business cycle is different. For example, since the beginning of the Monitoring Period the world has experienced an ongoing a global pandemic, a land war in Europe, unprecedented low interest rates, large swings in credit spreads and more recently the prospect of significantly rising interest rates. A historical review of ICS vs. AM/LCSM over this period would be challenging for practical reasons, including the fact that there have been significant changes in both the ICS and various local regimes as well as the sample of companies for which data is available not being consistent over time. However, even if such an analysis were to be undertaken this particular "business cycle" may not be considered sufficiently "typical" to reach a determination on comparability. The same will be true of any historical period. We therefore believe the better approach to assessing whether the ICS and AM/LCSM produce comparable outcomes "over the business cycle" is to agree a limited number of scenarios for sensitivity testing. As these analyses are resource intensive and time consuming for companies to undertake, only a limited number of scenarios will be feasible, and they should be designed to assess specific comparability criteria. Therefore, while in theory a comparison "over the business cycle" would give a strong test of comparability, we believe that the tools to assess whether this is the case must be practical and that testing a limited number of scenarios is the most practical approach. The scenarios may be designed as point in time sensitivities of the results or based on scenarios that unfold over a limited time horizon requiring projections of balance sheet and capital requirements. Unlike the US where the use of book values is prevalent, most of the Asian jurisdictions in which we do business use fair values for valuation of invested assets and a liability valuation method based on current interest rates, i.e., at a high level a form of market adjusted valuation. Similarly, capital requirements are generally based on "shocks" to the balance sheet rather than factors. We therefore expect that the LCSM values and ICS values would tend to be highly correlated over time, and there would therefore be limited value in tests based on projections into the future. Consider what would happen, for example, if hypothetically every local jurisdiction used the ICS for local solvency. The AM/LCSM and ICS would then clearly be highly correlated. There would only be two significant differences. First, the AM would be more conservative in that there would be no diversification benefit between jurisdictions. Second, this would be partially offset

			by the currency translation risk charge in the ICS, which has no counterpart in the AM/LCSM. (We have commented elsewhere that we do not believe the currency translation risk charge in the ICS is appropriate because changes in the reporting currency vs. the local currency in which the obligations are denominated generally do not affect the ability of the company to meet those obligations.) In the above hypothetical situation, we believe it would be clear that the AM/LCSM and ICS results are "significantly correlated" and that in fact the AM/LCSM is more conservative than the ICS. Equally, it would be clear that there is no need for a projection into the future. Criterion 1.2 refers to an assessment at "multiple points in time". Multiple points in time would seem to imply at dates in the past or projections into the future. We believe this would be unnecessarily burdensome and should be replaced by a limited number of scenarios at the valuation date with projections into the future only if necessary to demonstrate convergence of results at a future date.
51. The Actuarial Society of Hong Kong	Hong Kong	No	**Answer:** ASHK believes that criterion 1.2 is both not well defined and overly ambitious. It is not well defined in that the "business cycle" itself is not well defined. It is overly ambitious in that it refers to different points in time, which would seem to require projections or possibly historical comparisons of ICS and AM/LCSM results. Extensive projections are likely to be beyond the capabilities of many groups, while historical comparisons would need to be restated to recognize subsequent changes to both the ICS and local regimes. The tools to assess comparability must be practical and we suggest that testing a limited number of scenarios is a more practical approach. The scenarios should ideally be designed as point in time sensitivities with projections required only if low correlation is observed under the point in time result. Unlike the US where the use of book values is prevalent, most of the jurisdictions where Hong Kong headquartered IAIG's (and likely future IAIG's) do business using fair values for valuation of invested assets and a liability valuation method based on current interest rates, i.e., at a high level a form of market adjusted valuation. In fact, the ICS has been a major influence on the development of solvency regimes in Asia, most notably the recently developed Hong Kong RBC regime. We therefore expect that the AM/LCSM values and ICS values would tend to be highly correlated based on point in time sensitivities, and that projections might therefore be unnecessary. It seems clear that, to the extent local regimes mirror the ICS, comparability will be increased.
52. International Actuarial Association	International	No	**Answer:** As discussed in the comment on criterion 1.1, the IAA does not believe the data collected during the monitoring period is sufficient for the use of this criterion.
53. Verbond van Verzekeraars	Netherlands	No	**Answer:** The new reference to "direction" as another key element in technical analysis of the correlation of results is a positive addition. However, as currently drafted, the criteria would still allow inconsistent outcomes between the ICS and AM. Even when the direction of travel is the same, supervisory actions may be triggered at different points in time, and

			result in a lack of comparability. Therefore, significant correlation should not be recognised if the timing of supervisory action is different. The high-level principles and/or criteria should be updated to include the comparability of PCR breaches and supervisory triggers and to make clear that "the AM should trigger supervisory action no later than the ICS". The reference to the risk of false indications due to short-term market fluctuations in criterion 1.2 and the proposal to attempt to exclude such impacts is very concerning because short-term market fluctuations could lead to supervisory action. If either the ICS or AM shows sensitivity to market movements that would create false indications of solvency, then this is a fault in the design/calibration of those measures and should be fixed by improving the measure and not ignored by the analysis. Comparability criteria should not be tweaked to bypass problems inherent in a framework.
55. DGSFP	SPAIN	No	**Answer:** Similar comment as per Q1. Furthermore, the "quantum of change" should be almost identical to assess any comparability. Allowing the "quantum of change" to differ (HLP1) can lead the AM to not have the same level of prudence.
57. NN Group	The Netherlands	No	**Answer:** The new reference to "direction" as another key element in technical analysis of the correlation of results is a positive addition. However, as currently drafted, the criteria would still allow inconsistent outcomes between the ICS and AM. Even when the direction of travel is the same, supervisory actions may be triggered at different points in time, and result in a lack of comparability. Therefore, significant correlation should not be recognised if the timing of supervisory action is different. The high-level principles and/or criteria should be updated to include the comparability of PCR breaches and supervisory triggers and to make clear that "the AM should trigger supervisory action no later than the ICS". The reference to the risk of false indications due to short-term market fluctuations in criterion 1.2 and the proposal to attempt to exclude such impacts is very concerning because short-term market fluctuations could lead to supervisory action. If either the ICS or AM shows sensitivity to market movements that would create false indications of solvency, then this is a fault in the design/calibration of those measures and should be fixed by improving the measure and not ignored by the analysis. Comparability criteria should not be tweaked to bypass problems inherent in a framework.
58. acli	U.S.A.	No	**Answer:** ACLI believes that criteria 1.1 and 1.2 would likely preclude AM comparability from both analytical and operational perspectives: First, from an analytical standpoint, the proposed IAIS criteria significantly narrows the definition of "comparability" to mean "significantly correlated." This overly restrictive reliance on "correlation" belies the definition of "comparability" as "the fact or quality of being similar and able to be compared." In other words, two measures should be considered comparable if they can be placed side-by-side, with differences attributed to identifiable factors. Put simply, the IAIS

			objective to base its assessment strictly on correlation - or, the statistical co-movement of AM and ICS ratios across scenarios - ignores the more prudentially relevant concept of causality, or an identification of the factors driving a given measure and the resultant actions by supervisors in weighing solvency information. The focus on "significant correlation" is thus both rigid (since measures based on distinct methodologies are unlikely to behave in the same manner across all situations) and, by the same token, incomplete (in that it does not reflect the true definition of "comparability" that considers a comprehensive and diverse range of substantive factors). From an operational standpoint, many insurance groups do not currently have systems in place to project ICS across scenarios and over the business cycle and attempting to perform such projections on a one-off basis will be orders-of-magnitude more resource-intensive than a baseline ICS run. This challenge is exacerbated by the compressed timeframe for the comparability assessment. The contemplated comparability assessment is a multi-stage process. First, the IAIS needs to design and parameterize relevant scenarios. Companies then need to generate the required analysis and submit the data to the IAIS. Finally, the IAIS evaluates the submitted data to make the final assessment. For life business, the IAIS is requesting that scenarios be standardized and include changes to equity values, interest rates, credit spreads, mortality rates and lapse rates. ACLI has developed alternatives to the proposed volunteer data collection that are operationally feasible; reflect the more comprehensive definition of "comparability"; and provide meaningful group solvency information to inform supervisory actions and outcomes.
59. Institute and Faculty of Actuaries	United Kingdom	No	**Answer:** Whether, and if so, how to mitigate the reduced transparency that a flexible definition of "significantly correlated' may introduce - possibly in guidance setting out the broad parameters that supervisors may have regard - would need to be considered.
60. Allstate Insurance Company	United States	No	**Answer:** This criterion is currently written in such a way that comparability of AM to ICS may be precluded at the outset. In criterion 1.2, while it is described that direction and quantum (i.e., amount) of change will be considered and that the quantum of change may differ, what it means to be "significantly correlated" is not defined. Since IAIS has not defined "significantly correlated," it is possible that the AM is already precluded from being comparable to the ICS. Moreover, we believe this criterion is particularly troublesome due to the fundamentally different construction of the AM and ICS and the differing use of book and market values which likely would produce different results for a given short-term economic change, whereas, over longer periods they may still produce equivalent outcomes.
61. American Academy of Actuaries	United States	No	**Answer:** Same comment as Q1.

62. Liberty Mutual Insurance Group	United States	No	**Answer:** Criterion 1.2 properly considers multiple points in time over the business cycle but over-emphasizes the "quantum of change." Comparability should not be tied to quantifiable correlation, but rather the relative effectiveness of each approach in providing supervisors with meaningful and actionable information about a group's capital. That measurement should be measured over years -- not months, weeks or days -- to ensure short term volatility movements are not mistaken for more fundamental concerns.
63. National Association of Mutual Insurance Companies	United States	No	**Answer:** See Response to Criterion 1.1.
64. Northwestern Mutual	United States	No	**Answer:** We agree that the comparability assessment should reflect an appropriately long time horizon, including over the course of a full business cycle, to compare the AM and ICS. For long-duration products like those Northwestern Mutual offers, which commonly remain in force for multiple decades, it is crucial to compare the group capital measures over a sufficiently long period of time that captures a range of economic events and environments. When considering the data available within the ICS and AM field testing periods, it does not cover the course of a full business cycle, nor would it cover market stresses that may not have occurred recently. For example, even the recent experience of rising rates provides only a modest indication of rising rate/stagflation stresses which played out over numerous years in the 1970s and 1980s. As a result, in addition to any field testing data, we recommend the IAIS incorporate data, indicators, scenarios and modelling that represent longer time periods and broader potential economic environments. We note that criterion 1.3 considers sensitivity analysis within the scope of Volunteer Group data collections, and we provide further comments on that approach in that criterion. We also agree with the stated intent to avoid false indications due to short-term market fluctuations. As noted in the recently published report on the ICS by the Insurance Policy Advisory Committee of the Federal Reserve Board, the ICS can be "overly sensitive to short-term market conditions," which "could lead to inappropriate solvency signals." Because of this, we caution against relying on quantitative correlations at specific, and perhaps arbitrary, points in time. Therefore, we encourage the IAIS to consider a more general, or qualitative, approach when assessing the similarity of results under the ICS and the AM and to focus on how the ICS and AM perform over time, rather than at specific points in time.
65. RAA	United States and many other jurisdicitons	No	**Answer:** See comment in response to criterion 1.1 above. In Annex 1 of the consultation the IAIS recognizes that the concept of correlation over the business cycle is subjective and will need to be evaluated after the development of scenarios for the sensitivity analysis. As discussed elsewhere in the consultation, this analysis will require the measurement and testing of several scenarios, for current market

			conditions and for others representing different conditions and different points in time. This approach results in considerable uncertainty regarding the nature and amount of testing that will be required to meet a substantially correlated standard, and one that appears impossible to achieve. For U.S. non-life insurance groups who do not currently have systems in place to implement the ICS, they will have to model and project the ICS and AM under multiple scenarios to support the planned sensitivity analysis. This approach would entail a huge resource commitment by the U.S. non-life insurance industry, which is not available. Moreover, the IAIS' plan to conduct this testing and analysis is significantly compressed into a short time period from Q3 2023 Q2 2024 using 2023 data. This timeframe is not reasonable given the necessary resource commitment and is likely to significantly reduce participation from U.S. insurance groups.
66. American Property Casualty Insurance Association	USA	No	**Answer:** As to criterion 1.2, we have the same concerns as for criterion 1.1 about the lack of definition of the terms "correlation", "significant correlation", and "business cycle", as well as their potential implications to the assessment process. Please see APCIA's response to criterion 1.1. Criterion 1.2 seeks to assess comparability of the AM to the ICS both with respect to the direction of change and the amount ("quantum") of change. Aspirationally, this assessment approach would be fine if there were more assurance that the ICS itself would move in a direction and amount that could always be logically explained. On June 10, 2022, the Insurance Policy Advisory Committee (IPAC) to the Board of Governors of the Federal Reserve System in the U.S. issued a report entitled, "Potential Impact of the International Association of Insurance Supervisors' Insurance Capital Standard on the Life Insurance Industry, Policyholders and Markets in the United States." IPAC's findings include the following: - "The ICS, in its present form, does not appropriately reflect the product and risk-mitigation features of long-duration life insurance and retirement products sold in the U.S. and, perhaps just as important, it does not reflect how investment choices available in U.S. capital markets support such long-duration products." - "As currently constructed, the ICS would not be appropriate as a capital rule for U.S. based internationally active insurance groups. The ICS's market-adjusted valuation seeks to respond to structural changes in markets, such as a sustained low interest-rate environment. However, the ICS is overly sensitive to short-term market conditions, such as temporary movements in credit spreads and does not reflect several asset classes held by insurers in connection with long duration life insurance and retirement contracts. The ICS as currently constructed produces excessive conservatism and volatility into its required capital and excess capital indicators. As the report describes in detail, this could lead to inappropriate solvency signals and incentivize insurers to change product offerings and investments to

			minimize these effects, potentially creating a misalignment with actual underlying risks." - "The impact of "representative" spreads, application ratios and the average spread over risk-free calculation, applied under a non-parallel, decreasing-spread scenario, continued to provide a source of non-economic volatility. In contrast to the results of the 3.31.2020 scenario, the results for the 6.30.2020 scenario were much more severe relative to the significant improvement in market conditions in Q2 2020. This further reinforces the concerns around the ICS being able to provide a meaningful solvency signal with respect to US long-term business, during periods when there are large movements in market inputs." The report findings cited above do not address comparability with the AM, but rather the impact of the ICS as applied to long-term U.S. life and retirement business. That said, there is a link between impact analysis and comparability, as it would be undesirable for the AM to replicate or be "significantly correlated" to an ICS measure that is not prudentially appropriate (as supported by the findings of the IPAC report). While the scope of the report does not include the applicability of the ICS to the U.S. property casualty sector, much of which APCIA represents, we have to be concerned with the life side as well as it is not envisioned that separate comparability decisions will be made for each sector. With respect to the comparability assessment, the report states: "Looking ahead, the IPAC suggests certain revisions to the ICS construct identified in this report be reflected in the final version of ICS, and that these changes be considered in the determination of comparability in the forthcoming Aggregation Method comparability assessment." The draft criterion seeks to fault the AM for not being "significantly correlated" to the amounts and direction of travel of the ICS, even though the ICS itself is not completed and has shown evidence of illogical movements. Clearly, a number of enhancements are necessary to the ICS, but whether the IAIS will agree to make enough of them in the version of the ICS that will be consulted on and serve as the basis for the comparability analysis remains to be seen. While changes will hopefully remove some of the excess conservatism in the ICS, the "significantly correlated" criterion would likely remain problematic. By significantly relying on the scenario analysis described in criterion 1.3 rather than on data reported over the monitoring period, a scenario such as an increase in loss ratios can - at least in the case of non-life scenarios -- be deemed to be either short-term or long-term. So, much is dependent on the judgment or imagination of those who are left to craft the scenarios. Unfortunately, that crafting would occur only after this consultation; there is no scheduled opportunity for stakeholders to comment on the scenarios that are ultimately selected. The analysis should appropriately focus on events that are not "short-term market fluctuations," but it will then be blind to evidence that highlights one of the biggest criticisms of the ICS, i.e., that it is overly sensitive to such short-term market movements. The analysis would inevitably conclude - by design using an absolute reference method methodology - that any differences between the AM and the ICS, based on scenarios which are deemed to be long-

			term, represent a fault of the AM. A key issue for non-life is that scenario analysis based on projecting the ICS is a complicated process to inform about something that could be accomplished through a much more efficient and intuitive analysis. Specifically, the AM and ICS will likely respond similarly to insurance shocks given symmetry of factor-based required capital approaches, and that the MAV generally will be more beneficial to non-life capital ratios, since it discounts GAAP liabilities that are largely reported for supervisory purposes in the U.S. on a nominal basis. In our view, criterion 1.2 will preclude the AM from being assessed as comparable to the ICS at the outset.
Q3 Comment on criterion 1.2a)			
67. Great Eastern Holdings	Asia	No	**Answer:** Nil.
68. Insurance Europe	European Union	No	**Answer:** Specifically, regarding criterion 1.2a, it is welcomed that the analysis considers changing economic/financial market conditions to be key in the comparison. At the same time, however, leaving the meaning of the key term "business cycle" undefined and unclear means that the appropriateness of the criteria cannot be assessed. Therefore, the intended meaning of the term business cycle needs clarification, as well as how it will impact the comparability assessment. The draft criteria also state that the results will be assessed over "the business cycle as a whole". The intention of this statement is again unclear and should be clarified. Comparability should not be considered to be achieved if the analysis indicates comparable outcomes for only a subset of testing scenarios.
69. Reinsurance Advisory Board	European Union	No	**Answer:** Specifically, regarding criterion 1.2a, it is welcomed that the analysis considers changing economic/financial market conditions to be key in the comparison. At the same time, however, leaving the meaning of the key term "business cycle" undefined and unclear means that the appropriateness of the criteria cannot be assessed. Therefore, the intended meaning of the term business cycle needs clarification, as well as how it will impact the comparability assessment. The draft criteria also state that the results will be assessed over "the business cycle as a whole". The intention of this statement is again unclear and should be clarified. Comparability should not be considered to be achieved if the analysis indicates comparable outcomes for only a subset of testing scenarios.

70. Axa	France	No	**Answer:** We welcome the fact that this assessment should be performed over different time horizons and among different market and economic conditions. We consider this element to be a key in the comparison between the two standards. However, using the term "business cycle" as a reference comparison timeframe is misleading, not least due to the various perspectives of research on this term and the global context.
71. BNPPARIBAS CARDIF	France	No	**Answer:** We welcome the fact that this assessment should be performed over different time horizons and among different market and economic conditions. We consider this element to be a key in the comparison between the two standards. However, using the term "business cycle" as a reference comparison timeframe is also misleading, not least due to the various perspectives of research on this term and the global context. Ensuring a robust, quantitative, and objective comparability cannot be assessed on the basis of such a vague term. The analysis of correlation should be based on the dates of supervisory reporting as well as at the point in time of the sensitivity analysis.
72. CNP Assurances	France	No	**Answer:** We welcome the fact that this assessment should be performed over different time horizons and among different market and economic conditions. We consider this element to be a key in the comparison between the two standards. However, using the term "business cycle" as a reference comparison timeframe is also misleading, not least due to the various perspectives of research on this term and the global context. Ensuring a robust, quantitative, and objective comparability cannot be assessed on the basis of such a vague term. The analysis of correlation should be based on the dates of supervisory reporting as well as at the point in time of the sensitivity analysis.
73. COVEA	FRANCE	No	**Answer:** We welcome the fact that this assessment should be performed over different time horizons and among different market and economic conditions. We consider this element to be a key in the comparison between the two standards. However, using the term "business cycle" as a reference comparison timeframe is also misleading, not least due to the various perspectives of research on this term and the global context. Ensuring a robust, quantitative, and objective comparability cannot be assessed on the basis of such a vague term. The analysis of correlation should be based on the dates of supervisory reporting as well as at the point in time of the sensitivity analysis.
74. Credit Agricole Assurances	FRANCE	No	**Answer:** We welcome the fact that this assessment should be performed over different time horizons and among different market and economic conditions. We consider this element to be a key in the comparison between the two standards. However, using the term "business cycle" as a reference comparison timeframe is also misleading, not least due to the various perspectives of research on this term and the global context. Ensuring a robust, quantitative, and objective comparability cannot be assessed on the basis of such a vague term. The

			analysis of correlation should be based on the dates of supervisory reporting as well as at the point in time of the sensitivity analysis.
75. France Assureurs	France	No	**Answer:** France Assureurs welcomes the fact that this assessment should be performed over different time horizons and among different market and economic conditions. We consider this element to be a key in the comparison between the two standards. However, using the term "business cycle" as a reference comparison timeframe is also misleading, not least due to the various perspectives of research on this term and the global context. Ensuring a robust, quantitative, and objective comparability cannot be assessed on the basis of such a vague term. The analysis of correlation should be based on the dates of supervisory reporting as well as at the point in time of the sensitivity analysis.
76. French Treasury	France	No	**Answer:** France welcomes that different time horizons are taken into account, along with different market and economic conditions. This commitment is key to ensure a robust comparability assessment. However, as explained in Q1, the quantum of change should be properly scrutinized, not only over the business cycle but also in stressed market conditions. Using a term as vague as "business cycle" is not satisfactory for an objective assessment.
77. Groupama	France	No	**Answer:** We welcome the fact that this assessment should be performed over different time horizons and among different market and economic conditions. We consider this element to be a key in the comparison between the two standards. However, using the term "business cycle" as a reference comparison timeframe is also misleading, not least due to the various perspectives of research on this term and the global context. Ensuring a robust, quantitative, and objective comparability cannot be assessed on the basis of such a vague term. The analysis of correlation should be based on the dates of supervisory reporting as well as at the point in time of the sensitivity analysis.
78. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. Specifically, regarding criterion 1.2a, it is welcomed that the analysis considers changing economic/financial market conditions to be key in the comparison. At the same time, however, leaving the meaning of the key term "business cycle" undefined and unclear means that the appropriateness of the criteria cannot be assessed. Therefore, the intended meaning of the term business cycle needs clarification, as well as how it will impact the comparability assessment. The draft criteria also state that the results will be assessed over "the business cycle as a whole". The intention of this statement is again unclear and should be clarified. Comparability should not be considered to be achieved if the analysis indicates comparable outcomes for only a subset of testing scenarios.

79. SOGECAP	FRANCE	No	**Answer:** We welcome the fact that this assessment should be performed over different time horizons and among different market and economic conditions. We consider this element to be a key in the comparison between the two standards. However, using the term "business cycle" as a reference comparison timeframe is also misleading, not least due to the various perspectives of research on this term and the global context. Ensuring a robust, quantitative, and objective comparability cannot be assessed on the basis of such a vague term. The analysis of correlation should be based on the dates of supervisory reporting as well as at the point in time of the sensitivity analysis.
80. Allianz SE	Germany	No	**Answer:** The analysis of direction and quantum of change of the ICS and AM are important, but not sufficient since the concrete point in time of a breach of the Prescribed Capital Requirement is relevant. Consequently, there should not be an averaging over the business cycle, which would conceal the timing of supervisory intervention and economic impact in the analysis.
81. German Insurance Association	Germany	No	**Answer:** Specifically, regarding criterion 1.2a, it is welcomed that the analysis considers changing economic/financial market conditions as key in the comparison. At the same time however, leaving the meaning of the key term "business cycle" undefined and unclear means that the appropriateness of the criteria cannot be assessed. Therefore, the intended meaning of the term business cycle needs clarification and also how it will impact the comparability assessment. The draft criteria also state that the results will be assessed over the business cycle as a whole - what does this mean in practice? Could comparability be considered to be achieved if the analysis indicates comparable outcomes for some scenarios but not all?
82. General Insurance Association of Japan	Japan	No	**Answer:** 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. 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.
83. Verbond van Verzekeraars	Netherlands	No	**Answer:** It is welcomed that the analysis considers changing economic/financial market conditions to be key in the comparison. At the same time, however, leaving the meaning of the key term "business cycle" undefined and unclear means that the appropriateness of the criteria cannot be assessed. Therefore, the intended meaning of the term business cycle needs clarification, as well as how it will impact the comparability assessment.

			The draft criteria also state that the results will be assessed over "the business cycle as a whole". The intention of this statement is again unclear and should be clarified. Comparability should not be considered to be achieved if the analysis indicates comparable outcomes for only a subset of testing scenarios.
86. NN Group	The Netherlands	No	**Answer:** Specifically, regarding criterion 1.2a, it is welcomed that the analysis considers changing economic/financial market conditions to be key in the comparison. At the same time, however, leaving the meaning of the key term "business cycle" undefined and unclear means that the appropriateness of the criteria cannot be assessed. Therefore, the intended meaning of the term business cycle needs clarification, as well as how it will impact the comparability assessment. The draft criteria also state that the results will be assessed over "the business cycle as a whole". The intention of this statement is again unclear and should be clarified. Comparability should not be considered to be achieved if the analysis indicates comparable outcomes for only a subset of testing scenarios.
87. American Academy of Actuaries	United States	No	**Answer:** It is unclear what the difference is between "economic" and "financial market" - they appear to have significant overlap so additional clarity would be useful.
88. Liberty Mutual Insurance Group	United States	No	**Answer:** The emphasis on "quantum of change" is misplaced. As indicated above, comparability should be based primarily on a qualitative assessment of the effectiveness of the respective approaches and not arithmetic.
89. National Association of Mutual Insurance Companies	United States	No	**Answer:** The criteria expressed in 1.2a) envision an analysis that includes how the AM and ICS respond based on changing economic and financial market conditions. NAMIC believes enough data has been collected already through field-testing and the monitoring period to understand how various risks respond to the reference-ICS and AM for non-life groups. In addition, RBC which is the basis for the GCC, has provided years of understanding of how market fluctuation impacts regulated insurers. The IAIS should instead be focused on how they can provide an understanding for how each method is responding and forgo conducting sensitivity analysis for non-life risks. Further, as it applies to financial market scenarios, this is not a material risk to the non-life sector due to regulatory limitations placed on insurer investments resulting in portfolios being made up of shorter-duration assets; therefore, we suggest eliminating this criterion.
90. American Property Casualty Insurance Association	USA	No	**Answer:** This criterion states that "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." However, how that should be read given the statements made in criterion 1.3.d is unclear: "These additional scenarios are standardized 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."

			In other words, it seems that the scenario analysis for non-life groups would (appropriately in our view) assess the impact of non-life insurance risks. The analysis for life groups would focus on other financial and market risks. We do not see therefore how the intent of criterion 1.2.a could be achieved in the case of non-life firms which will not be subjected to financial/market scenarios. We are not suggesting that non-life firms be subjected to financial/market scenarios, rather that criterion 1.2a) be revised as follows: "…to understand how the ICS and AM respond to changing risks that are relevant and material for the sector (whether life or non-life) as per criterion 1.3d.)." We do not see the necessity to apply financial market scenarios to non-life groups, as such risks are not that significant to the sector due to its shorter asset durations. There can be a better/easier way than imposing non-life risk scenarios. The non-life insurance risks which would be subject to the scenario analyses have already been assessed by the IAIS' Capital, Solvency and Field-Testing Working Group (CSFWG) with years of field testing and now over the monitoring period. We believe that experience has already shown that those risk charges in the ICS and the AM move similarly because modelling of catastrophe risks is used in both the ICS and in many jurisdictional legal entity requirements which underlie the AM (such as in risk-based capital in the U.S.), as is the use of similar factor-based approaches for other insurance risks. Therefore, a much more feasible and practical approach for the assessment of comparability of non-life risks is to use the ample amount of information that has already been submitted to the IAIS over the years, and to forego scenario analyses which would be inherently complex, burdensome, and hypothetical. That is especially true if the data reveals that the AM is more prudent then the ICS, which we suspect is the case at least for U.S.-based groups. The comparability principles acknowledge that the AM can be more prudent than the ICS. If such is indeed the case, then concerns about how close the AM and ICS are or how correlated they are should ease and give way to a more pragmatic approach than devising and modelling scenarios. To the extent that a data call is necessary, it should be narrowly focused and expedient for groups to provide and submit.
Q4 Comment on criterion 1.3			
91. Great Eastern Holdings	Asia	No	**Answer:** Nil.
92. Actuarial Association of Europe	Europe	No	**Answer:** The Actuarial Association of Europe strongly requires comparing outcomes under a suitably wide range of scenarios. The full range of potential scenarios must be sufficiently sampled. This testing in necessary, and it is different in nature from the "reverse Stress testing" approach in Criterion 1.3.e. If the breach scenarios differ in Nature, i.e., by more than just severity, outcome equivalence seems challenging, if not impossible. If the breach scenarios differ

			predominantly by severity, there should be a universal mapping of the breach severity under the AM and under the Standard Method to ensure outcome equivalence.
93. Insurance Europe	European Union	No	**Answer:** Criterion 1.3 should be clarified to explain that the analysis includes sensitivity and scenario analysis (including reverse testing in 1.3.e), which are two different tools, and to explain more clearly the methodology and testing protocol for each of those tools. For the scenario analysis in particular, outcomes should be compared under a full range of scenarios. The additional scenarios mentioned in criterion 1.3e must include the wide range of markets and other scenarios that have been experienced. Back-testing of the impact of historical peak market events should be included so comparability is ensured in any of the observed events, such as the very high spreads experienced in 2008-2012 and the high and low (negative) interest rates experienced during the last 50 years. Such scenarios should include those that would trigger supervisory interventions. Many supervisors have performed stress-testing exercises, and insights from these exercises could also be used to inform the assessment.
94. Reinsurance Advisory Board	European Union	No	**Answer:** Criterion 1.3 should be clarified to explain that the analysis includes sensitivity and scenario analysis (including reverse testing in 1.3.e), which are two different tools, and to explain more clearly the methodology and testing protocol for each of those tools. For the scenario analysis in particular, outcomes should be compared under a full range of scenarios. The additional scenarios mentioned in criterion 1.3e must include the wide range of markets and other scenarios that have been experienced. Back-testing of the impact of historical peak market events should be included so comparability is ensured in any of the observed events, such as the very high spreads experienced in 2008-2012 and the high and low (negative) interest rates experienced during the last 50 years. Such scenarios should include those that would trigger supervisory interventions. Many supervisors have performed stress-testing exercises, and insights from these exercises could also be used to inform the assessment.
95. Axa	France	No	**Answer:** We welcome the inclusion of sensitivity analysis and scenario analysis which can support the assessment of ICS and AM responsiveness to a broad set of economic and financial risk drivers, and economical and financial conditions respectively. For the scenario analysis in particular, the design of the scenarios should be grounded on a severe combination of events that would trigger supervisory interventions. It is unclear how the IAIS would consider the business cycle element in scenario analysis. If a specific economic scenario is considered plausible, it should be applied consistently in both ICS and AM. If for example any mean reverting or pull to par effects can be considered under the AM, it will result in an invalid comparison as such elements

			are not considered under the ICS. Finally, we highlight that continuous assessment of comparability may be necessary if the global ICS and AM frameworks evolve in different directions over time. In this context, we note the odd situation that in considering potential AM comparability, IAIS may end up endorsing a standard outside its and its members' control. This has fundamental consequences for the ICS project itself and any jurisdictions that may consider implementing the ICS.
96. BNPPARIBAS CARDIF	France	No	**Answer:** We welcome the inclusion of sensitivity analysis and scenario analysis which can support the assessment of ICS and AM responsiveness to a broad set of economic and financial risk drivers, and economical and financial conditions respectively. We recommend clarifying that 1.3 is about sensitivity analysis and scenario analysis (incl. reverse testing in 1.3.e), which are two different tools, and to explain more clearly the methodology and testing protocol for each of those 2 sets of tools. For the scenario analysis in particular, the design of the scenarios should be grounded on a severe combination of events that would trigger supervisory interventions. However, insurance stress testing is performed in many jurisdictions and supervisors already have a significant number of papers on the subject to draw up relevant scenarios (which at a minimum should cover scenarios between the best estimate and SCR confidence levels) in light of the comparability assessment. It is unclear how the IAIS would consider the business cycle element in scenario analysis. If a specific economic scenario is considered plausible, it should be applied consistently in both ICS and AM. If for example any mean reverting or pull to par effects can be considered under an AM scenario, it will result in an invalid comparison as such elements are not considered under the ICS. We believe it would be useful to clarify the term "different economic and financial market conditions": we believe that such wording may result in the use of data only based on five annual results reporting during the monitoring period. Yet data collected over such a limited timeframe seems unlikely to provide a sufficiently representative sample of the kind of market conditions and insurance events that can happen over a longer time. We would also suggest that the assessment should include quarterly data points for each year of the monitoring period and explicitly rely on back testing a number of peak market and insurance events to ensure the comparability is future proofed. However, we would like to highlight that the use of the scenarios to assess the comparability of the frameworks will be undermined if an adequate framework for the assessment of comparability of the ICS and AM in those scenarios is not developed. Finally, we highlight that continuous assessment of comparability may be necessary if the global ICS and AM frameworks evolve in different directions over time. To this extent, we believe that the High-level principle should be strengthened to ensure that the two standards remain comparable in the long term and if not, to enable the IAIS to take appropriate measures. We thus believe that the principle should make a reference to the ongoing governance of such developments and the consequences where significant divergence from the criteria emerges. We propose to include

			the following governance principle: "In the event of a change in the global ICS and/or the regimes on which the aggregation method is based, clear and transparent governance and processes are put in place to reconsider the comparability of the outcome. Procedures are put in place to resolve dispute raised by stakeholders in relation to the comparability of the outcome."
97. CNP Assurances	France	No	**Answer:** We welcome the inclusion of sensitivity analysis and scenario analysis which can support the assessment of ICS and AM responsiveness to a broad set of economic and financial risk drivers, and economical and financial conditions respectively. We recommend clarifying that 1.3 is about sensitivity analysis and scenario analysis (incl. reverse testing in 1.3.e), which are two different tools, and to explain more clearly the methodology and testing protocol for each of those 2 sets of tools. For the scenario analysis in particular, the design of the scenarios should be grounded on a severe combination of events that would trigger supervisory interventions. However, insurance stress testing is performed in many jurisdictions and supervisors already have a significant number of papers on the subject to draw up relevant scenarios (which at a minimum should cover scenarios between the best estimate and SCR confidence levels) in light of the comparability assessment. It is unclear how the IAIS would consider the business cycle element in scenario analysis. If a specific economic scenario is considered plausible, it should be applied consistently in both ICS and AM. If for example any mean reverting or pull to par effects can be considered under an AM scenario, it will result in an invalid comparison as such elements are not considered under the ICS. We believe it would be useful to clarify the term "different economic and financial market conditions": we believe that such wording may result in the use of data only based on five annual results reporting during the monitoring period. Yet data collected over such a limited timeframe seems unlikely to provide a sufficiently representative sample of the kind of market conditions and insurance events that can happen over a longer time. We would also suggest that the assessment should include quarterly data points for each year of the monitoring period and explicitly rely on back testing a number of peak market and insurance events to ensure the comparability is future proofed. However, we would like to highlight that the use of the scenarios to assess the comparability of the frameworks will be undermined if an adequate framework for the assessment of comparability of the ICS and AM in those scenarios is not developed. Finally, we highlight that continuous assessment of comparability may be necessary if the global ICS and AM frameworks evolve in different directions over time. To this extent, we believe that the High-level principle should be strengthened to ensure that the two standards remain comparable in the long term and if not, to enable the IAIS to take appropriate measures. We thus believe that the principle should make a reference to the ongoing governance of such developments and the consequences where significant divergence from the criteria emerges. We propose to include

			the following governance principle: "In the event of a change in the global ICS and/or the regimes on which the aggregation method is based, clear and transparent governance and processes are put in place to reconsider the comparability of the outcome. Procedures are put in place to resolve dispute raised by stakeholders in relation to the comparability of the outcome."
98. COVEA	FRANCE	No	**Answer:** We welcome the inclusion of sensitivity analysis and scenario analysis which can support the assessment of ICS and AM responsiveness to a broad set of economic and financial risk drivers, and economical and financial conditions respectively. We recommend clarifying that 1.3 is about sensitivity analysis and scenario analysis (incl. reverse testing in 1.3.e), which are two different tools, and to explain more clearly the methodology and testing protocol for each of those 2 sets of tools. For the scenario analysis in particular, the design of the scenarios should be grounded on a severe combination of events that would trigger supervisory interventions. However, insurance stress testing is performed in many jurisdictions and supervisors already have a significant number of papers on the subject to draw up relevant scenarios (which at a minimum should cover scenarios between the best estimate and SCR confidence levels) in light of the comparability assessment. It is unclear how the IAIS would consider the business cycle element in scenario analysis. If a specific economic scenario is considered plausible, it should be applied consistently in both ICS and AM. If for example any mean reverting or pull to par effects can be considered under an AM scenario, it will result in an invalid comparison as such elements are not considered under the ICS. We believe it would be useful to clarify the term "different economic and financial market conditions": we believe that such wording may result in the use of data based on only five annual results reporting during the monitoring period. Yet data collected over such a limited timeframe seems unlikely to provide a sufficiently representative sample of the kind of market conditions and insurance events that can happen over a longer time. We would also suggest that the assessment should include quarterly data points for each year of the monitoring period and explicitly rely on back testing a number of peak market and insurance events to ensure the comparability is future proofed. However, we would like to highlight that the use of the scenarios to assess the comparability of the frameworks will be undermined if an adequate framework for the assessment of comparability of the ICS and AM in those scenarios is not developped. Finally, we highlight that continuous assessment of comparability may be necessary if the global ICS and AM frameworks evolve in different directions over time. To this extent, we believe that the High-level principle should be strengthened to ensure that the two standards remain comparable in the long term and if not, to enable the IAIS to take appropriate measures. We thus believe that the principle should make a reference to the ongoing governance of such developments and the consequences where significant divergence from the criteria emerges. We propose to include the following governance principle: "In the event of a change in the global ICS and/or the regimes on which the

			aggregation method is based, clear and transparent governance and processes are put in place to reconsider the comparability of the outcome. Procedures are put in place to resolve dispute raised by stakeholders in relation to the comparability of the outcome."
99. Credit Agricole Assurances	FRANCE	No	**Answer:** We welcome the inclusion of sensitivity analysis and scenario analysis which can support the assessment of ICS and AM responsiveness to a broad set of economic and financial risk drivers, and economical and financial conditions respectively. We recommend clarifying that 1.3 is about sensitivity analysis and scenario analysis (incl. reverse testing in 1.3.e), which are two different tools, and to explain more clearly the methodology and testing protocol for each of those 2 sets of tools. For the scenario analysis in particular, the design of the scenarios should be grounded on a severe combination of events that would trigger supervisory interventions. However, insurance stress testing is performed in many jurisdictions and supervisors already have a significant number of papers on the subject to draw up relevant scenarios (which at a minimum should cover scenarios between the best estimate and SCR confidence levels) in light of the comparability assessment. It is unclear how the IAIS would consider the business cycle element in scenario analysis. If a specific economic scenario is considered plausible, it should be applied consistently in both ICS and AM. If for example any mean reverting or pull to par effects can be considered under an AM scenario, it will result in an invalid comparison as such elements are not considered under the ICS. We believe it would be useful to clarify the term "different economic and financial market conditions": we believe that such wording may result in the use of data only based on five annual results reporting during the monitoring period. Yet data collected over such a limited timeframe seems unlikely to provide a sufficiently representative sample of the kind of market conditions and insurance events that can happen over a longer time. We would also suggest that the assessment should include quarterly data points for each year of the monitoring period and explicitly rely on back testing a number of peak market and insurance events to ensure the comparability is future proofed. However, we would like to highlight that the use of the scenarios to assess the comparability of the frameworks will be undermined if an adequate framework for the assessment of comparability of the ICS and AM in those scenarios is not developed. Finally, we highlight that continuous assessment of comparability may be necessary if the global ICS and AM frameworks evolve in different directions over time. To this extent, we believe that the High-level principle should be strengthened to ensure that the two standards remain comparable in the long term and if not, to enable the IAIS to take appropriate measures. We thus believe that the principle should make a reference to the ongoing governance of such developments and the consequences where significant divergence from the criteria emerges. We propose to include the following governance principle: "In the event of a change in the global ICS and/or the regimes on which the aggregation method is based, clear and transparent governance and processes are put in place to reconsider the

			comparability of the outcome. Procedures are put in place to resolve dispute raised by stakeholders in relation to the comparability of the outcome."
100. France Assureurs	France	No	**Answer:** The French insurance industry welcomes the inclusion of sensitivity analysis and scenario analysis which can support the assessment of ICS and AM responsiveness to a broad set of economic and financial risk drivers, and economical and financial conditions respectively. France Assureurs recommends clarifying that 1.3 is about sensitivity analysis and scenario analysis (incl. reverse testing in 1.3.e), which are two different tools, and to explain more clearly the methodology and testing protocol for each of those 2 sets of tools. For the scenario analysis in particular, the design of the scenarios should be grounded on a severe combination of events that would trigger supervisory interventions. However, insurance stress testing is performed in many jurisdictions and supervisors already have a significant number of papers on the subject to draw up relevant scenarios (which at a minimum should cover scenarios between the best estimate and SCR confidence levels) in light of the comparability assessment. It is unclear how the IAIS would consider the business cycle element in scenario analysis. If a specific economic scenario is considered plausible, it should be applied consistently in both ICS and AM. If for example any mean reverting or pull to par effects can be considered under an AM scenario, it will result in an invalid comparison as such elements are not considered under the ICS. France Assureurs believes it would be useful to clarify the term "different economic and financial market conditions": we believe that such wording may result in the use of data only based on five annual results reporting during the monitoring period. Yet data collected over such a limited timeframe seems unlikely to provide a sufficiently representative sample of the kind of market conditions and insurance events that can happen over a longer time. We would also suggest that the assessment should include quarterly data points for each year of the monitoring period and explicitly rely on back testing a number of peak market and insurance events to ensure the comparability is future proofed. However, France Assureurs would like to highlight that the use of the scenarios to assess the comparability of the frameworks will be undermined if an adequate framework for the assessment of comparability of the ICS and AM in those scenarios is not developed. Finally, France Assureurs highlights that continuous assessment of comparability may be necessary if the global ICS and AM frameworks evolve in different directions over time. To this extent, we believe that the High-level principle should be strengthened to ensure that the two standards remain comparable in the long term and if not, to enable the IAIS to take appropriate measures. We thus believe that the principle should make a reference to the ongoing governance of such developments and the consequences where significant divergence from the criteria emerges. We propose to include the following governance principle: "In the event of a change in the global ICS and/or the regimes on which the aggregation method is based, clear and transparent governance and processes are put in place to reconsider

			the comparability of the outcome. Procedures are put in place to resolve dispute raised by stakeholders in relation to the comparability of the outcome."
101. French Treasury	France	No	**Answer:** France welcomes the fact that each volunteer group should conduct the same scenarios, and that sensitivity analysis and scenario analysis can sustain the assessment of both methods responsiveness to a broad set of economic and financial risk drivers. However, to grasp the fruits of the richness and diversity of these scenarios, representing "different economic and financial market conditions", each phase of the scenarios should be analysed on an individual basis, and not over the business cycle. France believes that the wording of such criterion can lead to retain only the data of the five annual reporting during the monitoring period, although such data is unlikely to provide information on all economic situations. The denomination of business cycle should be replaced and the scenario analysis should rely on data coming from every quarterly reporting during the whole monitoring period.
102. Groupama	France	No	**Answer:** We welcome the inclusion of sensitivity analysis and scenario analysis which can support the assessment of ICS and AM responsiveness to a broad set of economic and financial risk drivers, and economical and financial conditions respectively. We recommend clarifying that 1.3 is about sensitivity analysis and scenario analysis (incl. reverse testing in 1.3.e), which are two different tools, and to explain more clearly the methodology and testing protocol for each of those 2 sets of tools. For the scenario analysis in particular, the design of the scenarios should be grounded on a severe combination of events that would trigger supervisory interventions. However, insurance stress testing is performed in many jurisdictions and supervisors already have a significant number of papers on the subject to draw up relevant scenarios (which at a minimum should cover scenarios between the best estimate and SCR confidence levels) in light of the comparability assessment. It is unclear how the IAIS would consider the business cycle element in scenario analysis. If a specific economic scenario is considered plausible, it should be applied consistently in both ICS and AM. If for example any mean reverting or pull to par effects can be considered under an AM scenario, it will result in an invalid comparison as such elements are not considered under the ICS. We believe it would be useful to clarify the term "different economic and financial market conditions": we believe that such wording may result in the use of data only based on five annual results reporting during the monitoring period. Yet data collected over such a limited timeframe seems unlikely to provide a sufficiently representative sample of the kind of market conditions and insurance events that can happen over a longer time. We would also suggest that the assessment should include quarterly data points for each year of the monitoring period and explicitly rely on back

			testing a number of peak market and insurance events to ensure the comparability is future proofed. However, we would like to highlight that the use of the scenarios to assess the comparability of the frameworks will be undermined if an adequate framework for the assessment of comparability of the ICS and AM in those scenarios is not developed. Finally, we highlight that continuous assessment of comparability may be necessary if the global ICS and AM frameworks evolve in different directions over time. To this extent, we believe that the High-level principle should be strengthened to ensure that the two standards remain comparable in the long term and if not, to enable the IAIS to take appropriate measures. We thus believe that the principle should make a reference to the ongoing governance of such developments and the consequences where significant divergence from the criteria emerges. We propose to include the following governance principle: "In the event of a change in the global ICS and/or the regimes on which the aggregation method is based, clear and transparent governance and processes are put in place to reconsider the comparability of the outcome. Procedures are put in place to resolve dispute raised by stakeholders in relation to the comparability of the outcome."
103. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. Criterion 1.3 should be clarified to explain that the analysis includes sensitivity and scenario analysis (including reverse testing in 1.3.e), which are two different tools, and to explain more clearly the methodology and testing protocol for each of those tools. For the scenario analysis in particular, outcomes should be compared under a full range of scenarios. The additional scenarios mentioned in criterion 1.3e must include the wide range of markets and other scenarios that have been experienced. Back-testing of the impact of historical peak market events should be included so comparability is ensured in any of the observed events, such as the very high spreads experienced in 2008-2012 and the high and low (negative) interest rates experienced during the last 50 years. Such scenarios should include those that would trigger supervisory interventions. Many supervisors have performed stress-testing exercises, and insights from these exercises could also be used to inform the assessment.
104. SOGECAP	FRANCE	No	**Answer:** We welcome the inclusion of sensitivity analysis and scenario analysis which can support the assessment of ICS and AM responsiveness to a broad set of economic and financial risk drivers, and economical and financial conditions respectively. We recommend clarifying that 1.3 is about sensitivity analysis and scenario analysis (incl. reverse testing in 1.3.e), which are two different tools, and to explain more clearly the methodology and testing protocol for each of those 2 sets

			of tools. For the scenario analysis in particular, the design of the scenarios should be grounded on a severe combination of events that would trigger supervisory interventions. However, insurance stress testing is performed in many jurisdictions and supervisors already have a significant number of papers on the subject to draw up relevant scenarios (which at a minimum should cover scenarios between the best estimate and SCR confidence levels) in light of the comparability assessment. It is unclear how the IAIS would consider the business cycle element in scenario analysis. If a specific economic scenario is considered plausible, it should be applied consistently in both ICS and AM. If for example any mean reverting or pull to par effects can be considered under an AM scenario, it will result in an invalid comparison as such elements are not considered under the ICS. We believe it would be useful to clarify the term "different economic and financial market conditions": we believe that such wording may result in the use of data only based on five annual results reporting during the monitoring period. Yet data collected over such a limited timeframe seems unlikely to provide a sufficiently representative sample of the kind of market conditions and insurance events that can happen over a longer time. We would also suggest that the assessment should include quarterly data points for each year of the monitoring period and explicitly rely on back testing a number of peak market and insurance events to ensure the comparability is future proofed. However, we would like to highlight that the use of the scenarios to assess the comparability of the frameworks will be undermined if an adequate framework for the assessment of comparability of the ICS and AM in those scenarios is not developed. Finally, we highlight that continuous assessment of comparability may be necessary if the global ICS and AM frameworks evolve in different directions over time. To this extent, we believe that the High-level principle should be strengthened to ensure that the two standards remain comparable in the long term and if not, to enable the IAIS to take appropriate measures. We thus believe that the principle should make a reference to the ongoing governance of such developments and the consequences where significant divergence from the criteria emerges. We propose to include the following governance principle: "In the event of a change in the global ICS and/or the regimes on which the aggregation method is based, clear and transparent governance and processes are put in place to reconsider the comparability of the outcome. Procedures are put in place to resolve dispute raised by stakeholders in relation to the comparability of the outcome."
105. Allianz SE	Germany	No	**Answer:** It is not clear if there is a difference between the required scenarios in the scope of the sensitivity analysis and the "limited number of additional scenarios" addressed in 1.3.c. In addition, it is not clear if the sensitivity scenarios will have to be applied on top of the applicable local regulatory shocks/stresses or should replace those.

106. German Insurance Association	Germany	No	**Answer:** For the scenario analysis in particular, outcomes should be compared under a range of scenarios. The additional scenarios mentioned in criterion 1.3e must include the wide range of markets and other scenarios that have been experienced. GDV also suggests back testing a number of peak market events so comparability is ensured in any of the observed events, for example, the very high spreads and the high and low (negative) interest rates experienced during the last 50 years. Such scenarios should include those that would trigger supervisory interventions. Many supervisors have performed stress testing exercises and insights from these exercises could also be used to inform the assessment.
107. AIA and Prudential plc	Hong Kong	No	**Answer:** Preliminary note: In Question 4 above, we assume the words "risk charge" are a typo and we ignore them in our below comments. Consistent with our response to Q2 above, we are generally in agreement with criterion 1.3 (subject to the below caveats). Standardized scenarios should form the basis of the assessment. We emphasize that to be practical only a limited number of scenarios should be tested. Projections into the future should only be required if the sensitivity results at the valuation date are unconvincing.
108. The Actuarial Society of Hong Kong	Hong Kong	No	**Answer:** Preliminary note: In Question 4 as written, we assume the words "risk charge" are a typo and we ignore them in our below comments. Consistent with our response to Q2 above, we are generally in agreement with criterion 1.3 (subject to the below caveats). Standardized scenarios should form the basis of the assessment. We emphasize that to be practical only a limited number of scenarios should be tested. Projections into the future should only be required if the sensitivity results at the valuation date are unconvincing.
109. International Actuarial Association	International	No	**Answer:** The IAA notes that the term "representative sample" is not sufficiently defined or explained until Criteria 5.1 and 5.2. The IAA suggests that more discussion of the required sample be included before the discussion in this criterion. The IAA believes that if the same scenario identifies a material risk for either the ICS or the AM but not the other, then a material issue may exist beyond the evaluation of the AM. If the ICS identifies a valid risk that is not observed in the AM, then it implies a deficiency in the capital requirements of at least one of the jurisdictions that are material to the AM calculation. This should be reported back to the jurisdiction at issue so that it can be appropriately addressed. Likewise, a valid risk identified by the AM that is not observed in the ICS would indicate a deficiency in the ICS. Issues would also exist if either of the approaches identified a risk that was determined not to be a valid risk.

			With regard to the scenarios chosen, it might be valuable to expose the scenarios for this evaluation for public consultation. Given the relatively small number of IAIGs that might be involved in this analysis, the scenarios chosen would have to be chosen with particular care. (E.g., there are only 9 IAIGs currently identified with a U.S. domicile, with that number even smaller for the life vs. non-life segments.)
110. Verbond van Verzekeraars	Netherlands	No	**Answer:** Criterion 1.3 should be clarified to explain that the analysis includes sensitivity and scenario analysis (including reverse testing in 1.3.e), which are two different tools, and to explain more clearly the methodology and testing protocol for each of those tools. For the scenario analysis in particular, outcomes should be compared under a full range of scenarios. The additional scenarios mentioned in criterion 1.3e must include the wide range of markets and other scenarios that have been experienced. Back-testing of the impact of historical peak market events should be included so comparability is ensured in any of the observed events, such as the very high spreads experienced in 2008-2012 and the high and low (negative) interest rates experienced during the last 50 years. Such scenarios should include those that would trigger supervisory interventions. Many supervisors have performed stress-testing exercises, and insights from these exercises could also be used to inform the assessment.
113. NN Group	The Netherlands	No	**Answer:** Criterion 1.3 should be clarified to explain that the analysis includes sensitivity and scenario analysis (including reverse testing in 1.3.e), which are two different tools, and to explain more clearly the methodology and testing protocol for each of those tools. For the scenario analysis in particular, outcomes should be compared under a full range of scenarios. The additional scenarios mentioned in criterion 1.3e must include the wide range of markets and other scenarios that have been experienced. Back-testing of the impact of historical peak market events should be included so comparability is ensured in any of the observed events, such as the very high spreads experienced in 2008-2012 and the high and low (negative) interest rates experienced during the last 50 years. Such scenarios should include those that would trigger supervisory interventions. Many supervisors have performed stress-testing exercises, and insights from these exercises could also be used to inform the assessment.
114. acli	U.S.A.	No	**Answer:** For the most part, the proposed sensitivity analysis in criterion 1.3 preclude a determination of comparability in that: - Market-based measures like ICS will in certain scenarios respond differently to changes in risk factors than those solvency regimes underlying AM that are based primarily on book values. The immediate impact of certain scenarios on market-based measures such as ICS will sometimes be different than on solvency measures that use a book value

			approach. However, we would expect comparable market based and book based approaches to converge over the business cycle. Sensitivity analysis is complicated further by the fact that changes in market factors can generate changes in ICS bucketing qualifications, adding more noise to the comparability assessment. - It will be operationally challenging for volunteer companies to conduct thorough sensitivity analysis for a multitude of market and credit factors, given the complexity of performing multi-scenario ICS calculations under the compressed timeframe for the comparability assessment. Unlike the AM, ICS is not based on currently implemented solvency measures and is therefore not readily calculable through existing internal valuation and capital systems. Furthermore, we note that the implementation of this criterion will require complicated scenario design and parameterization work, including, for example: determination and standardization of sensitivity levels; underlying company assumptions; and definition and implementation of essential but subjective concepts such as "over the business cycle." In lieu of relying on volunteer data submissions, we believe that more operationally feasible - and substantively useful - approaches could include: - Leveraging historical ICS and AM data collection efforts, which cover a variety of market conditions including the global pandemic. Real world market conditions experienced during the Monitoring Period could provide more meaningful applied information than synthetic scenarios. Such analysis could helpfully consider realized supervisor responses and actions (e.g., help illustrate false indications due to short-term market fluctuations). Understanding how ICS and AM have responded to recent volatility may provide regulators with critical insights on the robustness of these measures under future stress events; - Developing a stylized, representative example, similar to the Federal Reserve Insurance Policy Advisory Committee (IPAC) report, which would also help in controlling for the "noise" and unwieldy nature of ICS volunteer submissions. We would note, however, that this approach, while likely more achievable than volunteer scenario testing, will require significant resources and time and may not be able to be completed in currently allotted timeline; - Analyzing the expected directional performance of ICS and AM under particular scenarios, with an emphasis on the proportionally most relevant risk factors for each line of business. In other words, based on a holistic consideration of the overall design, methodology, and calibration of AM and ICS, respectively, we believe that the IAIS can develop a sufficiently accurate and realistic sense of how each measure would behave in a particular scenario. It is not necessary to attempt to achieve a (potentially misleading) degree of granular precision through volunteer data submissions, in order to reach credible conclusions about the relative performance of ICS and AM as risk-based capital measures. ACLI recommends that the specifics of any such alternative approach should be subject to consultation before being

			finalized. ACLI believes that a potentially useful sensitivity criterion is 1.3.E: calling for volunteer groups to provide stress scenarios for AM and ICS individually where a group's available capital falls below its required capital. Comparing these stress scenarios at the group level (derived, for example, from the ORSA, provided that appropriate measures around confidentiality are in place) could be instructive in assessing an outcomes-focused view of comparability based on "regulatory intervention" under group AM relative to group ICS. The sensitivity analysis in 1.3.E could be both analytically useful and operationally feasible, if also reflecting qualitative considerations, an appropriate degree of judgment, and "tabletop exercise" assessments about supervisory response functions in a stress scenario.
115. American Academy of Actuaries	United States	No	**Answer:** We note that the term "representative sample" is not sufficiently defined or explained until Criteria 5.1 and 5.2. We suggest that more discussion of the required sample be included before the discussion in this criterion. With regard to the scenarios chosen, it might be valuable to expose the scenarios for this evaluation for public consultation. Given the relatively small number of IAIGs and other volunteers that might be involved in this analysis, the scenarios chosen would have to be chosen with particular care (e.g., there are only 9 IAIGs currently identified with a U.S. domicile, with that number even smaller for the life vs. non-life segments).
116. Liberty Mutual Insurance Group	United States	No	**Answer:** This criterion presumes a highly quantitative "sensitivity analysis" is necessary to evaluate whether the AM and ICS are comparable, which, given the granularity of the ICS, is likely to bias the analysis. Liberty Mutual disagrees with that approach and recommends that any comparisons be made with reference to whether the particular standard yields the necessary information for supervisors to take action. Moreover, the criterion also presumes that reporting regarding the ICS, AM or both is necessary to conduct this component of the comparability analysis. As stated above, Liberty Mutual does not believe it necessary for companies to report such information as there are other data sources that the IAIS can draw from to conduct the analysis.
117. National Association of Mutual Insurance Companies	United States	No	**Answer:** See Response to Criterion 1.2a).
118. Northwestern Mutual	United States	No	**Answer:** As noted in our response to criterion 1.2, we agree with the premise of utilizing some form of sensitivity analysis over the same scenarios for both the ICS and AM. Yet, this criterion seems to have an excessive reliance on volunteer group participation in order to perform the comparability assessment. Shortcomings of this approach include a possible lack of willingness on the part of volunteer groups, operational challenges on the part of volunteer groups, inability to capture appropriate time periods or stress environments, and lack of representation of important product

			types in interested jurisdictions. The shortcomings in this criterion as currently designed may result in the inability for the IAIS to perform a reasonably complete comparability assessment - or in the extreme, any comparability assessment at all - and thus not fulfilling the commitment made to not preclude comparability at the outset. Therefore, we encourage the IAIS to consider incorporating approaches beyond just volunteer group data collection to perform the sensitivity analysis. A stylized modelled approach could, at a minimum, supplement the volunteer group data collection insurer and provide a more comprehensive comparison of the AM and the ICS, i.e., covering longer time periods, different economic environments, and additional product types.
119. American Property Casualty Insurance Association	USA	No	**Answer:** This criterion states that "Each Volunteer Group in the representative sample conducts sensitivity analysis using the same scenarios (representing different economic and financial market conditions over the business cycle) for both the ICS and AM." However, it is unclear how that statement should be read given the statements made in criterion 1.3.d: "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." In other words, it seems that the scenario analysis for non-life groups would (appropriately in our view) assess the impact of non-life insurance risks. The analysis for life groups would focus on other financial and market risks. We do not see therefore how the intent of criterion 1.3 could be achieved in the case of non-life firms which will not be subjected to financial/market scenarios. We are not suggesting that non-life firms be subjected to financial/market scenarios, rather that criterion 1.3 be revised as follows: "Each Volunteer Group in the representative sample conducts sensitivity analysis using scenarios that reflect changing risks that are relevant and material for the sector (life or non-life) as per criterion 1.3d.)." We do not see the necessity to apply financial market scenarios to non-life groups, as such risks are not significant to the sector due to its shorter asset durations. There can be a better/easier way than imposing non-life risk scenarios. The non-life insurance risks which would be subject to the scenario analyses have already been assessed by the CSFWG with years of field testing and now over the monitoring period. We believe that experience has already shown that those risk charges in the ICS and the AM move similarly because the modelling of catastrophe risks is used in both the ICS and in many jurisdictional legal entity requirements (such as in risk-based capital in the U.S.), which underlie the AM, as is the use of similar factor-based approaches for other insurance risks. Therefore, a much more feasible and practical approach for the assessment of comparability of non-life risks is to utilize the ample amount of information that has already been submitted to the IAIS over the years, and to forego scenario

			analyses which would be inherently complex, burdensome, and hypothetical. That is especially true if the data reveals that the AM is more prudent then the ICS, which we suspect is the case at least for U.S.-based groups. The comparability principles acknowledge that the AM can be more prudent than the ICS. If such is indeed the case, then concerns about how close the AM and ICS are or how correlated they are should ease and give way to a more pragmatic approach than devising and modelling scenarios. To the extent that a data call is necessary, it should be narrowly focused and expedient for groups to provide and submit. APCIA also has concerns that the scenarios referred to in this criterion are to be standardized scenarios, as per criterion 1.3.d. Please see our response to 1.3.d for those concerns.
Q5 Comment on criterion 1.3a)			
120. Great Eastern Holdings	Asia	No	**Answer:** Nil.
121. Insurance Europe	European Union	No	**Answer:** - Criterion 1.3a): While it makes sense to conduct the AM sensitivity analysis at entity level, the aggregate consolidated group PCR that is produced by the methodology must also be assessed so that it can be compared to the ICS PCR, which is only produced at consolidated level. The application of any proportionate approach should ensure that entities that have a significant impact on the total PCR under the AM are not excluded from the analysis. The sensitivity of an entity's required capital, as well as its size, should be a factor in the materiality assessment.
122. Reinsurance Advisory Board	European Union	No	**Answer:** - Criterion 1.3a): While it makes sense to conduct the AM sensitivity analysis at entity level, the aggregate consolidated group PCR that is produced by the methodology must also be assessed so that it can be compared to the ICS PCR, which is only produced at consolidated level. The application of any proportionate approach should ensure that entities that have a significant impact on the total PCR under the AM are not excluded from the analysis. The sensitivity of an entity's required capital, as well as its size, should be a factor in the materiality assessment.
123. BNPPARIBAS CARDIF	France	No	**Answer:** Regarding the definition of the sample, i.e., at least two-thirds of total AM required capital from at least three jurisdictions, it is quite difficult to comment on whether this is sufficient without understanding the adequacy of the proposed approximation having regard to the purpose of the comparability assessment. This approximation should therefore be defined in terms of the objective i.e a deviation in total AM capital of < XX% compared to a full assessment, as opposed to the possible result of any such analysis i.e., one third of AM required capital excluded from the full sensitivity analysis. In any case, one-third is too low and the IAIS should consider a higher threshold, e.g., 95%. As above, the terms "sensitivity analysis and scenario analysis" need further clarifications.

124. CNP Assurances	France	No	**Answer:** Regarding the definition of the sample, i.e., at least two-thirds of total AM required capital from at least three jurisdictions, it is quite difficult to comment on whether this is sufficient without understanding the adequacy of the proposed approximation having regard to the purpose of the comparability assessment. This approximation should therefore be defined in terms of the objective i.e a deviation in total AM capital of < XX% compared to a full assessment, as opposed to the possible result of any such analysis i.e., one third of AM required capital excluded from the full sensitivity analysis. In any case, one-third is too low and the IAIS should consider a higher threshold, e.g., 95%. As above, the terms "sensitivity analysis and scenario analysis" need further clarifications.
125. COVEA	FRANCE	No	**Answer:** Regarding the definition of the sample, i.e., at least two-thirds of total AM required capital from at least three jurisdictions, it is quite difficult to comment on whether this is sufficient without understanding the adequacy of the proposed approximation having regard to the purpose of the comparability assessment. This approximation should therefore be defined in terms of the objective i.e a deviation in total AM capital of < XX% compared to a full assessment, as opposed to the possible result of any such analysis i.e., one third of AM required capital excluded from the full sensitivity analysis. In any case, we consider one-third to be too low and that a higher threshold, e.g., 95%, should be applied. As above, the terms "sensitivity analysis and scenario analysis" need further clarifications
126. Credit Agricole Assurances	FRANCE	No	**Answer:** Regarding the definition of the sample, i.e., at least two-thirds of total AM required capital from at least three jurisdictions, it is quite difficult to comment on whether this is sufficient without understanding the adequacy of the proposed approximation having regard to the purpose of the comparability assessment. This approximation should therefore be defined in terms of the objective i.e a deviation in total AM capital of < XX% compared to a full assessment, as opposed to the possible result of any such analysis i.e., one third of AM required capital excluded from the full sensitivity analysis. In any case, one-third is too low and the IAIS should consider a higher threshold, e.g., 95%. As above, the terms "sensitivity analysis and scenario analysis" need further clarifications.
127. France Assureurs	France	No	**Answer:** Regarding the definition of the sample, i.e., at least two-thirds of total AM required capital from at least three jurisdictions, it is quite difficult to comment on whether this is sufficient without understanding the adequacy of the proposed approximation having regard to the purpose of the comparability assessment. This approximation should therefore be defined in terms of the objective i.e a deviation in total AM capital of < XX% compared to a full assessment, as opposed to the possible result of any such analysis i.e., one third of AM required capital excluded from the full sensitivity analysis. In any case, one-third is too low and the IAIS should consider a higher threshold, e.g., 95%. As above, the terms "sensitivity analysis and scenario analysis" need further clarifications.

128. French Treasury	France	No	**Answer:** The sensitivity analysis should be conducted on the most representative sample possible. Criterion 1.3 does not provide for a satisfactory basis for comparison. A mere appraisal of two-third of total AM required capital is not sufficient to conduct properly the sensitivity analysis, all the more as the remaining one-third will be assessed on according to a "simplified approach" that is not specified. The whole (100%) AM required capital should be taken into account to be consistent with the ICS group calculation (criterion 1.3.c). In any case, the responsibility to decide which part of the total group capital requirement must be included should not be left to the group decision, because representativeness of the lines of business and geographical coverage must be factored in and verified.
129. Groupama	France	No	**Answer:** Regarding the definition of the sample, i.e., at least two-thirds of total AM required capital from at least three jurisdictions, it is quite difficult to comment on whether this is sufficient without understanding the adequacy of the proposed approximation having regard to the purpose of the comparability assessment. This approximation should therefore be defined in terms of the objective i.e a deviation in total AM capital of < XX% compared to a full assessment, as opposed to the possible result of any such analysis i.e., one third of AM required capital excluded from the full sensitivity analysis. In any case, one-third is too low and the IAIS should consider a higher threshold, e.g., 95%. As above, the terms "sensitivity analysis and scenario analysis" need further clarifications.
130. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. While it makes sense to conduct the AM sensitivity analysis at entity level, the aggregate consolidated group PCR that is produced by the methodology must also be assessed so that it can be compared to the ICS PCR, which is only produced at consolidated level. The application of any proportionate approach should ensure that entities that have a significant impact on the total PCR under the AM are not excluded from the analysis. The sensitivity of an entity's required capital, as well as its size, should be a factor in the materiality assessment.
131. SOGECAP	FRANCE	No	**Answer:** Regarding the definition of the sample, i.e., at least two-thirds of total AM required capital from at least three jurisdictions, it is quite difficult to comment on whether this is sufficient without understanding the adequacy of the proposed approximation having regard to the purpose of the comparability assessment. This approximation should therefore be defined in terms of the objective i.e a deviation in total AM capital of < XX% compared to a full assessment, as opposed to the possible result of any such analysis i.e., one third of AM required capital excluded from the full sensitivity analysis. In any case, one-third is too low and the IAIS should consider a higher threshold, e.g., 95%. As above, the terms "sensitivity analysis and scenario analysis" need further clarifications.

132. German Insurance Association	Germany	No	**Answer:** While it makes sense to conduct AM sensitivity analysis at entity level, the aggregate consolidated group PCR that is produced by the methodology must also be assessed so that it can be compared to the ICS PCR, which is only produced at consolidated level and so that supervisory trigger points can be compared.
133. AIA and Prudential plc	Hong Kong	No	**Answer:** For the AM the sensitivity analysis must be developed by legal entity since the AM is built on the legal entity construct. Having said that the results are considered at the consolidated group level, the same as for the ICS (per 1.3b below). Also, we agree that it is reasonable to require a minimum number of entities to be included on a reasonably rigorous basis and two thirds seems to be a reasonable threshold. However, we suggest that there be thresholds for both required and available capital. There are often substantial assets at the holding company level where there may be little required capital. Such assets should not be ignored.
134. The Actuarial Society of Hong Kong	Hong Kong	No	**Answer:** For the AM the sensitivity analysis must be developed by legal entity since the AM/LCSM is built on the legal entity construct. Having said that the results are considered at the consolidated group level, the same as for the ICS (per 1.3b below). Also, we agree that it is reasonable to require a minimum number of entities to be included on a reasonably rigorous basis and two thirds seems to be a reasonable threshold. However, we suggest that there be thresholds for both required and available capital. There are often substantial assets at the holding company level where there may be little required capital. Such assets should not be ignored.
135. General Insurance Association of Japan	Japan	No	**Answer:** 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.
136. Verbond van Verzekeraars	Netherlands	No	**Answer:** While it makes sense to conduct the AM sensitivity analysis at entity level, the aggregate consolidated group PCR that is produced by the methodology must also be assessed so that it can be compared to the ICS PCR, which is only produced at consolidated level. The application of any proportionate approach should ensure that entities that have a significant impact on the total PCR under the AM are not excluded from the analysis. The sensitivity of an entity's required capital, as well as its size, should be a factor in the materiality assessment.
138. DGSFP	SPAIN	No	**Answer:** The sensitivity analysis should be conducted on the most representative sample possible. A two-third of total AM required capital is not sufficient to conduct properly the sensitivity analysis, and the "simplified approach" to assess the remaining one-third is not specified.
140. NN Group	The Netherlands	No	**Answer:** - Criterion 1.3a): While it makes sense to conduct the AM sensitivity analysis at entity level, the aggregate consolidated group PCR that is produced by the methodology must also be assessed so that it can be compared to the ICS PCR, which is only produced at consolidated level. The application of any proportionate approach should ensure

			that entities that have a significant impact on the total PCR under the AM are not excluded from the analysis. The sensitivity of an entity's required capital, as well as its size, should be a factor in the materiality assessment.
141. Liberty Mutual Insurance Group	United States	No	**Answer:** See general comments 1.3. This presumes a level a quantitative analysis that is not required to deem the AM comparable.
142. National Association of Mutual Insurance Companies	United States	No	**Answer:** NAMIC appreciates the consideration of the concept of proportionality; however, it is unclear how this criterion contributes to an overall understanding of results of the various AM and ICS responses to sensitivity analysis, given the approximation approach utilized for one-third of total required capital of the Volunteer Group. Further, it is not clear how "total AM required capital" is understood in this criterion. We believe this adds complexity to an already complex exercise, which is why we suggest non-life risks to forgo conducting sensitivity analysis.
143. American Property Casualty Insurance Association	USA	No	**Answer:** This criterion provides what is described as a "more proportionate approach through the use of a materiality threshold" to the sensitivity analyses of legal entities in a group, i.e., the group would only need to include entities representing at least two-thirds of its total AM required capital. We believe that a proportionate approach makes perfect sense - however, we are concerned that even if the AM data were shown to be "substantially correlated" to the ICS that the "quantum" of change would not be comparable due to the exclusion of scenario results from entities comprising up to 1/3 of the group's total AM required capital. A provision would be necessary to allow the group to assume that there would be an impact on the capital ratio components of those entities that are not subject to the scenario analysis that is proportional to that of the entities that are subjected to the scenario analysis (unless the stress clearly would not apply, i.e., a hurricane striking the southeast United States would not impact legal entities in Asia). Further, the criterion states that among the entities of the group that are subjected to the sensitivity analysis, "legal entities from at least three jurisdictions" must be included. It is unclear what the implications of that part of the criterion would be, e.g., would a group that did not meet that part of the criterion be excluded from the comparability analysis altogether? Criterion 5.2.e provides that "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." Non-IAIGs would not necessarily have business in three or more jurisdictions, and if such is the case for some of the non-IAIGs participating in the data collection, 5.2.e would seem to be overridden by 1.3.a, thus precluding that group from being included in the comparability analysis. Also, with respect to the "at least three jurisdictions" requirement, the IAIG criterion in ComFrame differs between the U.S. and the EU as to whether a U.S. state or an EU member state is considered a "jurisdiction." The U.S. is considered in ComFrame to be a single jurisdiction. So, if a group writes in all 50 U.S. states but nowhere else, it does not meet the international business criterion of ComFrame to be an IAIG. On the other hand, ComFrame's IAIG criterion

			provides that all EU member states are separate jurisdictions. An EU-based group writing only within the EU and in say, only 4 Member States, would be considered an IAIG as long as it also met the size criterion of an IAIG in ComFrame. It is not clear to us as to whether any EU-based groups are, or will be, providing AM data in the monitoring period data collection process. If so, there could be some inconsistencies in the comparability analysis resulting from the different criterion in ComFrame used to identify an IAIG, in that more EU groups than US groups would be able to meet the "at least three jurisdictions" criterion in the comparability consultation document. APCIA does not have access to information to know if that could be the case and, if so, what any potential implications might be to the comparability process, but we highlight the matter for your review.
Q6 Comment on criterion 1.3b)			
144. Great Eastern Holdings	Asia	No	**Answer:** Nil.
145. SCOR	France	No	**Answer:**
146. AIA and Prudential plc	Hong Kong	No	**Answer:** We agree with this criterion
147. The Actuarial Society of Hong Kong	Hong Kong	No	**Answer:** We agree with this criterion.
148. International Actuarial Association	International	No	**Answer:** It is not clear what this criterion is requesting when it says, "the sensitivity analysis is conducted on the consolidated group", as the application of a scenario for the ICS would have to look at the impact on the existing balance sheet, and that impact may vary based on the location of the assets and liabilities. Therefore, even if the results under the ICS would require producing consolidated impacts, the determination of the impact of the scenario may require a more granular analysis with the results of the granular analysis being consolidated.
151. American Academy of Actuaries	United States	No	**Answer:** It may be unduly burdensome to conduct full sensitivity analysis on a consolidated group. Consideration should be given to allowing exclusion of or simplification for immaterial components.

152. Liberty Mutual Insurance Group	United States	No	**Answer:** See general comments to 1.3
153. National Association of Mutual Insurance Companies	United States	No	**Answer:** No Comment.
Q7 Comment on criterion 1.3c)			
154. Great Eastern Holdings	Asia	No	**Answer:** Nil.
155. Insurance Europe	European Union	No	**Answer:** - Criterion 1.3c): While it is noted that there is a practical need to have only a "limited" number of additional scenarios representing different points in time due to the workload for volunteer groups, this is unlikely to allow enough scenarios to be tested to establish comparability. In order to assess comparability under a suitable range of different economic and other scenarios (ie, during financial crisis spread movements), it may be beneficial to apply scenarios to model companies in addition to simulations run by volunteer groups. Here, the IAIS may want to consider the approach taken by and work done for the June 2022 IPAC report.
156. Reinsurance Advisory Board	European Union	No	**Answer:** - Criterion 1.3c): While it is noted that there is a practical need to have only a "limited" number of additional scenarios representing different points in time due to the workload for volunteer groups, this is unlikely to allow enough scenarios to be tested to establish comparability. In order to assess comparability under a suitable range of different economic and other scenarios (ie, during financial crisis spread movements), it may be beneficial to apply scenarios to model companies in addition to simulations run by volunteer groups. Here, the IAIS may want to consider the approach taken by and work done for the June 2022 IPAC report.
157. BNPPARIBAS CARDIF	France	No	**Answer:** The number of "limited" additional scenarios representing different points in time should be specified in the context of how the correlation analysis will be performed and the timeframe that analysis is intended to represent. It should be clarified how these scenarios would be used to develop an analysis of correlation over multiple years.
158. CNP Assurances	France	No	**Answer:** The number of "limited" additional scenarios representing different points in time should be specified in the context of how the correlation analysis will be performed and the timeframe that analysis is intended to represent. It should be clarified how these scenarios would be used to develop an analysis of correlation over multiple years.

159. COVEA	FRANCE	No	**Answer:** The number of "limited" additional scenarios representing different points in time should be specified in the context of how the correlation analysis will be performed and the timeframe that analysis is intended to represent. It should be clarified how these scenarios would be used to develop an analysis of correlation over multiple years.
160. Credit Agricole Assurances	FRANCE	No	**Answer:** The number of "limited" additional scenarios representing different points in time should be specified in the context of how the correlation analysis will be performed and the timeframe that analysis is intended to represent. It should be clarified how these scenarios would be used to develop an analysis of correlation over multiple years.
161. France Assureurs	France	No	**Answer:** The number of "limited" additional scenarios representing different points in time should be specified in the context of how the correlation analysis will be performed and the timeframe that analysis is intended to represent. It should be clarified how these scenarios would be used to develop an analysis of correlation over multiple years.
162. French Treasury	France	No	**Answer:** Standardized scenarios designed with common features are essential to achieve comparability. As a "one-size-fits-all" scenario could not be sufficient, as many scenarios as necessary will need to be designed with impartial and shared hypotheses. Therefore, no emphasis should be put on the "limited" number of scenarios, which implies that the other scenarios will be depend on discretionary choices and will be less comparable (see criterion 1.3 e)). Furthermore, more precision should be given on how the correlation analysis will be performed and the timeframe that analysis is intended to represent. Correlation should be assessed by comparing the outcome of these scenarios individually against the base case.
163. Groupama	France	No	**Answer:** The number of "limited" additional scenarios representing different points in time should be specified in the context of how the correlation analysis will be performed and the timeframe that analysis is intended to represent. It should be clarified how these scenarios would be used to develop an analysis of correlation over multiple years.
164. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. While it is noted that there is a practical need to have only a "limited" number of additional scenarios representing different points in time due to the workload for volunteer groups, this is unlikely to allow enough scenarios to be tested to establish comparability. In order to assess comparability under a suitable range of different economic and other scenarios (ie, during financial crisis spread movements), it may be beneficial to apply scenarios to model companies in addition to simulations run by volunteer groups. Here, the IAIS may want to consider the approach taken by and work done for the June 2022 IPAC report.

165. SOGECAP	FRANCE	No	**Answer:** The number of "limited" additional scenarios representing different points in time should be specified in the context of how the correlation analysis will be performed and the timeframe that analysis is intended to represent. It should be clarified how these scenarios would be used to develop an analysis of correlation over multiple years.
166. German Insurance Association	Germany	No	**Answer:** While the practical need to have only a "limited" number of additional scenarios representing different points in time due to the workload for volunteer groups, this is unlikely to allow enough scenarios to be tested to establish comparability. In order to assess comparability under a suitable range of different economic and other scenarios (ie, during financial crisis spread movements), it may be necessary/beneficial to apply scenarios to model companies rather than only rely on simulations run by volunteer groups. In this respect the IAIS may want to consider the approach taken and work done for the June 2022 IPAC report.
167. AIA and Prudential plc	Hong Kong	No	**Answer:** We agree with this criterion
168. The Actuarial Society of Hong Kong	Hong Kong	No	**Answer:** We agree with this criterion.
169. International Actuarial Association	International	No	**Answer:** As mentioned in an earlier comment, it would be helpful to expose via a consultation the additional scenarios being suggested. It is difficult to provide much comment without knowing more about the suggested scenarios.
170. General Insurance Association of Japan	Japan	No	**Answer:** 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.
171. Verbond van Verzekeraars	Netherlands	No	**Answer:** While it is noted that there is a practical need to have only a "limited" number of additional scenarios representing different points in time due to the workload for volunteer groups, this is unlikely to allow enough scenarios to be tested to establish comparability. In order to assess comparability under a suitable range of different economic and other scenarios (ie, during financial crisis spread movements), it may be beneficial to apply scenarios to model companies in addition to simulations run by volunteer groups. Here, the IAIS may want to consider the approach taken by and work done for the June 2022 IPAC report.

174. NN Group	The Netherlands	No	**Answer:** - Criterion 1.3c): While it is noted that there is a practical need to have only a "limited" number of additional scenarios representing different points in time due to the workload for volunteer groups, this is unlikely to allow enough scenarios to be tested to establish comparability. In order to assess comparability under a suitable range of different economic and other scenarios (ie, during financial crisis spread movements), it may be beneficial to apply scenarios to model companies in addition to simulations run by volunteer groups. Here, the IAIS may want to consider the approach taken by and work done for the June 2022 IPAC report.
175. Allstate Insurance Company	United States	No	**Answer:** We appreciate the IAIS's consideration of "a limited number of additional scenarios representing different points in time," but we do not believe that requiring a quantitative sensitivity analysis over a selected set of scenarios is the most efficient and effective way to determine comparability/outcome equivalence of the ICS and AM. Having multiple Volunteer Groups perform quantitative testing over a specific set of standardized scenarios presents several issues 1. Scenarios would not contemplate an insurance group's view of its own risks and exposures. For example, for property-casualty insurers, while all insurers face some level of catastrophe risk, the magnitude of the risk could significantly differ depending on the locations of covered property, and other factors such as policy coverage, limits, quality of construction and other important factors. An insurance group could view catastrophe risk as a higher risk if it writes large amounts of business in coastal areas or areas with less stringent building codes that increase claim costs. In any case, it is an insurance group's underwriting and policy construction decisions that are a primary factor in the risks that a group faces, and a standardized scenario cannot capture every insurance group's business model. 2. Scenarios consider potential future events that may occur but likely cannot capture all the nuances of what will happen in the future. The two most recent global recessions (the Great Recession (2007-2009) and the recession related to the COVID-19 pandemic) had very different effects on global markets. Further, since late 2021 through the present, a downturn in the financial markets has been accompanied by persistently high inflation, which has broadly affected insurers' asset values, investment income, claim expenses, and premium actions. Therefore, we propose that the IAIS should remove the requirement for quantitative scenario analysis included in 1.3(c). Instead, we propose the following as potential alternatives to scenario analysis: - Maintaining criterion 1.3(e) to allow for Volunteer Groups to submit scenarios that would cause AM and/or ICS capital resources to fall below AM and/or ICS capital requirements. By allowing for this submission in place of quantitative scenario analysis, Volunteer Groups would consider their own business model to determine the potential scenarios that could adversely affect AM and ICS capital resources. With these submissions, we would expect that IAIS would get a more relevant view of scenarios that show how the AM and ICS respond to potential risks. - IAIS review of ICS and AM data submissions from the monitoring period to evaluate the responsiveness of the ICS and AM to actual scenarios that have occurred. We believe submissions using data affected by actual (instead of hypothetical) market conditions provides more relevant insights into how both the ICS and AM operate.

176. American Academy of Actuaries	United States	No	**Answer:** As mentioned in an earlier comment, it would be helpful to expose via a consultation the additional scenarios being suggested. It is difficult to provide much comment without knowing more about the suggested scenarios.
177. Liberty Mutual Insurance Group	United States	No	**Answer:** See general comments to 1.3
178. National Association of Mutual Insurance Companies	United States	No	**Answer:** NAMIC asserts this is a significant reporting burden. Enough data has been collected already through field-testing and the monitoring period to understand how various risks respond to the reference-ICS and AM for non-life groups. The IAIS should instead be focused on how they can provide an understanding for how each method is responding and forgo conducting additional scenario analysis for non-life risks.
179. American Property Casualty Insurance Association	USA	No	**Answer:** Modelling multiple scenarios is a data- and labor-intensive exercise that utilizes very technical resources who are already constrained by a plethora of competing responsibilities. Furthermore, groups vary as to business lines, models, and geographies in which they operate; standardized scenarios would likely not be that relevant to some groups and would layer in even more work. Standardized scenarios would not enable groups to leverage modelling capabilities related to scenarios that they consider to be more relevant to the respective group and which they run as part of their internal analyses. For non-life groups in particular, the amount of effort and resources required to fulfil the planned scenario analysis is disproportionate to any benefit that could be realized in return. As stated in the consultation document, "For non-life business, the scenarios include changes appropriate to the nature of the business, like changes on non-life insurance risks." Scenarios based on financial/economic risks will thus be excluded from the non-life analysis, which is appropriate since such risks have much less impact (than on life groups) due to the non-life sector's shorter asset durations. But the non-life insurance risks which would be subject to the scenario analyses have already been assessed by the CSFWG with years of field testing and now over the monitoring period. We believe that experience has already shown that those risk charges in the ICS and the AM move similarly. That is because modelling of catastrophe risks is used in both the ICS and in many jurisdictional legal entity requirements which underlie the AM (such as in Risk-Based Capital in the U.S.), as is the use of similar factor-based approaches for other insurance risks. Therefore, a much more feasible and practical approach for the assessment of comparability of non-life risks is to simply utilize the ample amount of information that has already been submitted to the IAIS over the years, and to forego scenario analyses which would be inherently complex, burdensome, and hypothetical. That is especially true if the data reveals that the AM is more prudent then the ICS, which we suspect is the case at least for U.S.-based groups. The comparability principles acknowledge that the AM can be more prudent than the ICS. If such is indeed the case, then

			concerns about how close the AM and ICS are or how correlated they are should ease and give way to a more pragmatic approach than devising and modelling scenarios. To the extent that a data call is necessary, it should be narrowly focused and expedient for groups to provide and submit.
Q8 Comment on criterion 1.3d)			
180. Great Eastern Holdings	Asia	No	**Answer:** Nil.
181. Insurance Europe	European Union	No	**Answer:** - Criterion 1.3d): The scenarios should be designed to test the synchronicity and intensity of supervisory intervention under stressed conditions and be calibrated to reflect past real-world peak events.
182. Reinsurance Advisory Board	European Union	No	**Answer:** - Criterion 1.3d): The scenarios should be designed to test the synchronicity and intensity of supervisory intervention under stressed conditions and be calibrated to reflect past real-world peak events.
183. BNPPARIBAS CARDIF	France	No	**Answer:** We fully agree with the specification of different scenarios for life and non-life business, taking into account specificities of business models, however, it is necessary to specify more details on those scenarios in the criteria (or as an appendix). For example, the magnitude of the impact should be defined for each asset class at an appropriate level of granularity, reflecting historic real-world scenarios as well as forward-looking scenarios. Also, a process for reviewing and updating the scenarios should be provided.
184. CNP Assurances	France	No	**Answer:** We fully agree with the specification of different scenarios for life and non-life business, taking into account specificities of business models, however, it is necessary to specify more details on those scenarios in the criteria (or as an appendix). For example, the magnitude of the impact should be defined for each asset class at an appropriate level of granularity, reflecting historic real-world scenarios as well as forward-looking scenarios. Also, a process for reviewing and updating the scenarios should be provided.
185. COVEA	FRANCE	No	**Answer:** We fully agree with the specification of different scenarios for life and non-life business, taking into account specificities of business models, however, it is necessary to specify more details on those scenarios in the criteria (or as an appendix). For example, the magnitude of the impact should be defined for each asset class at an appropriate level of granularity, reflecting historic real-world scenarios as well as forward-looking scenarios. Also, a process for reviewing and updating the scenarios should be provided

186. Credit Agricole Assurances	FRANCE	No	**Answer:** We fully agree with the specification of different scenarios for life and non-life business, taking into account specificities of business models, however, it is necessary to specify more details on those scenarios in the criteria (or as an appendix). For example, the magnitude of the impact should be defined for each asset class at an appropriate level of granularity, reflecting historic real-world scenarios as well as forward-looking scenarios. Also, a process for reviewing and updating the scenarios should be provided.
187. France Assureurs	France	No	**Answer:** France Assureurs fully agrees with the specification of different scenarios for life and non-life business, taking into account specificities of business models, however, it is necessary to specify more details on those scenarios in the criteria (or as an appendix). For example, the magnitude of the impact should be defined for each asset class at an appropriate level of granularity, reflecting historic real-world scenarios as well as forward-looking scenarios. Also, a process for reviewing and updating the scenarios should be provided.
188. French Treasury	France	No	**Answer:** It is necessary to add more details on those scenarios. For example, the strength of the impact should be defined for each asset class, factoring in both historic and forward-looking scenarios (e.g. high inflation low growth scenario). A process for updating the scenarios should also be provided.
189. Groupama	France	No	**Answer:** We fully agree with the specification of different scenarios for life and non-life business, taking into account specificities of business models, however, it is necessary to specify more details on those scenarios in the criteria (or as an appendix). For example, the magnitude of the impact should be defined for each asset class at an appropriate level of granularity, reflecting historic real-world scenarios as well as forward-looking scenarios. Also, a process for reviewing and updating the scenarios should be provided
190. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. The scenarios should be designed to test the synchronicity and intensity of supervisory intervention under stressed conditions and be calibrated to reflect past real-world peak events.
191. SOGECAP	FRANCE	No	**Answer:** We fully agree with the specification of different scenarios for life and non-life business, taking into account specificities of business models, however, it is necessary to specify more details on those scenarios in the criteria (or as an appendix). For example, the magnitude of the impact should be defined for each asset class at an appropriate level of granularity, reflecting historic real-world scenarios as well as forward-looking scenarios. Also, a process for reviewing and updating the scenarios should be provided.
192. AIA and Prudential plc	Hong Kong	No	**Answer:** We agree that the scenarios should be standardized and differentiated by life and non-life. In our view this limited set of scenarios should be the only scenarios considered in the analysis. For life business criterion 1.3d

			suggests five scenarios. We suggest that the three economic scenarios based on interest rates, credit spreads and equity prices would be sufficient. In any case we suggest that the scenarios be exposed for public consultation.
193. The Actuarial Society of Hong Kong	Hong Kong	No	**Answer:** We agree that the scenarios should be standardized and differentiated by life and non-life. In our view this limited set of scenarios should be the only scenarios considered in the analysis. For life business criterion 1.3d suggests five scenarios. We suggest that the three economic scenarios based on interest rates, credit spreads and equity prices would be sufficient. In any case we suggest that the scenarios be exposed for public consultation.
194. International Actuarial Association	International	No	**Answer:** The IAA would anticipate difficulties in the production of "standardized" scenarios given the small number of groups potentially included in the sampling, as well as material variations in business practices within that small sample. For example, among the small number of predominately non-life IAIGs in the U.S., the proportion of investments made in equity instruments ranges from nearly 50% to under 5% (based on 2 of the larger U.S. IAIGs based on non-life earned premium). As such, it may not be possible to produce standardized scenarios for this purpose.
195. General Insurance Association of Japan	Japan	No	**Answer:** 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. In addition, for non-life insurers, natural catastrophe risk is also an important risk factor and should be included in the scenario analysis.
196. Verbond van Verzekeraars	Netherlands	No	**Answer:** The scenarios should be designed to test the synchronicity and intensity of supervisory intervention under stressed conditions and be calibrated to reflect past real-world peak events.
199. NN Group	The Netherlands	No	**Answer:** - Criterion 1.3d): The scenarios should be designed to test the synchronicity and intensity of supervisory intervention under stressed conditions and be calibrated to reflect past real-world peak events.
200. Allstate Insurance Company	United States	No	**Answer:** See response to Q7, which captures feedback on criteria 1.3(c) through 1.3(e)
201. American Academy of Actuaries	United States	No	**Answer:** It is unclear whether the focus is intended to cover economic risks over the business cycle only, or all risks. If the former, we suggest removing references to non-economic risks. If the latter, we suggest a more balanced reference to all risks (rather than only mentioning mortality and lapse).

202. Liberty Mutual Insurance Group	United States	No	**Answer:** See general comments to 1.3
203. National Association of Mutual Insurance Companies	United States	No	**Answer:** Future data requests, particularly around sensitivity analysis and additional scenario analysis will increase the reporting burden without the benefit of learning anything new about whether these two methods can be comparable in the first place. NAMIC believes enough data has been collected already through field-testing and the monitoring period to understand how various risks respond to the reference-ICS and AM for non-life groups. The IAIS should instead be focused on how they can provide an understanding for how each method is responding and forgo conducting additional scenario analysis for non-life risks.
204. American Property Casualty Insurance Association	USA	No	**Answer:** With respect to non-life business, this criterion provides that the scenarios include changes appropriate to the nature of the business, like changes on non-life insurance risks. That is in contrast to life business, for which the criterion provides that various financial and market risk scenarios would be applied. Speaking for non-life companies, we believe the criterion has an appropriately narrow focus, i.e., the non-life insurance risks. Financial and market risks are not that impactful to nonlife firms largely because of their shorter asset durations. That said, we are concerned about the burden on non-life firms to undergo the work necessary to report results on multiple scenarios, and that there is a much more pragmatic way forward that the IAIS should consider. In that regard, please see our response to criterion1.3. c.
Q9 Comment on criterion 1.3e)			
205. Great Eastern Holdings	Asia	No	**Answer:** Nil.
206. Insurance Europe	European Union	No	**Answer:** - Criterion 1.3e): Comparing breaches of PCR and supervisor trigger points is fundamental for assessing comparability and the criteria need to reflect this. This criterion goes some way towards addressing this, but a greater focus on comparing PCR breach points is necessary in this and/or other criteria. In particular the term "information to inform the analysis" is worrying because it implies that the comparison of PCR breaches and triggers for supervisor action is secondary. It should be made clear that it will form a core and primary part of the assessment.
207. Reinsurance Advisory Board	European Union	No	**Answer:** - Criterion 1.3e): Comparing breaches of PCR and supervisor trigger points is fundamental for assessing comparability and the criteria need to reflect this. This criterion goes some way towards addressing this, but a greater focus on comparing PCR breach points is necessary in this and/or other criteria. In particular the term "information to inform the analysis" is worrying because it implies that the comparison of PCR breaches and triggers for supervisor action is secondary. It should be made clear that it will form a core and primary part of the assessment.

208. BNPPARIBAS CARDIF	France	No	**Answer:** While these two elements are fundamental to assess whether AM and ICS could be comparable, it is necessary to further describe how the assessment will be carried out. Additionally, the term "information to inform the analysis" should be more clearly defined. It is not clear enough and it should be clarified how that information will assist the IAIS in assessing the comparability between the two approaches. The term implies comparison of PCR breaches and triggers for supervisor action is secondary. These elements remain key in understanding how the two different approaches could lead to comparable supervisory reactions at the same time and in comparable economic contexts. Furthermore, the reverse stress tests should be accompanied by an analysis of the supervisory intervention, in terms of timing and actions, to those circumstances. It is essential to clarify in advance what will guide the IAIS when drawing a conclusion, in particular: - How will the terms "similar(ly)" and "quantum of change" be defined, what are acceptable ranges for the variation of the "quantum of change"? - How will the term "business cycle" be defined and applied for calculating the correlations, what time intervals will be used for data points within the business cycle? - How will the required level of correlation be decided and what will it be, what correlation metric will be used and how does this relate to the key point of triggering supervisory action (ie, PCR breaches)? - How will the different elements of the assessment be combined into a final decision? - How will the results across different companies be aggregated - eg, if the AM and ICS appear comparable for some companies but not all, or comparable under some scenarios but not all? - A description of the scenarios to be used for the sensitivity analysis
209. CNP Assurances	France	No	**Answer:** While these two elements are fundamental to assess whether AM and ICS could be comparable, it is necessary to further describe how the assessment will be carried out. Additionally, the term "information to inform the analysis" should be more clearly defined. It is not clear enough and it should be clarified how that information will assist the IAIS in assessing the comparability between the two approaches. The term implies comparison of PCR breaches and triggers for supervisor action is secondary. These elements remain key in understanding how the two different approaches could lead to comparable supervisory reactions at the same time and in comparable economic contexts. Furthermore, the reverse stress tests should be accompanied by an analysis of the supervisory intervention, in terms of timing and actions, to those circumstances. It is essential to clarify in advance what will guide the IAIS when drawing a conclusion, in particular: - How will the terms "similar(ly)" and "quantum of change" be defined, what are acceptable ranges for the variation of the "quantum of change"? - How will the term "business cycle" be defined and applied for calculating the correlations, what time intervals will be

			used for data points within the business cycle? - How will the required level of correlation be decided and what will it be, what correlation metric will be used and how does this relate to the key point of triggering supervisory action (ie, PCR breaches)? - How will the different elements of the assessment be combined into a final decision? - How will the results across different companies be aggregated - eg, if the AM and ICS appear comparable for some companies but not all, or comparable under some scenarios but not all? - A description of the scenarios to be used for the sensitivity analysis
210. COVEA	FRANCE	No	**Answer:** While these two elements are fundamental to assess whether AM and ICS could be comparable, it is necessary to further describe how the assessment will be carried out. Additionally, the term "information to inform the analysis" should be more clearly defined. It is not clear enough and it should be clarified how that information will assist the IAIS in assessing the comparability between the two approaches. The term implies that comparison of PCR breaches and triggers for supervisor action is secondary. These elements remain key in understanding how the two different approaches could lead to comparable supervisory reactions at the same time and in comparable economic contexts. Furthermore, the reverse stress tests should be accompanied by an analysis of the supervisory intervention, in terms of timing and actions, to those circumstances. It is essential to clarify in advance what will guide the IAIS when drawing a conclusion, in particular: >How will the terms "similar(ly)" and "quantum of change" be defined, what are acceptable ranges for the variation of the "quantum of change"? >How will the term "business cycle" be defined and applied for calculating the correlations, what time intervals will be used for data points within the business cycle? >How will the required level of correlation be decided and what will it be, what correlation metric will be used and how does this relate to the key point of triggering supervisory action (ie, PCR breaches)? >How will the different elements of the assessment be combined into a final decision? >How will the results across different companies be aggregated - eg, if the AM and ICS appear comparable for some companies but not all, or comparable under some scenarios but not all? >A description of the scenarios to be used for the sensitivity analysis
211. Credit Agricole Assurances	FRANCE	No	**Answer:** While these two elements are fundamental to assess whether AM and ICS could be comparable, it is necessary to further describe how the assessment will be carried out. Additionally, the term "information to inform the analysis" should be more clearly defined. It is not clear enough and it should be clarified how that information will assist the IAIS in assessing the comparability between the two approaches. The term implies comparison of PCR breaches and triggers for supervisor action is secondary. These elements remain key in understanding how the two different

			approaches could lead to comparable supervisory reactions at the same time and in comparable economic contexts. Furthermore, the reverse stress tests should be accompanied by an analysis of the supervisory intervention, in terms of timing and actions, to those circumstances. It is essential to clarify in advance what will guide the IAIS when drawing a conclusion, in particular: - How will the terms "similar(ly)" and "quantum of change" be defined, what are acceptable ranges for the variation of the "quantum of change"? - How will the term "business cycle" be defined and applied for calculating the correlations, what time intervals will be used for data points within the business cycle? - How will the required level of correlation be decided and what will it be, what correlation metric will be used and how does this relate to the key point of triggering supervisory action (ie, PCR breaches)? - How will the different elements of the assessment be combined into a final decision? - How will the results across different companies be aggregated - eg, if the AM and ICS appear comparable for some companies but not all, or comparable under some scenarios but not all? - A description of the scenarios to be used for the sensitivity analysis
212. France Assureurs	France	No	**Answer:** While these two elements are fundamental to assess whether AM and ICS could be comparable, it is necessary to further describe how the assessment will be carried out. Additionally, the term "information to inform the analysis" should be more clearly defined. It is not clear enough and it should be clarified how that information will assist the IAIS in assessing the comparability between the two approaches. The term implies comparison of PCR breaches and triggers for supervisor action is secondary. These elements remain key in understanding how the two different approaches could lead to comparable supervisory reactions at the same time and in comparable economic contexts. Furthermore, the reverse stress tests should be accompanied by an analysis of the supervisory intervention, in terms of timing and actions, to those circumstances. It is essential to clarify in advance what will guide the IAIS when drawing a conclusion, in particular: How will the terms "similar(ly)" and "quantum of change" be defined, what are acceptable ranges for the variation of the "quantum of change"? How will the term "business cycle" be defined and applied for calculating the correlations, what time intervals will be used for data points within the business cycle? How will the required level of correlation be decided and what will it be, what correlation metric will be used and how does this relate to the key point of triggering supervisory action (ie, PCR breaches)? How will the different elements of the assessment be combined into a final decision? How will the results across different companies be aggregated - eg, if the AM and ICS appear comparable for some

			companies but not all, or comparable under some scenarios but not all? A description of the scenarios to be used for the sensitivity analysis
213. French Treasury	France	No	**Answer:** Due to a vague description, there is a risk that this criterion competes with standard scenarios foreseen in 1.3 d). Criterion 1.3 e) gives to much leeway to undertakings to frame their own scenarios. It could lead to unrealistic scenarios which outcome would be to wrongly conclude to a comparability. It is not clear why this criterion will support the IAIS in assessing the comparability between the two methods. Then, this criterion should be deleted, in exchange of additional relevant scenarios according to point b).
214. Groupama	France	No	**Answer:** While these two elements are fundamental to assess whether AM and ICS could be comparable, it is necessary to further describe how the assessment will be carried out. Additionally, the term "information to inform the analysis" should be more clearly defined. It is not clear enough and it should be clarified how that information will assist the IAIS in assessing the comparability between the two approaches. The term implies comparison of PCR breaches and triggers for supervisor action is secondary. These elements remain key in understanding how the two different approaches could lead to comparable supervisory reactions at the same time and in comparable economic contexts. Furthermore, the reverse stress tests should be accompanied by an analysis of the supervisory intervention, in terms of timing and actions, to those circumstances. It is essential to clarify in advance what will guide the IAIS when drawing a conclusion, in particular: - How will the terms "similar(ly)" and "quantum of change" be defined, what are acceptable ranges for the variation of the "quantum of change"? - How will the term "business cycle" be defined and applied for calculating the correlations, what time intervals will be used for data points within the business cycle? - How will the required level of correlation be decided and what will it be, what correlation metric will be used and how does this relate to the key point of triggering supervisory action (ie, PCR breaches)? - How will the different elements of the assessment be combined into a final decision? - How will the results across different companies be aggregated - eg, if the AM and ICS appear comparable for some companies but not all, or comparable under some scenarios but not all? - A description of the scenarios to be used for the sensitivity analysis.

215. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. Comparing breaches of PCR and supervisor trigger points is fundamental for assessing comparability and the criteria need to reflect this. This criterion goes some way towards addressing this, but a greater focus on comparing PCR breach points is necessary in this and/or other criteria. In particular the term "information to inform the analysis" is worrying because it implies that the comparison of PCR breaches and triggers for supervisor action is secondary. It should be made clear that it will form a core and primary part of the assessment.
216. SOGECAP	FRANCE	No	**Answer:** While these two elements are fundamental to assess whether AM and ICS could be comparable, it is necessary to further describe how the assessment will be carried out. Additionally, the term "information to inform the analysis" should be more clearly defined. It is not clear enough and it should be clarified how that information will assist the IAIS in assessing the comparability between the two approaches. The term implies comparison of PCR breaches and triggers for supervisor action is secondary. These elements remain key in understanding how the two different approaches could lead to comparable supervisory reactions at the same time and in comparable economic contexts. Furthermore, the reverse stress tests should be accompanied by an analysis of the supervisory intervention, in terms of timing and actions, to those circumstances. It is essential to clarify in advance what will guide the IAIS when drawing a conclusion, in particular: - How will the terms "similar(ly)" and "quantum of change" be defined, what are acceptable ranges for the variation of the "quantum of change"? - How will the term "business cycle" be defined and applied for calculating the correlations, what time intervals will be used for data points within the business cycle? - How will the required level of correlation be decided and what will it be, what correlation metric will be used and how does this relate to the key point of triggering supervisory action (ie, PCR breaches)? - How will the different elements of the assessment be combined into a final decision? - How will the results across different companies be aggregated - eg, if the AM and ICS appear comparable for some companies but not all, or comparable under some scenarios but not all? - A description of the scenarios to be used for the sensitivity analysis
217. Allianz SE	Germany	No	**Answer:** It is unclear if this to be understood as a "reverse stress test" and its purpose remains unclear as well, in particular if scenarios of high market volatility are excluded from the analysis.

218. German Insurance Association	Germany	No	**Answer:** Comparing breaches of PCR and supervisor trigger points is fundamental for assessing comparability and the criteria need to reflect this. This criterion goes some way towards addressing this but a greater focus on comparing PCR breach points is necessary, in this and/or other criteria. In particular the term "information to inform the analysis" is worrying because it implies comparison of PCR breaches and triggers for supervisor action is secondary. It should be made clear that it will form a core and primary part of the assessment.
219. AIA and Prudential plc	Hong Kong	No	**Answer:** Criterion 1.3e requires the development of two scenarios - one that causes AM capital resources to become less than AM capital requirements and another that does the same for ICS. We believe that only the first of these scenarios is necessary. If the group becomes insolvent under the LCSM while remaining solvent (or almost so) under the ICS this indicates that regulatory action is triggered sooner under the LCSM. This is key from the regulatory perspective since a fundamental objective of the group solvency system is that it should trigger regulatory action under appropriate circumstances. We note that there is a tacit assumption here that regulatory action would be triggered under the ICS when the ICS solvency ratio drops below 100% and that under the LCSM it would be triggered when that ratio drops below the aggregated PCR. This should be stated explicitly.
220. The Actuarial Society of Hong Kong	Hong Kong	No	**Answer:** Criterion 1.3e requires the development of two scenarios - one that causes AM capital resources to become less than AM capital requirements and another that does the same for ICS. We believe that only the first of these scenarios is necessary. If the group becomes insolvent under the LCSM while remaining solvent (or almost so) under the ICS this indicates that regulatory action is triggered sooner under the LCSM. This is key from the regulatory perspective since a fundamental objective of the group solvency system is that it should trigger regulatory action under appropriate circumstances. We note that there is a tacit assumption here that regulatory action would be triggered under the ICS when the ICS solvency ratio drops below 100% and that under the LCSM it would be triggered when that ratio drops below the aggregated PCR. This should be stated explicitly.
221. Verbond van Verzekeraars	Netherlands	No	**Answer:** Comparing breaches of PCR and supervisor trigger points is fundamental for assessing comparability and the criteria need to reflect this. This criterion goes some way towards addressing this, but a greater focus on comparing PCR breach points is necessary in this and/or other criteria. In particular the term "information to inform the analysis" is worrying because it implies that the comparison of PCR breaches and triggers for supervisor action is secondary. It should be made clear that it will form a core and primary part of the assessment.
224. Fubon Life Insurance Co., Ltd.	Taiwan	No	**Answer:** We agree this analysis information. However, considering the HLP1 is focus on the correlation of ICS and AM instead of when the capital resources is less than capital requirement, we suggest to move the criteria to HLP3, which is more focus on the conditions to trigger supervisory action.

225. NN Group	The Netherlands	No	**Answer:** - Criterion 1.3e): Comparing breaches of PCR and supervisor trigger points is fundamental for assessing comparability and the criteria need to reflect this. This criterion goes some way towards addressing this, but a greater focus on comparing PCR breach points is necessary in this and/or other criteria. In particular the term "information to inform the analysis" is worrying because it implies that the comparison of PCR breaches and triggers for supervisor action is secondary. It should be made clear that it will form a core and primary part of the assessment.
226. acli	U.S.A.	No	**Answer:** ACLI believes that a potentially useful sensitivity criterion is 1.3.E: calling for volunteer groups to provide stress scenarios for AM and ICS individually where a group's available capital falls below its required capital. Comparing these stress scenarios at the group level (derived, for example, from the ORSA, provided that appropriate measures around confidentiality are in place) could be instructive in assessing an outcomes-focused view of comparability based on "regulatory intervention" under group AM relative to group ICS. The sensitivity analysis in 1.3.E could be both analytically useful and operationally feasible, if also reflecting qualitative considerations, an appropriate degree of judgment, and "tabletop exercise" assessments about supervisory response functions in a stress scenario.
227. Allstate Insurance Company	United States	No	**Answer:** See response to Q7, which captures feedback on criteria 1.3(c) through 1.3(e)
228. Liberty Mutual Insurance Group	United States	No	**Answer:** Again, this criterion presumes the need for a highly detailed quantitative analysis to answer the question. While understanding the types of risks that may cause the AM and ICS to fall below required capital and how those risks may manifest themselves in the other framework may be useful, that information can be gleaned by a consultation or industry roundtable separately at some point in the comparability process without specific company reporting. Alternatively, or in addition to such an approach, the comparability analytical team can construct and use mock balance sheets to test such scenarios. Detailed company specific reporting on such items is not necessary.
229. National Association of Mutual Insurance Companies	United States	No	**Answer:** No Comment.
230. RAA	United States and many other jurisdicitons	No	**Answer:** See Comment to Criterion 1.2 above. Given RAA's views about the significant resource commitment necessary to model the ICS and AM under multiple scenarios for the sensitivity analysis, we believe the approach proposed in criterion 1.3e) may provide a more practical and useful alternative. Providing a description of an economic or underwriting scenario that would cause AM or ICS capital resources to drop

			below the corresponding capital requirement, would be less resource intensive for the respondents and may be more informative. Nevertheless, the criteria in 1.1 and 1.2, will still in our view preclude an assessment that the ICS is substantially correlated and thus comparable with the ICS. Other potential effective alternatives for assessing comparability that would be less resource intensive for U.S. insurance groups could include: 1) Utilizing the significant amounts of data and analysis already submitted to the IAIS during its field testing of the ICS and during the monitoring period. This would provide the additional benefit of providing data and information at different times and under different economic conditions that existed in those prior periods. 2) Develop a stylized insurance group model incorporating key elements of the ICS and AM in a manner similar to the June 10, 2022 Insurance Policy Advisory Committee (IPAC) report on the potential impact of the ICS on the U.S. life insurance industry. In our view, this was a particularly effective approach used to measure the impact of the ICS. The IPAC report described findings from a quantitative model of a hypothetical life insurer, developed from data provided by several life insurance groups.
231. American Property Casualty Insurance Association	USA	No	**Answer:** This criterion essentially is a reverse stress test, asking groups to describe scenarios that would cause the ICS and AM capital ratios to fall below 1:0, i.e., the respective capital resources under each of those frameworks would be less than their respective capital requirements. We believe this criterion may provide useful insights and may be more pragmatically achieved (than standardized scenarios) because groups likely consider such possibilities already in their ERM frameworks. Also, the criterion would not need to replicate such a scenario across a group for the ICS or the AM, rather an understanding of the likelihood of such events (e.g., 1 in 500 years, etc.) and how they could impair the ICS or the AM would be informative as to comparability.
Q10 Comment on criterion 2.1			
232. Great Eastern Holdings	Asia	No	**Answer:** Nil.
233. Actuarial Association of Europe	Europe	No	**Answer:** The Actuarial Association of Europe strongly agrees that the assessment should be done at least on the level of individual elements. While it seems clear what "more or less prudent" means for each individual element in each scenario, it seems very challenging to define "offset" in any other manner than requiring a resulting immaterial impact on required and available capital.
234. Insurance Europe	European Union	No	**Answer:** Insurance Europe agrees that it is important to assess how each component of the PCR (liability valuation, asset valuation, overall capital resources and capital requirements) reacts to changes in economic conditions and what the key drivers of such changes are.

			However, it is not clear how prudence will be measured and how "offsetting" of prudence will be assessed in this context. Each of those items should be individually analysed through the correlation assessment and under the sensitivities and scenarios (including reverse testing) and the level of correlation be disclosed. Such an analysis should be done at the level of the three core items (valuation, capital requirements and resources). Criterion 2.1 should clarify this before allowing taking into consideration cross-component aspects.
235. Reinsurance Advisory Board	European Union	No	**Answer:** The RAB agrees that it is important to assess how each component of the PCR (liability valuation, asset valuation, overall capital resources and capital requirements) reacts to changes in economic conditions and what the key drivers of such changes are. However, it is not clear how prudence will be measured and how "offsetting" of prudence will be assessed in this context. Each of those items should be individually analysed through the correlation assessment and under the sensitivities and scenarios (including reverse testing) and the level of correlation be disclosed. Such an analysis should be done at the level of the three core items (valuation, capital requirements and resources). Criterion 2.1 should clarify this before allowing taking into consideration cross-component aspects.
236. Axa	France	No	**Answer:** We are concerned about allowing the assessment of comparability to offset prudence between different elements without further details. The term "prudence" is too vague in the context of defining these criteria and needs to be properly explained. Furthermore, it is unclear on how this offsetting between elements could be realised, in particular for elements underpinned by very different objectives and assumptions such as valuation and capital requirements, and how such an offsetting could be justified from a quantitative perspective and at each reporting period and under varying economic and financial conditions. We believe that criteria 2 in general is way too flexible and would allow a comparability conclusion whatever the result of the quantitative analysis.
237. BNPPARIBAS CARDIF	France	No	**Answer:** We support the commitment to analyse all the aspects that are at the core of the ICS development and should thus be also at the core of the comparability between the AM and the ICS, namely valuation, capital resources and capital requirements. Each of those items should be individually analysed through the correlation assessment at each reporting period and under the sensitivities and scenarios (incl. reverse testing) and the level of correlation should be disclosed.

			As High-level principle 1 raises the issue of responsiveness to changing conditions, such an analysis should be done at the level of the three core items (valuation, capital requirements and resources). It is important to assess how each component reacts to changes in economic conditions and what the key drivers of such changes are. However, We are highly concerned about allowing the assessment of comparability to offset prudence between different elements without further details. The term "prudence" is too vague in the context of defining these criteria and needs to be properly explained. Furthermore, it is unclear on how this offsetting between elements could be realised, in particular for elements underpinned by very different objectives and assumptions such as valuation and capital requirements, and how such an offsetting could be justified from a quantitative perspective and at each reporting period and under varying economic and financial conditions. We believe that criteria 2 in general are way too flexible and would allow a comparability conclusion whatever the result of the quantitative analysis.
238. CNP Assurances	France	No	**Answer:** We support the commitment to analyse all the aspects that are at the core of the ICS development and should thus be also at the core of the comparability between the AM and the ICS, namely valuation, capital resources and capital requirements. Each of those items should be individually We support the commitment to analyse all the aspects that are at the core of the ICS development and should thus be also at the core of the comparability between the AM and the ICS, namely valuation, capital resources and capital requirements. Each of those items should be individually analysed through the correlation assessment at each reporting period and under the sensitivities and scenarios (incl. reverse testing) and the level of correlation should be disclosed. As High-level principle 1 raises the issue of responsiveness to changing conditions, such an analysis should be done at the level of the three core items (valuation, capital requirements and resources). It is important to assess how each component reacts to changes in economic conditions and what the key drivers of such changes are. However, We are highly concerned about allowing the assessment of comparability to offset prudence between different elements without further details. The term "prudence" is too vague in the context of defining these criteria and needs to be properly explained. Furthermore, it is unclear on how this offsetting between elements could be realised, in particular for elements underpinned by very different objectives and assumptions such as valuation and capital requirements, and how such an offsetting could be justified from a quantitative perspective and at each reporting period and under varying economic and financial conditions. We believe that criteria 2 in general are way too flexible and would allow a comparability conclusion whatever the result of the quantitative analysis.

239. COVEA	FRANCE	No	**Answer:** We support the commitment to analyse all the aspects that are at the core of the ICS development and should thus be also at the core of the comparability between the AM and the ICS, namely valuation, capital resources and capital requirements. Each of those items should be individually analysed through the correlation assessment at each reporting period and under the sensitivities and scenarios (incl. reverse testing) and the level of correlation should be disclosed. As High-level principle 1 raises the issue of responsiveness to changing conditions, such an analysis should be done at the level of the three core items (valuation, capital requirements and resources). It is important to assess how each component reacts to changes in economic conditions and what the key drivers of such changes are. However, We are highly concerned about allowing the assessment of comparability to offset prudence between different elements without further details. The term "prudence" is too vague in the context of defining these criteria and needs to be properly explained. Furthermore, it is unclear on how this offsetting between elements could be realised, in particular for elements underpinned by very different objectives and assumptions such as valuation and capital requirements, and how such an offsetting could be justified from a quantitative perspective and at each reporting period and under varying economic and financial conditions. We believe that criteria 2 in general are way too flexible and would allow a comparability conclusion whatever the result of the quantitative analysis
240. Credit Agricole Assurances	FRANCE	No	**Answer:** We support the commitment to analyse all the aspects that are at the core of the ICS development and should thus be also at the core of the comparability between the AM and the ICS, namely valuation, capital resources and capital requirements. Each of those items should be individually analysed through the correlation assessment at each reporting period and under the sensitivities and scenarios (incl. reverse testing) and the level of correlation should be disclosed. As High-level principle 1 raises the issue of responsiveness to changing conditions, such an analysis should be done at the level of the three core items (valuation, capital requirements and resources). It is important to assess how each component reacts to changes in economic conditions and what the key drivers of such changes are. However, We are highly concerned about allowing the assessment of comparability to offset prudence between different elements without further details. The term "prudence" is too vague in the context of defining these criteria and needs to be properly explained. Furthermore, it is unclear on how this offsetting between elements could be realised, in particular for elements underpinned by very different objectives and assumptions such as valuation and capital requirements, and how such an offsetting could be justified from a quantitative perspective and at each reporting period and under varying economic and financial conditions.

			We believe that criteria 2 in general are way too flexible and would allow a comparability conclusion whatever the result of the quantitative analysis.
241. France Assureurs	France	No	**Answer:** France Assureurs supports the commitment to analyse all the aspects that are at the core of the ICS development and should thus be also at the core of the comparability between the AM and the ICS, namely valuation, capital resources and capital requirements. Each of those items should be individually analysed through the correlation assessment at each reporting period and under the sensitivities and scenarios (incl. reverse testing) and the level of correlation should be disclosed. As High-level principle 1 raises the issue of responsiveness to changing conditions, such an analysis should be done at the level of the three core items (valuation, capital requirements and resources). It is important to assess how each component reacts to changes in economic conditions and what the key drivers of such changes are. However, France Assureurs is highly concerned about allowing the assessment of comparability to offset prudence between different elements without further details. The term "prudence" is too vague in the context of defining these criteria and needs to be properly explained. Furthermore, it is unclear on how this offsetting between elements could be realised, in particular for elements underpinned by very different objectives and assumptions such as valuation and capital requirements, and how such an offsetting could be justified from a quantitative perspective and at each reporting period and under varying economic and financial conditions. France Assureurs believes that criteria 2 in general are way too flexible and would allow a comparability conclusion whatever the result of the quantitative analysis.
242. French Treasury	France	No	**Answer:** France is highly concerned about allowing the assessment of comparability to offset prudence between elements without further details. One can only speak of prudence in the valuation of insurance assets and liabilities when this prudence is there in all possible economic scenarios and in all circumstances. This is not directly the case, as it depends on the economic situation whether technical provisions valuation is higher in ICS or AM. Taking into account "prudence" in insurance liabilities is not relevant for comparing the ICS with the AM. We need comparable figures in all economic situations. Within the AM the valuation method is not based on market consistent values. Therefore, it will, depending on the economic situation, underestimate the real market value of the insurance liabilities and may sometimes overestimate this value. France believes that criteria 2 in general are way too flexible and would allow a comparability conclusion whatever the result of the quantitative analysis.

243. Groupama	France	No	**Answer:** We support the commitment to analyse all the aspects that are at the core of the ICS development and should thus be also at the core of the comparability between the AM and the ICS, namely valuation, capital resources and capital requirements. Each of those items should be individually analysed through the correlation assessment at each reporting period and under the sensitivities and scenarios (incl. reverse testing) and the level of correlation should be disclosed. As High-level principle 1 raises the issue of responsiveness to changing conditions, such an analysis should be done at the level of the three core items (valuation, capital requirements and resources). It is important to assess how each component reacts to changes in economic conditions and what the key drivers of such changes are. However, we are highly concerned about allowing the assessment of comparability to offset prudence between different elements without further details. The term "prudence" is too vague in the context of defining these criteria and needs to be properly explained. Furthermore, it is unclear on how this offsetting between elements could be realised, in particular for elements underpinned by very different objectives and assumptions such as valuation and capital requirements, and how such an offsetting could be justified from a quantitative perspective and at each reporting period and under varying economic and financial conditions. We believe that criteria 2 in general are way too flexible and would allow a comparability conclusion whatever the result of the quantitative analysis.
244. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. The RAB agrees that it is important to assess how each component of the PCR (liability valuation, asset valuation, overall capital resources and capital requirements) reacts to changes in economic conditions and what the key drivers of such changes are. However, it is not clear how prudence will be measured and how "offsetting" of prudence will be assessed in this context. Each of those items should be individually analysed through the correlation assessment and under the sensitivities and scenarios (including reverse testing) and the level of correlation be disclosed. Such an analysis should be done at the level of the three core items (valuation, capital requirements and resources). Criterion 2.1 should clarify this before allowing taking into consideration cross-component aspects.
245. SOGECAP	FRANCE	No	**Answer:** We support the commitment to analyse all the aspects that are at the core of the ICS development and should thus be also at the core of the comparability between the AM and the ICS, namely valuation, capital resources and capital requirements. Each of those items should be individually analysed through the correlation assessment at each

			reporting period and under the sensitivities and scenarios (incl. reverse testing) and the level of correlation should be disclosed. As High-level principle 1 raises the issue of responsiveness to changing conditions, such an analysis should be done at the level of the three core items (valuation, capital requirements and resources). It is important to assess how each component reacts to changes in economic conditions and what the key drivers of such changes are. However, We are highly concerned about allowing the assessment of comparability to offset prudence between different elements without further details. The term "prudence" is too vague in the context of defining these criteria and needs to be properly explained. Furthermore, it is unclear on how this offsetting between elements could be realised, in particular for elements underpinned by very different objectives and assumptions such as valuation and capital requirements, and how such an offsetting could be justified from a quantitative perspective and at each reporting period and under varying economic and financial conditions. We believe that criteria 2 in general are way too flexible and would allow a comparability conclusion whatever the result of the quantitative analysis.
246. German Insurance Association	Germany	No	**Answer:** GDV agrees that it is important to assess how each component of the PCR (liability valuation, asset valuation, overall capital resources and capital requirements) reacts to changes in economic conditions and what the key drivers of such changes are.
247. AIA and Prudential plc	Hong Kong	No	**Answer:** We agree with this criterion
248. The Actuarial Society of Hong Kong	Hong Kong	No	**Answer:** We agree with this criterion.
249. Verbond van Verzekeraars	Netherlands	No	**Answer:** The Dutch Association of Insurers agrees that it is important to assess how each component of the PCR (liability valuation, asset valuation, overall capital resources and capital requirements) reacts to changes in economic conditions and what the key drivers of such changes are. However, it is not clear how prudence will be measured and how "offsetting" of prudence will be assessed in this context. Each of those items should be individually analysed through the correlation assessment and under the sensitivities and scenarios (including reverse testing) and the level of correlation be disclosed. Such an analysis should be done at the

			level of the three core items (valuation, capital requirements and resources). Criterion 2.1 should clarify this before allowing taking into consideration cross-component aspects.
251. DGSFP	SPAIN	No	**Answer:** This criteria is too flexible. Prudence must be ensured individually for all the elements.
253. NN Group	The Netherlands	No	**Answer:** NN Group agrees that it is important to assess how each component of the PCR (liability valuation, asset valuation, overall capital resources and capital requirements) reacts to changes in economic conditions and what the key drivers of such changes are. However, it is not clear how prudence will be measured and how "offsetting" of prudence will be assessed in this context. Each of those items should be individually analysed through the correlation assessment and under the sensitivities and scenarios (including reverse testing) and the level of correlation be disclosed. Such an analysis should be done at the level of the three core items (valuation, capital requirements and resources). Criterion 2.1 should clarify this before allowing taking into consideration cross-component aspects.
254. Institute and Faculty of Actuaries	United Kingdom	No	**Answer:** The IFoA welcomes the clarification that prudence in one element of a group's solvency (i.e. valuation, capital resources and capital requirement) may be used to offset less prudence in another element.
255. Liberty Mutual Insurance Group	United States	No	**Answer:** Liberty Mutual agrees with this criterion because it recognizes the importance of flexibility over rigidity as well as qualitative concepts such as the interaction among substantive elements in evaluating comparability.
256. National Association of Mutual Insurance Companies	United States	No	**Answer:** A comparability of outcomes suggests that similar levels of exposure and risk would trigger similar supervisory and market responses; therefore, due consideration of the use of other supervisory tools that also mitigate exposure to such risks needs to be part of the comparability analysis. This is how we interpret prudence to mean in this criterion. The ICS is just one tool that must also operate in the context of a jurisdiction's overall regulatory regime. Supervisory outcomes such as policyholder protection and financial stability require both qualitative and quantitative measures as well as a review of supervisory processes. In the U.S., regulators focus is on individual carriers to maintain solvency, and the requirements - for example, legal, accounting, and capital - are directed at the individual carrier to maintain solvency. The U.S.-developed AM is a method that will achieve the goal of providing regulators with an understanding of group capital valuations and potential entities that are weak in a group. It is built off existing capital frameworks, has been around in some form for decades, and provides enhanced public/consumer protection as compared to non-U.S. systems.

			In the U.S., there are provisions included in state law like prior-notice-of-transaction or (dis)approval of dividends that ensure that companies are not pulling money out of one legal entity to the benefit of another. Before the advent of all the solvency tools in place today, rating laws were first developed to ensure companies maintain solvency by requiring rates to be adequate, but the laws have been expanded to prohibit inadequate, excessive, or unfairly discriminatory rates. Over the years, however, many different solvency tools were developed and designed to capture the risk of rates being inadequate. Even after a company has been declared insolvent the needs of the insurance policyholders are top-of-mind for regulators. In the U.S. the state guaranty funds provide basic coverage to policyholders if their insurance company goes insolvent, and companies writing insurance in each state are assessed for the claims payment of those policyholders. Further each insurer in the group is subject to quarterly and annual financial statement filings and annual risk-based capital submissions. RBC reporting and compliance includes charges for affiliate risk, investment risk, asset risk, credit risk, market risk, premium/underwriting/reserve risk, modelled catastrophe risk, and operational risk. State regulators have the authority to inquire through financial analysis additional information about reserve and loss costs trends, among other inquires. State regulators can request insurers provide a plan about how they intend to improve their solvency position before any RBC regulatory actions are triggered. The Supervisory College can also help supervisors understand intra-group risk. In addition to supervisory college reviews, annual enterprise risk reporting (Own Risk and Solvency Assessment and Enterprise Risk Reports), regular comprehensive financial examinations, annual independent audits, market conduct examinations, disclosures of corporate governance, investment limitations, and regular financial analysis of capital trend tests, risk profiles, and other material risks to the group are all legal requirements other than capital that address concerns about the solvency of insurance groups. The U.S. approach to insurance company supervision has always been focused on the individual legal entities. Because it is insurance legal entities that write insurance contracts, U.S. regulators - for the protection of policyholders - require capital to be held by the company that is writing the insurance policy. This approach has stood the test of time and proven itself time and again.
257. RAA	United States and many other jurisdicitons	No	**Answer:** The RAA is generally supportive of HLP 2 and the corresponding criteria. We agree with the idea that in a comparability assessment the AM and ICS should provide a similar level of solvency proection, while recognizing that the two methods have fundamental differences. For example, non-life reserves under the AM are valued at ultimate (i.e. undiscounted), whereas the ICS values reserves on a discounted basis, but adds a margin over current estimate or MOCE. The criteria appropriately recognize that prudence in one element could be offset by a lesser amount of prudence in another element.

			However, a problem with the IAIS approach to the proposed comparability assessment of the AM with the ICS is that it is solely focused on the capital measure, which is only one tool and is a very blunt instrument The RAA is generally supportive of HLP 2 and the corresponding criteria. We agree with the idea that in a comparability assessment the AM and ICS should provide a similar level of solvency proection, while recognizing that the two methods have fundamental differences. For example, non-life reserves under the AM are valued at ultimate (i.e. undiscounted), whereas the ICS values reserves on a discounted basis, but adds a margin over current estimate or MOCE. The criteria appropriately recognize that prudence in one element could be offset by a lesser amount of prudence in another element. However, a problem with the IAIS approach to the proposed comparability assessment of the AM with the ICS is that it is solely focused on the capital measure, which is only one tool and is a very blunt instrument. for ensuring solvency protection. IAIS has responded to this concern in the past by stating that ultimately jurisdictions will be evaluated for compliance with ComFrame in totality and that capital measures and the ICS are only part. We agree, but still believe the comparability assessment being done for the AM versus the ICS fails to recognize that the long established, highly developed and unquestionably effective U.S. solvency regulation system focused on individual legal entities significantly adds to the effectiveness of the AM. We are supremely confident that the U.S. system of group supervision, based on an aggregation of legal entities separately and closely regulated, is equivalent to the ICS on a "supervisory outcomes basis," However, we believe that the U.S. system will struggle to be recognized as such under the HLP's and corresponding criteria. This is because these regulatory actions are separate and occur before a supervisory action might occur as a result of breaching a certain capital level, which is the focus of the comparability assessment. Examples of these legal entity level supervisory elements that occur in advance of capital signals include: - NAIC processes including highly detailed Annual Statement Reporting, corresponding automated and manual financial analysis, and NAIC Committees tasked with reviewing potentially troubled companies before issues become material solvency risks - State preapproval of material transactions and agreements - State preapproval of dividends above standard formulaic thresholds, and - An ongoing and constant state of improvement and evolution of existing NAIC and State solvency tools and the development of new ones. Finally, the state system of entity level solvency protection is backstopped by robust policyholder protection arrangements in the form of state guaranty funds.

			All of these elements add additional prudence and solvency protection that is not recognized in the IAIS proposed criteria which are focused on the timing of when a PCR is breached and a quantitative measure of the correlation of two fundamentally different capital models.
258. American Property Casualty Insurance Association	USA	No	**Answer:** APCIA agrees with what we understand to be the spirit of this criterion, that the comparability analysis should be agnostic as to where within the capital framework prudence is addressed. For example, with respect to non-life reserves for losses and loss adjustment expenses, prudence in the AM (in the case of groups with large amounts of business in the U.S.) is accomplished, in part, by reporting those liabilities on an undiscounted basis. In the case of the ICS, such liabilities are reported on a discounted basis, but prudence is then added back through the margin over current estimate (MOCE). Adjustments should therefore be made as part of the analysis process to consider such differences between the frameworks and to normalize the "geography" of where prudence is located in the capital framework for comparison purposes. Doing so will require that the analysis of the AM results consider the underlying frameworks of at least the most material legal entities that comprise the group; such context is necessary in order to fulfil the criterion. In considering the context of the legal entities, the IAIS should also be mindful not just of aspects of prudence that are carried out in different elements of the capital framework, but other aspects that may exist outside those frameworks altogether. In the U.S., solvency protection involves multiple supervisory tools, of which a group capital assessment is just one. In the case of U.S.-based groups, and particularly with respect to their U.S. business, other key aspects of solvency protection include a regime that is also focused on supervisory preapprovals for certain types of transactions (e.g., agreements with affiliates and of dividends) and robust policyholder protection schemes (guaranty funds), both of which are aspects that are non-existent, or at least not as robust, in many other jurisdictions. The comparability assessment is concerned with whether supervisory action will occur at the same moment, i.e., by the trigger of the ICS or AM as a PCR. In the U.S., the requirement for such preapproval processes does not rely on any capital measure; those processes are in place and apply to all insurers regardless of their financial condition. The flaw in the proposed criteria is that they seek to measure when supervisory action will occur and whether that is comparable between the AM and ICS framework, while ignoring that key supervisory actions in the U.S. are already occurring as standard operating procedure. An assessment of comparability of solvency protection levels based solely on capital ratios will miss meaningful other protections which are in place in the jurisdiction.
Q11 Comment on criterion 2.2			

259. Great Eastern Holdings	Asia	No	**Answer:** Nil.
260. Actuarial Association of Europe	Europe	No	**Answer:** The Actuarial Association of Europe welcomes that the same risk should be covered - it is a necessary precondition of outcome equivalence. We welcome transparency on the risk coverage.
261. Insurance Europe	European Union	No	**Answer:** Insurance Europe agrees this criterion is important and emphasises that while approaches can be different, the overall outcome must be similar on a quantitative basis. This criterion should explicitly state that drivers of differences between the AM and ICS will be investigated and disclosed by individual elements, namely capital requirements and capital resources, at the appropriate level of aggregation. The differences between the AM and ICS resulting from explicit risk charges should be broken down by major risk category (ie, market, credit, life, non-life, etc.) at the very least. This analysis should be carried out for the base case for each reporting period and each of the sensitivity analyses and scenarios described under the HLP 1 criteria. In order to support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation, while maintaining confidentiality. Insurance Europe believes it is necessary to give further specifications on how this analysis will be carried out. Further, the sentence "any material risks captured in the AM, but not in the ICS, should be disclosed" is not precise enough to assess what if any impact this disclosure will have on the comparability assessment, since disclosure does not solve any major discrepancies that may exist. If material differences exist, this should lead to the conclusion that the two regimes are not comparable.
262. Reinsurance Advisory Board	European Union	No	**Answer:** The RAB agrees this criterion is important and emphasises that while approaches can be different, the overall outcome must be similar on a quantitative basis. This criterion should explicitly state that drivers of differences between the AM and ICS will be investigated and disclosed by individual elements, namely capital requirements and capital resources, at the appropriate level of aggregation. The differences between the AM and ICS resulting from explicit risk charges should be broken down by major risk category (ie, market, credit, life, non-life, etc.) at the very least. This analysis should be carried out for the base case for each reporting period and each of the sensitivity analyses and scenarios described under the HLP 1 criteria. In order to support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation, while maintaining confidentiality. The RAB believes it is necessary to give further specifications on how this analysis will be carried out. Further, the sentence "any material risks captured in the AM, but not in the ICS, should be disclosed" is not precise

			enough to assess what if any impact this disclosure will have on the comparability assessment, since disclosure does not solve any major discrepancies that may exist. If material differences exist, this should lead to the conclusion that the two regimes are not comparable.
263. Axa	France	No	**Answer:** We fully agree with the aim to capture the same underlying risks between the ICS and the AM method and with the performance of an analysis of risks to understand and determine how all of the risks covered in the ICS are captured in the AM calculation. The sentence "any material risks captured in the AM, but not in the ICS, should be disclosed" is not precise enough to assess what if any impact this disclosure will have on the comparability assessment since disclosure does not solve any major discrepancies that may exist.
264. BNPPARIBAS CARDIF	France	No	**Answer:** We fully agree with the aim to capture the same underlying risks between the ICS and the AM method and with the performance of an analysis of risks to understand and determine how all of the risks covered in the ICS are captured in the AM calculation. However, it is necessary to give further specifications on how this analysis will be carried out. The sentence "any material risks captured in the AM, but not in the ICS, should be disclosed" is not precise enough to assess what if any impact this disclosure will have on the comparability assessment since disclosure does not solve any major discrepancies that may exist. To ensure an objective and robust comparability between the two approaches, we believe the criteria should specify that the assessment of sources of difference between the AM and ICS will include a quantification of the differences in total (at an appropriate level of aggregation) in respect of each of required capital, capital resources and valuation individually and a quantitative analysis of the underlying components of these differences. This analysis should be carried out for the base case for each reporting period and each of the sensitivity analysis and scenarios described under the HLP 1 criteria. In order to support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation while maintaining confidentiality.
265. CNP Assurances	France	No	**Answer:** We fully agree with the aim to capture the same underlying risks between the ICS and the AM method and with the performance of an analysis of risks to understand and determine how all of the risks covered in the ICS are captured in the AM calculation. However, it is necessary to give further specifications on how this analysis will be carried out. The sentence "any material risks captured in the AM, but not in the ICS, should be disclosed" is not precise enough to assess what if any impact this disclosure will have on the comparability assessment since disclosure does not solve any major discrepancies that may exist. To ensure an objective and robust comparability between the two approaches, we believe the criteria should specify that the assessment of sources of difference between the AM and ICS will include a quantification of the differences in total (at an appropriate level of aggregation) in respect of each of required capital, capital resources and valuation individually and a quantitative analysis of the underlying components of these differences. This analysis should be carried out for the base case for each reporting period and each of the sensitivity analysis and scenarios described

			under the HLP 1 criteria. In order to support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation while maintaining confidentiality.
266. COVEA	FRANCE	No	**Answer:** We fully agree with the aim to capture the same underlying risks between the ICS and the AM method and with the performance of an analysis of risks to understand and determine how all of the risks covered in the ICS are captured in the AM calculation. However, it is necessary to give further specifications on how this analysis will be carried out. The sentence "any material risks captured in the AM, but not in the ICS, should be disclosed" is not precise enough to assess what if any impact this disclosure will have on the comparability assessment since disclosure does not solve any major discrepancies that may exist. To ensure an objective and robust comparability between the two approaches, we believe the criteria should specify that the assessment of sources of difference between the AM and ICS will include a quantification of the differences in total (at an appropriate level of aggregation) in respect of each of required capital, capital resources and valuation individually and a quantitative analysis of the underlying components of these differences. This analysis should be carried out for the base case for each reporting period and each of the sensitivity analysis and scenarios described under the HLP 1 criteria. In order to support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation while maintaining confidentiality
267. Credit Agricole Assurances	FRANCE	No	**Answer:** We fully agree with the aim to capture the same underlying risks between the ICS and the AM method and with the performance of an analysis of risks to understand and determine how all of the risks covered in the ICS are captured in the AM calculation. However, it is necessary to give further specifications on how this analysis will be carried out. The sentence "any material risks captured in the AM, but not in the ICS, should be disclosed" is not precise enough to assess what if any impact this disclosure will have on the comparability assessment since disclosure does not solve any major discrepancies that may exist. To ensure an objective and robust comparability between the two approaches, we believe the criteria should specify that the assessment of sources of difference between the AM and ICS will include a quantification of the differences in total (at an appropriate level of aggregation) in respect of each of required capital, capital resources and valuation individually and a quantitative analysis of the underlying components of these differences. This analysis should be carried out for the base case for each reporting period and each of the sensitivity analysis and scenarios described under the HLP 1 criteria. In order to support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation while maintaining confidentiality.
268. France Assureurs	France	No	**Answer:** France Assureurs fully agrees with the aim to capture the same underlying risks between the ICS and the AM method and with the performance of an analysis of risks to understand and determine how all of the risks covered in the ICS are captured in the AM calculation. However, it is necessary to give further specifications on how this analysis will be carried out. The sentence "any material risks captured in the AM, but not in the ICS, should be disclosed" is not precise enough to assess what if any impact this disclosure will have on the comparability assessment since disclosure

			does not solve any major discrepancies that may exist. To ensure an objective and robust comparability between the two approaches, France Assureurs believes the criteria should specify that the assessment of sources of difference between the AM and ICS will include a quantification of the differences in total (at an appropriate level of aggregation) in respect of each of required capital, capital resources and valuation individually and a quantitative analysis of the underlying components of these differences. This analysis should be carried out for the base case for each reporting period and each of the sensitivity analysis and scenarios described under the HLP 1 criteria. In order to support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation while maintaining confidentiality.
269. French Treasury	France	No	**Answer:** The comparison between AM and ICS should take into account all the many different risks entailed in the ICS (notably the market risk), which make this standard fit for purpose. Thus, only explicit risk charges must be compared. As such, prudence embedded in valuation cannot compensate an explicit risk charge, because it cannot be measured. Moreover, accounting conservatism does not necessary mean lower values of assets. In the same way, scalars do not allow an explicit risk breakdown, and to the least any satisfying individual risk charges measurement. Thus, they cannot support a robust comparability appraisal, as they can hide sizeable differences of prudence. The average capital requirement coverage measured by the scalars does not capture all natures of risks. It is all the more crucial that some material risks captured by the ICS are not entailed in the AM (e.g. market risk). France believes that the criteria should specify that the assessment of sources of difference between the AM and ICS will include a quantification of the differences in total (at an appropriate level of aggregation) in respect of each of required capital, capital resources and valuation individually and a quantitative analysis of the underlying components of these differences. This analysis should be carried out for the base case scenario and for each reporting period and each of the sensitivity analysis and scenarios described under the HLP 1 criteria. In order to support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation while maintaining confidentiality. More globally, it is of utmost importance that transparency of the cartography of risks can be assessed. A cartography of risks complying with similar standards should be a prerequisite to this exercise of comparability. In conclusion, this criteria is not acceptable in its current form and cannot be endorsed.
270. Groupama	France	No	**Answer:** We fully agree with the aim to capture the same underlying risks between the ICS and the AM method and with the performance of an analysis of risks to understand and determine how all of the risks covered in the ICS are captured in the AM calculation. However, it is necessary to give further specifications on how this analysis will be carried out. The sentence "any material risks captured in the AM, but not in the ICS, should be disclosed" is not precise

			enough to assess what if any impact this disclosure will have on the comparability assessment since disclosure does not solve any major discrepancies that may exist. To ensure an objective and robust comparability between the two approaches, we believe the criteria should specify that the assessment of sources of difference between the AM and ICS will include a quantification of the differences in total (at an appropriate level of aggregation) in respect of each of required capital, capital resources and valuation individually and a quantitative analysis of the underlying components of these differences. This analysis should be carried out for the base case for each reporting period and each of the sensitivity analysis and scenarios described under the HLP 1 criteria. In order to support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation while maintaining confidentiality.
271. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. The RAB agrees this criterion is important and emphasises that while approaches can be different, the overall outcome must be similar on a quantitative basis. This criterion should explicitly state that drivers of differences between the AM and ICS will be investigated and disclosed by individual elements, namely capital requirements and capital resources, at the appropriate level of aggregation. The differences between the AM and ICS resulting from explicit risk charges should be broken down by major risk category (ie, market, credit, life, non-life, etc.) at the very least. This analysis should be carried out for the base case for each reporting period and each of the sensitivity analyses and scenarios described under the HLP 1 criteria. In order to support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation, while maintaining confidentiality. The RAB believes it is necessary to give further specifications on how this analysis will be carried out. Further, the sentence "any material risks captured in the AM, but not in the ICS, should be disclosed" is not precise enough to assess what if any impact this disclosure will have on the comparability assessment, since disclosure does not solve any major discrepancies that may exist. If material differences exist, this should lead to the conclusion that the two regimes are not comparable.
272. SOGECAP	FRANCE	No	**Answer:** We fully agree with the aim to capture the same underlying risks between the ICS and the AM method and with the performance of an analysis of risks to understand and determine how all of the risks covered in the ICS are captured in the AM calculation. However, it is necessary to give further specifications on how this analysis will be carried out. The sentence "any material risks captured in the AM, but not in the ICS, should be disclosed" is not precise enough to assess what if any impact this disclosure will have on the comparability assessment since disclosure does not solve any major discrepancies that may exist.

			To ensure an objective and robust comparability between the two approaches, we believe the criteria should specify that the assessment of sources of difference between the AM and ICS will include a quantification of the differences in total (at an appropriate level of aggregation) in respect of each of required capital, capital resources and valuation individually and a quantitative analysis of the underlying components of these differences. This analysis should be carried out for the base case for each reporting period and each of the sensitivity analysis and scenarios described under the HLP 1 criteria. In order to support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation while maintaining confidentiality.
273. Allianz SE	Germany	No	**Answer:** A definition for "material risks" should be added.
274. German Insurance Association	Germany	No	**Answer:** GDV agrees this criterion is important.
275. AIA and Prudential plc	Hong Kong	No	**Answer:** We agree with this criterion subject to the caveat that it should be evaluated using the principle of proportionality. It should not be necessary for there to be a one-to-one correspondence between the risks captured under each approach. Such a requirement would preclude the NAIC-defined AM from the outset since, for example, US RBC has no risk charge for changing credit spreads. Such a charge is clearly inappropriate when assets are valued at book value. As another example, any aggregation method will not recognize cross-jurisdictional diversification and in fact be more "conservative" than the ICS in that regard. On the other hand, no aggregation method will have a currency translation risk between the reporting currency and the functional currencies of the subsidiaries. These are relatively minor differences in the scheme of things and should not be a basis for preventing a holistic evaluation of the criteria.
276. The Actuarial Society of Hong Kong	Hong Kong	No	**Answer:** We agree with this criterion subject to the caveat that it should be evaluated using the principle of proportionality. It should not be necessary for there to be a one-to-one correspondence between the risks captured under each approach. Such a requirement would preclude the NAIC-defined AM from the outset since, for example, US RBC has no risk charge for changing credit spreads. Such a charge is clearly inappropriate when assets are valued at book value. As another example, any aggregation method will not recognize cross-jurisdictional diversification and in fact be more "conservative" than the ICS in that regard. On the other hand, no aggregation method will have a currency translation risk between the reporting currency and the functional currencies of the subsidiaries. These are relatively minor differences in the scheme of things and should not be a basis for preventing a holistic evaluation of the criteria.
277. General Insurance	Japan	No	**Answer:** 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.

Association of Japan			
278. Verbond van Verzekeraars	Netherlands	No	**Answer:** The Dutch Association of Insurers agrees this criterion is important and emphasises that while approaches can be different, the overall outcome must be similar on a quantitative basis. This criterion should explicitly state that drivers of differences between the AM and ICS will be investigated and disclosed by individual elements, namely capital requirements and capital resources, at the appropriate level of aggregation. The differences between the AM and ICS resulting from explicit risk charges should be broken down by major risk category (ie, market, credit, life, non-life, etc.) at the very least. This analysis should be carried out for the base case for each reporting period and each of the sensitivity analyses and scenarios described under the HLP 1 criteria. In order to support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation, while maintaining confidentiality. The Dutch Association of Insurers believes it is necessary to give further specifications on how this analysis will be carried out. Further, the sentence "any material risks captured in the AM, but not in the ICS, should be disclosed" is not precise enough to assess what if any impact this disclosure will have on the comparability assessment, since disclosure does not solve any major discrepancies that may exist. If material differences exist, this should lead to the conclusion that the two regimes are not comparable.
280. DGSFP	SPAIN	No	**Answer:** Having the same underlying risks (HLP2) for the AM is unrealistic.
282. NN Group	The Netherlands	No	**Answer:** NN Group agrees this criterion is important and emphasises that while approaches can be different, the overall outcome must be similar on a quantitative basis. This criterion should explicitly state that drivers of differences between the AM and ICS will be investigated and disclosed by individual elements, namely capital requirements and capital resources, at the appropriate level of aggregation. The differences between the AM and ICS resulting from explicit risk charges should be broken down by major risk category (ie, market, credit, life, non-life, etc.) at the very least. This analysis should be carried out for the base case for each reporting period and each of the sensitivity analyses and scenarios described under the HLP 1 criteria. In order to support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation, while maintaining confidentiality. NN Group believes it is necessary to give further specifications on how this analysis will be carried out. Further, the sentence "any material risks captured in the AM, but not in the ICS, should be disclosed" is not precise enough to assess what if any impact this disclosure will have on the comparability assessment, since disclosure does

			not solve any major discrepancies that may exist. If material differences exist, this should lead to the conclusion that the two regimes are not comparable.
283. acli	U.S.A.	No	**Answer:** Overall, we believe that ICS and AM largely cover the same risks. In cases where risk coverage differs, it is important to understand the broader context. For example, certain risk types are challenging to quantify with precision based on available data, which could give a false sense of comfort if reflected (incompletely or incoherently) within a particular capital regime. Additionally, it is not always the case that an explicit capital charge is the optimal mitigant; for example, certain risks are better addressed via other prudential mechanisms, rather than just a brute force capital charge. Examples of likely differences between ICS and AM include the following: 1. By applying extensive diversification both within and across the calculation of risk types, the ICS assumes cross-jurisdictional capital fungibility, while the AM (by conservatively not recognizing any diversification across jurisdictional regimes) reflects strict limitations on capital transfers across jurisdictions under stress. 2. ICS assesses capital for credit spread risk, while US RBC adjusts capital only for realized losses. That said, we believe that spread risk is more appropriately and transparently addressed through ALM standards than a capital charge
284. Allstate Insurance Company	United States	No	**Answer:** As written, we interpret criterion 2.2 as imposing a strict one-for-one match of risks in the ICS versus risks in the AM. This criterion has the potential to preclude comparability of AM at the outset if it is already known that there is not a one-for-one matching of risks. Moreover, the comparison of specific risks in the ICS and AM also does not consider other jurisdictional tools outside of the AM that may capture the same risk but in a different manner (e.g., through the use of investment limitations, periodic regulatory audits, etc.) Finally, this criterion is requesting a list of material risks captured in the AM but not in the ICS. The purpose of this list is unclear in the evaluation of this criterion and should be clarified by IAIS so that there is an efficient and effective comparability assessment.
285. American Academy of Actuaries	United States	No	**Answer:** We suggest replacing "same underlying risks" with "same underlying material risks." If all other criteria are met, the existence of an immaterial risk (along with, presumably, an immaterial risk charge) in only one of the two frameworks should not result in a conclusion of non-comparability. We believe that if a material risk is captured in either the ICS or the AM but not the other, then a material issue may exist beyond the evaluation of the AM. If the ICS identifies a material risk that is not observed in the AM then it may be due to the nature of the underlying solvency framework of at least one of the jurisdictions that are material to the AM calculation. Likewise, a material risk identified by the AM that is not observed in the ICS may be due to the nature of the

			underlying solvency framework in the ICS. Issues may also exist if either of the approaches treats an immaterial risk as if it were a material risk. Scalars are given as an example in the next-to-last sentence, but scalars are typically applied either to adjust the quantum of a provision for an individual risk or, on an aggregate basis, the "translation" from one solvency regime to another. Criterion 2.2 appears to involve a different issue: the binary question of whether a provision exists within the regime to cover specific named risks. Therefore, we suggest removing reference to scalars from Criterion 2.2.
286. Liberty Mutual Insurance Group	United States	No	**Answer:** To the extent this criterion is intended to reflect a description of the risks designed to be broadly captured by the AM and the ICS through their specifications, as well as their materiality to the calculation, Liberty Mutual agrees with the criterion. If the criterion is designed to reflect a highly detailed quantitative comparability analysis of the extent that such risks are captured, or of the degree of their materiality in the framework with significant granularity, Liberty Mutual believes this criterion is inappropriate.
287. National Association of Mutual Insurance Companies	United States	No	**Answer:** See Response to Criterion 2.1.
288. Northwestern Mutual	United States	No	**Answer:** We agree with the fundamental premises in criteria 2.1 and 2.2 that group capital standards should appropriately capture the important underlying risks of insurance and that these risks could be captured in various areas within a given capital standard regime. That said, criterion 2.2 is mis-directed in requiring the AM to capture the same underlying risks as the ICS. Instead, we respectfully suggest that the regimes should appropriately capture the underlying risks in totality. We encourage an approach which identifies the core underlying risks and compares how those risks are addressed in the ICS and in the primary capital regimes underlying the AM. As part of this exercise, the IAIS ought to consider how inherent limits on cross-jurisdictional capital fungibility in the AM's aggregation approach provides additional, appropriate conservatism relative to the ICS.
289. American Property Casualty Insurance Association	USA	No	**Answer:** This criterion should consider a degree of proportionality. For example and depending upon how strictly the terms of the criterion is applied, the AM as applied to non-life groups with U.S. business would be precluded from being comparable to the ICS at the outset because risk-based capital in the U.S. does not include a provision for interest rate risk or non-default spread risk. As written, the criterion can be read to say that any differences in included risks can jeopardize a finding of comparability between the AM and the ICS. Interest rate risk and non-default spread risk for non-life insurers are only marginally relevant, if at all, and therefore are not included in U.S. risk-based capital for non-life companies. The assessment should be focused on differences in included risks that could be relevant and material for the business model (e.g., non-life in the case of APCIA's members). If appropriately worded to consider proportionality and applied, this criterion should not have much of an impact on the assessment of comparability for non-life. But as

			currently worded and subject to interpretation, it could easily be misapplied for reasons that are neither relevant nor material to non-life business and preclude comparability at the outset.
Q12 Comment on criterion 2.3			
290. Great Eastern Holdings	Asia	No	**Answer:** Nil.
291. Taiwan Insurance Institute	Chinese Taipei	No	**Answer:** The 5% threshold of available capital for non-risk-based regimes seems arbitrary. Suggest regularly review and make revisions when necessary.
292. Actuarial Association of Europe	Europe	No	**Answer:** The Actuarial Association of Europe notes a 99.5% VaR Including an end of year MOCE is very much different than a 0.5% probability of default. If would need specific analysis to assess, if this might lead to a similar level of solvency protection.
293. Insurance Europe	European Union	No	**Answer:** Insurance Europe welcomes the fact that criterion 2.3 foresees an assessment of the level of solvency protection on a quantitative basis. "Solvency protection" should be interpreted as excluding non-quantitative elements of regimes under the AM when assessing comparability. Regarding the reference to the "similar level of solvency protection", the IAIS should ensure consistency with HLP 3, which notes that the AM cannot be less prudent than the ICS, and clarify that this includes the need for the AM to result in supervisory action before, but not after, the ICS. It is noted that 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, which is distinct from the calibration of the ICS targeted level, relying on a 99.5% VaR over one year, defined as the maximum possible loss during that time after excluding all worse outcomes whose combined probability is at most 0.5%. The criteria need to be sufficiently detailed to describe how the AM's scaled, risk based legal entity capital requirements will achieve a similar target level to the ICS at group level.
294. Reinsurance Advisory Board	European Union	No	**Answer:** The RAB welcomes the fact that criterion 2.3 foresees an assessment of the level of solvency protection on a quantitative basis. "Solvency protection" should be interpreted as excluding non-quantitative elements of regimes under the AM when assessing comparability. Regarding the reference to the "similar level of solvency protection", the IAIS should ensure consistency with HLP 3, which notes that the AM cannot be less prudent than the ICS, and clarify that this includes the need for the AM to result in supervisory action before, but not after, the ICS. It is noted that 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, which is distinct from the calibration

			of the ICS targeted level, relying on a 99.5% VaR over one year, defined as the maximum possible loss during that time after excluding all worse outcomes whose combined probability is at most 0.5%. The criteria need to be sufficiently detailed to describe how the AM's scaled, risk based legal entity capital requirements will achieve a similar target level to the ICS at group level.
295. Axa	France	No	**Answer:** Regarding the reference to the "similar level of solvency protection" - the IAIS should ensure consistency with High-level principle 3, which notes the AM cannot be less prudent than the ICS. Having the same target calibration for regulatory capital requirements is key. Additionally, to be comparable in a robust and quantitative manner, the ICS and the Aggregation Method (AM), should meet the ICS-targeted level of policyholder protection. This means having equivalent target criteria for regulatory capital requirements (ie, 99.5% VaR over 1 year) and a comparable level of responsiveness to changing conditions for balance sheet valuation, capital resources and requirements.
296. BNPPARIBAS CARDIF	France	No	**Answer:** Regarding the reference to the "similar level of solvency protection" - the IAIS should ensure consistency with High-level principle 3, which notes the AM cannot be less prudent than the ICS. Having the same target calibration for regulatory capital requirements is key. we would also thus suggest replacing this reference with a reference to "same level of policyholder protection". Additionally, to be comparable in a robust and quantitative manner, the ICS and the Aggregation Method (AM), should meet the ICS-targeted level of policyholder protection. This means having equivalent target criteria for regulatory capital requirements (ie, 99.5% VaR over 1 year) and a comparable level of responsiveness to changing conditions for balance sheet valuation, capital resources and requirements. It is key to clarify that the "target criteria for regulatory capital requirements" are the same. Specifically, the ICS 2.0 target criteria is a 99.5% Value at Risk (VaR), over a one-year time horizon of adverse changes in the IAIG's qualifying capital resources. The AM capital requirement is said to be 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, which is distinct from the calibration of the ICS targeted level, relying on a 99.5% VaR over 1 year, defined as the maximum possible loss during that time after excluding all worse outcomes whose combined probability is at most 0.5%. The criteria need to be sufficiently detailed to describe how the AM scaled risk based legal entity capital requirements will achieve the same or similar target level as the ICS.
297. CNP Assurances	France	No	**Answer:** Regarding the reference to the "similar level of solvency protection" - the IAIS should ensure consistency with High-level principle 3, which notes the AM cannot be less prudent than the ICS. Having the same target calibration for regulatory capital requirements is key. we would also thus suggest replacing this reference with a reference to "same level of policyholder protection". Additionally, to be comparable in a robust and quantitative manner, the ICS and the Aggregation Method (AM), should

			meet the ICS-targeted level of policyholder protection. This means having equivalent target criteria for regulatory capital requirements (ie, 99.5% VaR over 1 year) and a comparable level of responsiveness to changing conditions for balance sheet valuation, capital resources and requirements. It is key to clarify that the "target criteria for regulatory capital requirements" are the same. Specifically, the ICS 2.0 target criteria is a 99.5% Value at Risk (VaR), over a one-year time horizon of adverse changes in the IAIG´s qualifying capital resources. The AM capital requirement is said to be 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, which is distinct from the calibration of the ICS targeted level, relying on a 99.5% VaR over 1 year, defined as the maximum possible loss during that time after excluding all worse outcomes whose combined probability is at most 0.5%. The criteria need to be sufficiently detailed to describe how the AM scaled risk based legal entity capital requirements will achieve the same or similar target level as the ICS.
298. COVEA	FRANCE	No	**Answer:** Regarding the reference to the "similar level of solvency protection" - the IAIS should ensure consistency with High-level principle 3, which notes the AM cannot be less prudent than the ICS. Having the same target calibration for regulatory capital requirements is key. we would also thus suggest replacing this reference with a reference to "same level of policyholder protection". Additionally, to be comparable in a robust and quantitative manner, the ICS and the Aggregation Method (AM), should meet the ICS-targeted level of policyholder protection. This means having equivalent target criteria for regulatory capital requirements (ie, 99.5% VaR over 1 year) and a comparable level of responsiveness to changing conditions for balance sheet valuation, capital resources and requirements. It is key to clarify that the "target criteria for regulatory capital requirements" are the same. Specifically, the ICS 2.0 target criteria is a 99.5% Value at Risk (VaR), over a one-year time horizon of adverse changes in the IAIG's qualifying capital resources. The AM capital requirement is said to be 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, which is distinct from the calibration of the ICS targeted level, relying on a 99.5% VaR over 1 year, defined as the maximum possible loss during that time after excluding all worse outcomes whose combined probability is at most 0.5%. The criteria need to be sufficiently detailed to describe how the AM scaled risk based legal entity capital requirements will achieve the same or similar target level as the ICS.
299. Credit Agricole Assurances	FRANCE	No	**Answer:** Regarding the reference to the "similar level of solvency protection" - the IAIS should ensure consistency with High-level principle 3, which notes the AM cannot be less prudent than the ICS. Having the same target calibration for regulatory capital requirements is key. we would also thus suggest replacing this reference with a reference to "same level of policyholder protection". Additionally, to be comparable in a robust and quantitative manner, the ICS and the Aggregation Method (AM), should meet the ICS-targeted level of policyholder protection. This means having equivalent target criteria for regulatory capital requirements (ie, 99.5% VaR over 1 year) and a comparable level of responsiveness to changing conditions for balance

			sheet valuation, capital resources and requirements. It is key to clarify that the "target criteria for regulatory capital requirements" are the same. Specifically, the ICS 2.0 target criteria is a 99.5% Value at Risk (VaR), over a one-year time horizon of adverse changes in the IAIG's qualifying capital resources. The AM capital requirement is said to be 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, which is distinct from the calibration of the ICS targeted level, relying on a 99.5% VaR over 1 year, defined as the maximum possible loss during that time after excluding all worse outcomes whose combined probability is at most 0.5%. The criteria need to be sufficiently detailed to describe how the AM scaled risk based legal entity capital requirements will achieve the same or similar target level as the ICS.
300. France Assureurs	France	No	**Answer:** Regarding the reference to the "similar level of solvency protection" - the IAIS should ensure consistency with High-level principle 3, which notes the AM cannot be less prudent than the ICS. Having the same target calibration for regulatory capital requirements is key. France Assureurs would also thus suggest replacing this reference with a reference to "same level of policyholder protection". Additionally, to be comparable in a robust and quantitative manner, the ICS and the Aggregation Method (AM), should meet the ICS-targeted level of policyholder protection. This means having equivalent target criteria for regulatory capital requirements (ie, 99.5% VaR over 1 year) and a comparable level of responsiveness to changing conditions for balance sheet valuation, capital resources and requirements. It is key to clarify that the "target criteria for regulatory capital requirements" are the same. Specifically, the ICS 2.0 target criteria is a 99.5% Value at Risk (VaR), over a one-year time horizon of adverse changes in the IAIG's qualifying capital resources. The AM capital requirement is said to be 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, which is distinct from the calibration of the ICS targeted level, relying on a 99.5% VaR over 1 year, defined as the maximum possible loss during that time after excluding all worse outcomes whose combined probability is at most 0.5%. The criteria need to be sufficiently detailed to describe how the AM scaled risk based legal entity capital requirements will achieve the same or similar target level as the ICS.
301. French Treasury	France	No	**Answer:** To be comparable in a robust and quantitative manner, the Aggregation Method (AM) should meet the ICS-targeted level of policyholder protection. This means having equivalent target criteria for regulatory capital requirements (ie, 99.5% VaR over 1 year) and a comparable level of responsiveness to changing conditions for balance sheet valuation, capital resources and requirements.
302. Groupama	France	No	**Answer:** Regarding the reference to the "similar level of solvency protection" - the IAIS should ensure consistency with High-level principle 3, which notes the AM cannot be less prudent than the ICS. Having the same target calibration for regulatory capital requirements is key. we would also thus suggest replacing this reference with a reference to "same level of policyholder protection".

			Additionally, to be comparable in a robust and quantitative manner, the ICS and the Aggregation Method (AM), should meet the ICS-targeted level of policyholder protection. This means having equivalent target criteria for regulatory capital requirements (ie, 99.5% VaR over 1 year) and a comparable level of responsiveness to changing conditions for balance sheet valuation, capital resources and requirements. It is key to clarify that the "target criteria for regulatory capital requirements" are the same. Specifically, the ICS 2.0 target criteria is a 99.5% Value at Risk (VaR), over a one-year time horizon of adverse changes in the IAIG's qualifying capital resources. The AM capital requirement is said to be 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, which is distinct from the calibration of the ICS targeted level, relying on a 99.5% VaR over 1 year, defined as the maximum possible loss during that time after excluding all worse outcomes whose combined probability is at most 0.5%. The criteria need to be sufficiently detailed to describe how the AM scaled risk based legal entity capital requirements will achieve the same or similar target level as the ICS.
303. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. The RAB welcomes the fact that criterion 2.3 foresees an assessment of the level of solvency protection on a quantitative basis. "Solvency protection" should be interpreted as excluding non-quantitative elements of regimes under the AM when assessing comparability. Regarding the reference to the "similar level of solvency protection", the IAIS should ensure consistency with HLP 3, which notes that the AM cannot be less prudent than the ICS, and clarify that this includes the need for the AM to result in supervisory action before, but not after, the ICS. It is noted that 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, which is distinct from the calibration of the ICS targeted level, relying on a 99.5% VaR over one year, defined as the maximum possible loss during that time after excluding all worse outcomes whose combined probability is at most 0.5%. The criteria need to be sufficiently detailed to describe how the AM's scaled, risk based legal entity capital requirements will achieve a similar target level to the ICS at group level.
304. SOGECAP	FRANCE	No	**Answer:** Regarding the reference to the "similar level of solvency protection" - the IAIS should ensure consistency with High-level principle 3, which notes the AM cannot be less prudent than the ICS. Having the same target calibration for regulatory capital requirements is key. we would also thus suggest replacing this reference with a reference to "same level of policyholder protection". Additionally, to be comparable in a robust and quantitative manner, the ICS and the Aggregation Method (AM), should

			meet the ICS-targeted level of policyholder protection. This means having equivalent target criteria for regulatory capital requirements (ie, 99.5% VaR over 1 year) and a comparable level of responsiveness to changing conditions for balance sheet valuation, capital resources and requirements. It is key to clarify that the "target criteria for regulatory capital requirements" are the same. Specifically, the ICS 2.0 target criteria is a 99.5% Value at Risk (VaR), over a one-year time horizon of adverse changes in the IAIG's qualifying capital resources. The AM capital requirement is said to be 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, which is distinct from the calibration of the ICS targeted level, relying on a 99.5% VaR over 1 year, defined as the maximum possible loss during that time after excluding all worse outcomes whose combined probability is at most 0.5%. The criteria need to be sufficiently detailed to describe how the AM scaled risk based legal entity capital requirements will achieve the same or similar target level as the ICS.
305. German Insurance Association	Germany	No	**Answer:** GDV welcomes that the criterion 2.3 foresees an assessment of the level of solvency protection on quantitative basis. "Solvency protection" should be interpreted to exclude non-quantitative elements of regimes under the AM when assessing comparability. Regarding the reference to the "similar level of solvency protection" - the IAIS should ensure consistency with High-level principle 3, which notes that the AM cannot be less prudent than the ICS and clarify that this includes the need for the AM to result in supervisory action before, but not after, the ICS. It is noted that 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. The criteria need to be sufficiently detailed to describe how the AM scaled risk based legal entity capital requirements will achieve the same or similar target level as the ICS.
306. AIA and Prudential plc	Hong Kong	No	**Answer:** This criterion should be deleted. The criterion requires that the overall AM capital requirement provide a similar level of solvency protection as the ICS. The footnote amplifies that the ICS is targeted to a 99.5% VaR, while the AM is scaled to a target calibration of at least a 0.5% probability of default. While these are reasonable aspirational goals from a theoretical point of view, in practice they are highly judgmental as their realization invariably depends on the data set and methodology used for the calibration. Moreover, they focus on the capital requirements rather than the overall level of protection provided by the combination of valuation and capital requirements in direct contradiction to HLP 2 itself. We do not believe these are useful for performing the comparability analysis. Rather, as alluded to above, the analysis should be based on the actual results under various agreed-upon scenarios. Criterion 2.3 also requires that non risk-based regimes contribute no more than 5% of available capital under the AM. This is also unnecessary as it is not directly relevant to whether comparable outcomes are produced. If the AM satisfies

			appropriately modified criteria under HLP1 (as suggested in our prior comments) the exact proportion of non risk-based regimes becomes irrelevant. If, nevertheless, the IAIS chooses to impose some limit on non-risk based regimes this should only be done after a positive determination that any regimes so classified are in fact non-risk based, i.e. the burden of proof should lie with the IAIS to determine that a given regime is not risk-based. A presumption that non-western regimes are not risk-based, for example, would be inappropriate.
307. The Actuarial Society of Hong Kong	Hong Kong	No	**Answer:** This criterion should be deleted. The criterion requires that the overall AM capital requirement provide a similar level of solvency protection as the ICS. The footnote amplifies that the ICS is targeted to a 99.5% VaR, while the AM is scaled to a target calibration of at least a 0.5% probability of default. While these are reasonable aspirational goals from a theoretical point of view, in practice they are highly judgmental as their realization invariably depends on the data set and methodology used for the calibration. Moreover, they focus on the capital requirements rather than the overall level of protection provided by the combination of valuation and capital requirements in direct contradiction to HLP 2 itself. We do not believe these are useful for performing the comparability analysis. Rather, as alluded to above, the analysis should be based on the actual results under various agreed-upon scenarios. Criterion 2.3 also requires that non risk-based regimes contribute no more than 5% of available capital under the AM. This is also unnecessary as it is not directly relevant to whether comparable outcomes are produced. If the AM satisfies appropriately modified criteria under HLP1 (as suggested in our prior comments) the exact proportion of non risk-based regimes becomes irrelevant. If, nevertheless, the IAIS chooses to impose some limit on non-risk based regimes this should only be done after a positive determination that any regimes so classified are in fact non-risk based, i.e. the burden of proof should lie with the IAIS to determine that a given regime is not risk-based. A presumption that non-western regimes are not risk-based, for example, would be inappropriate.
308. International Actuarial Association	International	No	**Answer:** In calculating "the proportion of non-risk-based regimes", the IAA notes that various regimes have introduced risk-based criteria over the last several years, with this trend continuing. This changing trend over time may cause some confusion over how or when this criterion will be measured.
309. Verbond van Verzekeraars	Netherlands	No	**Answer:** The Dutch Association of Insurers welcomes the fact that criterion 2.3 foresees an assessment of the level of solvency protection on a quantitative basis. "Solvency protection" should be interpreted as excluding non-quantitative elements of regimes under the AM when assessing comparability. Regarding the reference to the "similar level of solvency protection", the IAIS should ensure consistency with HLP 3, which notes that the AM cannot be less prudent than the ICS, and clarify that this includes the need for the AM to result in supervisory action before, but not after, the ICS.

			It is noted that 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, which is distinct from the calibration of the ICS targeted level, relying on a 99.5% VaR over one year, defined as the maximum possible loss during that time after excluding all worse outcomes whose combined probability is at most 0.5%. The criteria need to be sufficiently detailed to describe how the AM's scaled, risk based legal entity capital requirements will achieve a similar target level to the ICS at group level.
311. DGSFP	SPAIN	No	**Answer:** To be comparable in a robust and quantitative manner, the Aggregation Method (AM) should meet the ICS-targeted level of policyholder protection. This means having equivalent target criteria for regulatory capital requirements (ie, 99.5% VaR over 1 year) and a comparable level of responsiveness to changing conditions for balance sheet valuation, capital resources and requirements.
313. NN Group	The Netherlands	No	**Answer:** NN Group welcomes the fact that criterion 2.3 foresees an assessment of the level of solvency protection on a quantitative basis. "Solvency protection" should be interpreted as excluding non-quantitative elements of regimes under the AM when assessing comparability. Regarding the reference to the "similar level of solvency protection", the IAIS should ensure consistency with HLP 3, which notes that the AM cannot be less prudent than the ICS, and clarify that this includes the need for the AM to result in supervisory action before, but not after, the ICS. It is noted that 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, which is distinct from the calibration of the ICS targeted level, relying on a 99.5% VaR over one year, defined as the maximum possible loss during that time after excluding all worse outcomes whose combined probability is at most 0.5%. The criteria need to be sufficiently detailed to describe how the AM's scaled, risk based legal entity capital requirements will achieve a similar target level to the ICS at group level.
314. acli	U.S.A.	No	**Answer:** ACLI appreciates that the use of the word "similar" in criteria 2.3 and 2.4 supports a more comprehensive definition of "comparable." Capital requirements can vary by jurisdiction based upon differences in required reserves; jurisdictions with higher reserve requirements can compensate with lower capital requirements and still maintain similar levels of overall prudence. Rather than viewing capital requirements on a stand-alone basis, ACLI recommends that this criterion be adjusted to state that "AM capital and reserve requirements provide a similar level of solvency protection as the ICS." The NAIC has documented detailed requirements for recognizing capital resources for its Group Capital Calculation (GCC), which forms the basis for the AM for US insurers. Similarly, the Hong Kong Insurance Authority has recognized certain types of external debt as part of its supervisory regime. External stakeholders including rating agencies leverage these frameworks to calculate group capital resources. To simplify the operational burden of the comparability

			assessment, ACLI recommends that this element of the comparability criteria be conducted once for each jurisdiction, rather than requiring each company to justify this criterion on an individual basis.
315. Institute and Faculty of Actuaries	United Kingdom	No	**Answer:** Capital requirement: Paragraph 2.3 of the Public Consultation states that the analysis should include whether the overall AM capital requirement provides a similar level of solvency protection as the ICS. We think that the strength of the valuation basis would be important to consider when considering the AM capital requirement in order to meaningfully compare jurisdictions that operate regimes under different bases/ paradigms. Clarifying that the "overall AM capital requirement' for the purpose of this paragraph covers both the valuation and capital requirement would, in our view, remove the current ambiguity. We do not think this change would affect the current meaning or spirit of HLP 2. (The analysis includes whether the overall AM capital requirement provides a similar level of solvency protection as the ICS. As part of this analysis, the proportion of non-risk-based regimes as determined by the AM represents less than 5% of available capital).
316. American Academy of Actuaries	United States	No	**Answer:** The criterion describes "a similar level of solvency protection." If only the stated level of protection is assessed, an aggregation basis would exclude the diversification benefits that would be achieved in a consolidated group standard such as the ICS. These lost diversification benefits arguably provide a source of prudence, which should be considered in the assessment of the level of solvency protection.
317. Liberty Mutual Insurance Group	United States	No	**Answer:** Comparability should not be determined by relying so strictly on specific numeric values as suggested by this criterion.
318. National Association of Mutual Insurance Companies	United States	No	**Answer:** We have significant concerns with this criterion as it would preclude the AM from being considered an outcomes equivalent approach to the ICS at the outset. Determining the "level of solvency protection" implies this criterion is about comparing solvency ratios. A single quantitative measurement can never be a complete picture of the solvency health of a group and comparing ratios will not provide useful information. In fact, that methodology may signal a false sense of security depending on economic and financial market conditions. More importantly, group solvency doesn't necessarily mean individual insurer solvency, something that is being regulated directly in some jurisdictions. The 99.5% Value at Risk (VaR) over one-year time-horizon is too prescriptive for a global group capital evaluation. There is no evidence that this level of capital requirement has achieved any better results than the lower levels of capital requirements in other jurisdictions. It does not provide the flexibility required in several jurisdictions with other regulatory requirements and other supervisory tools to address solvency questions. It results in unnecessary levels of trapped capital invested in low performing investments.

			The prescriptive calibration level and differing starting points (Market-Adjusted Valuation vs. Statutory Accounting or GAAP+) are differences too big to overcome if attempting to compare the framework and methodologies of the two regulatory tools. Based on these fundamental differences in approach, we believe this criterion would preclude the AM from being considered an outcomes equivalent approach if the underlying framework and methodology is the focus of the comparison rather than the outcome.
319. Northwestern Mutual	United States	No	**Answer:** We agree with the fundamental premise that group capital standards should provide an appropriate level of solvency protection. Yet, this criterion is mis-directed by requiring the AM to be similar to the ICS under the ICS's calibration framework, i.e., 99.5% Value at Risk over a one-year time horizon. Especially on the liability side for long-duration products, like those offered by Northwestern Mutual, the way risks manifest over the risk exposure period is more meaningfully understood over longer time horizons. Thus, we don't believe that explicitly aligning with the one-year time horizon of the ICS is appropriate for the AM or for the comparability assessment. Yet, by utilizing appropriate scalars, we believe the AM can provide a general level of solvency protection that makes it fit for purpose.
320. American Property Casualty Insurance Association	USA	No	**Answer:** Criterion 2.3 provides that "The analysis includes whether the overall AM capital requirement provides a similar level of solvency protection as the ICS…." APCIA agrees that assessing whether similar levels of solvency protection are provided would be an appropriate step for the comparison exercise. However, we fear that some IAIS members interpret that as focusing solely on the respective capital ratios, as if a PCR is the only means to provide solvency protection. That is not the case, certainly not in the U.S., where solvency protection involves multiple supervisory tools, of which a group capital assessment is just one. The draft criteria are concerned with whether supervisory action will occur at the same moment as determined solely by the trigger of the ICS or AM as a PCR. That would presumably result in supervisory action, of which there would be some options depending on the underlying facts and circumstances. One such option is for the supervisor to require that dividends or agreements with affiliates be subject to prior approval. Requirements for such supervisory preapprovals of agreements with affiliates and of dividends is a key aspect of the state-based supervisory regime in the U.S., so much so that those requirements are an integral part of the infrastructure of the regime and apply to all insurers, regardless of financial condition. Unlike what is expected under the ICS and ComFrame, in the U.S. a requirement for preapprovals does not await any capital measure to trigger anything - preapprovals are standard operating procedure. Thus, the comparability analysis is framed to gauge when supervisory actions will occur based on a reported capital ratio when, in fact, at least in the case of the U.S., some of those actions (supervisory preapproval requirements) are already in place coveting all insurers without relying on a capital trigger to cause the action to be taken. That said, the draft criterion will miss that distinction, because it focuses on a pure quantitative comparison that lacks

			any context about the regime, as well as any context about the underlying legal entities of a group, the jurisdictions in which they are domiciled, and the extent of barriers to fungibility across the group. We believe the key phrase in criterion 2.3 is "solvency protection," and that to understand how the ICS and the AM compare in that regard, such context must be considered. Thus, if on a quantitative basis the planned scenarios measure the change in the capital ratio, the analysis should not stop there; it should consider for a particular group what would likely trigger supervisory action, in what sequence, and what would be the earliest action taken - at both the group and legal entity levels. We believe it is likely that legal entity capital measures will react first, all taken in context of the broader powers of the supervisor. For example, legal entity measures are likely to occur prior to measures at the group level being triggered under the ICS because the ICS presumes fungibility of capital across the group, whereas the AM and underlying legal entity measures do not. While we appreciate that a legal entity focus and a group focus are inherently different, once an issue is identified at the legal entity level, the involved supervisors with a group would quickly marshal their forces and coordinate with each other to avoid contagion across the group (and especially to their respective jurisdictions). Thus, legal entity measures are a first line of defense and have important implications to group solvency as well. Given the small number of, and the unique context of, groups that will apparently participate in the ICS and AM data collection that will be used to evaluate comparability, a thoughtful process to understand the quantum of change in capital and to work through how solvency is further protected, would be informative and instructive of how the AM and the ICS compare in terms of the totality of solvency protection. Such a "table-top" exercise should be manageable, given what we foresee as a relatively small number of groups involved. Moreover, this exercise should be an opportunity for the IAIS analysts to learn from each participating group the context behind the numbers; the group can inform the IAIS analysts as to how they see a plausibly adverse situation evolving, which indicators are the first to be triggered, what management actions and supervisory actions are most likely to ensue, whether at a legal entity level or group level, and if the former, how such actions further evolve to protect group solvency. Finally with respect to criterion 2.3, the implications to the assessment process of this sentence are unclear: "As part of this analysis, the proportion of non-risk-based regimes as determined by the AM represents less than 5% of available capital." Does this mean that a group that has 5% or more of its available capital comprised of non-risk-based regimes would be excluded from the comparability analysis altogether? Or is there some other implication that we are missing? It would be helpful if stakeholders could better understand this element of the criterion and its implications, as well as whether it is known if there are any groups currently reporting AM data in the monitoring period that would be flagged by this part of criterion 2.3.
Q13 Comment on criterion 2.4			

321. Great Eastern Holdings	Asia	No	**Answer:** Nil.
322. Actuarial Association of Europe	Europe	No	**Answer:** The Actuarial Association of Europe agrees on the importance of the recognition of capital instruments. Especially, when it comes to senior debt instruments, the differences between "default" and "solvency", see Criterion 2.3, can be quite pronounced.
323. Insurance Europe	European Union	No	**Answer:** Insurance Europe agrees that the comparability of capital resources between the ICS and the AM is key. These analyses should be made public at an appropriate level of aggregation (in order to ensure the confidentiality of individual results). While identifying differences in capital resources is important, it does not solve any inherent incomparability. Such differences may result in material differences in the ability and efficiency of groups to manage their capital position. Criterion 2.4(d) should cover how the comparison of capital composition limits, and differences, will be taken into account in the comparability assessment. Insurance Europe is concerned about the comply or explain procedure for the assessment of capital resources. It is stated in criterion 2.4a) that any discrepancies in the treatment of capital elements other than financial instruments between the two methods need to be disclosed. However, the way those discrepancies will inform the comparability assessment is not specified. It is vital that the AM does not allow recognition of some material capital elements that are not recognised in the ICS method, such as non-subordinated instruments, and that could impact the timing of supervisory intervention. In any case, it should be clear that the PCR is the criterion and under all the scenarios, under both the AM and ICS, the PCR should be breached at similar points in time.
324. Reinsurance Advisory Board	European Union	No	**Answer:** The RAB agrees that the comparability of capital resources between the ICS and the AM is key. These analyses should be made public at an appropriate level of aggregation (in order to ensure the confidentiality of individual results). While identifying differences in capital resources is important, it does not solve any inherent incomparability. Such differences may result in material differences in the ability and efficiency of groups to manage their capital position. Criterion 2.4(d) should cover how the comparison of capital composition limits, and differences, will be taken into account in the comparability assessment. The RAB is concerned about the comply or explain procedure for the assessment of capital resources. It is stated in

			criterion 2.4a) that any discrepancies in the treatment of capital elements other than financial instruments between the two methods need to be disclosed. However, the way those discrepancies will inform the comparability assessment is not specified. It is vital that the AM does not allow recognition of some material capital elements that are not recognised in the ICS method, such as non-subordinated instruments, and that could impact the timing of supervisory intervention. In any case, it should be clear that the PCR is the criterion and under all the scenarios, under both the AM and ICS, the PCR should be breached at similar points in time.
325. Axa	France	No	**Answer:** Comparability of capital resources between the ICS and the AM is key. In fact, the ICS already contains extensive analysis of the principles and capital items that meet the requirements to be recognised as capital resources and the ICS already includes local practices, so there is no reason to have a different approach in the AM. It seems unclear how the IAIS would be able to assess the similarity of outcomes if pivotal parameters used for valuation or capital requirements are different. The quality and eligibility are undeniably important defining factors for capital resources, but do not say anything on the actual amount that may be shown for the respective resources/instruments. It will also be key to assess how both elements align with existing frameworks. Requirement differences may have adverse effects on the ability and efficiency of groups to manage their capital position. All in all, we believe that focusing on solvency in its totality rather than seeking comparability of its components will be challenging to achieve for two reasons. First, users of the solvency results will wish to understand how different components of the calculation have contributed to changes in coverage. Second it might be difficult to prove comparability between ICS and AM if each component of the two standards (valuation, capital requirement and equity etc.) would respond in different ways and with a different timing to the economic situation. We believe that this may be contradictory with High Level Principle 6.
326. BNPPARIBAS CARDIF	France	No	**Answer:** Comparability of capital resources between the ICS and the AM is key. In fact, the ICS already contains extensive analysis of the principles and capital items that meet the requirements to be recognised as capital resources and the ICS already includes local practices. It seems unclear how the IAIS would be able to assess the similarity of outcomes if pivotal parameters used for valuation or capital requirements are different. The quality and eligibility are undeniably important defining factors for capital resources but provide information on the actual amount that may be included in capital resources for the respective resources/instruments. It will also be key to assess how both elements align with existing frameworks. Requirement differences may have adverse effects on the ability and efficiency of groups to manage their capital position. All in all, we believe that focusing on solvency in its totality rather than seeking comparability of its components will be challenging to achieve for two reasons. First, users of the solvency results will wish to understand how different components of the calculation have contributed to changes in coverage. Second it might be difficult to prove comparability between ICS and AM if each component of the two standards (valuation, capital requirement and equity etc.) would respond in different ways and with a different timing to the economic situation. We believe that this may be

			contradictory with High Level Principle 6. Overall criterion 2.4 currently describes at a very high level an analysis of capital resources without specifying how this analysis will be used to inform the overall comparability assessment. This section should be extended to cover specific considerations on capital requirements and valuation and specify how these analyses will be used to perform the comparability assessment.
327. CNP Assurances	France	No	**Answer:** Comparability of capital resources between the ICS and the AM is key. In fact, the ICS already contains extensive analysis of the principles and capital items that meet the requirements to be recognised as capital resources and the ICS already includes local practices. It seems unclear how the IAIS would be able to assess the similarity of outcomes if pivotal parameters used for valuation or capital requirements are different. The quality and eligibility are undeniably important defining factors for capital resources but provide information on the actual amount that may be included in capital resources for the respective resources/instruments. It will also be key to assess how both elements align with existing frameworks. Requirement differences may have adverse effects on the ability and efficiency of groups to manage their capital position. All in all, we believe that focusing on solvency in its totality rather than seeking comparability of its components will be challenging to achieve for two reasons. First, users of the solvency results will wish to understand how different components of the calculation have contributed to changes in coverage. Second it might be difficult to prove comparability between ICS and AM if each component of the two standards (valuation, capital requirement and equity etc.) would respond in different ways and with a different timing to the economic situation. We believe that this may be contradictory with High Level Principle 6. Overall criterion 2.4 currently describes at a very high level an analysis of capital resources without specifying how this analysis will be used to inform the overall comparability assessment. This section should be extended to cover specific considerations on capital requirements and valuation and specify how these analyses will be used to perform the comparability assessment.
328. COVEA	FRANCE	No	**Answer:** Comparability of capital resources between the ICS and the AM is key. In fact, the ICS already contains extensive analysis of the principles and capital items that meet the requirements to be recognised as capital resources and the ICS already includes local practices. It seems unclear how the IAIS would be able to assess the similarity of outcomes if pivotal parameters used for valuation or capital requirements are different. The quality and eligibility are undeniably important defining factors for capital resources but provide information on the actual amount that may be included in capital resources for the respective resources/instruments. It will also be key to assess how both elements align with existing frameworks. Requirement differences may have adverse effects on the ability and efficiency of groups to manage their capital position. All in all, we believe that focusing on solvency in its totality rather than seeking comparability of its components

			will be challenging to achieve for two reasons. First, users of the solvency results will wish to understand how different components of the calculation have contributed to changes in coverage. Second it might be difficult to prove comparability between ICS and AM if each component of the two standards (valuation, capital requirement and equity etc.) would respond in different ways and with a different timing to the economic situation. We believe that this may be contradictory with High Level Principle 6. Overall criterion 2.4 currently describes at a very high level an analysis of capital resources without specifying how this analysis will be used to inform the overall comparability assessment. This section should be extended to cover specific considerations on capital requirements and valuation and specify how these analyses will be used to perform the comparability assessment.
329. Credit Agricole Assurances	FRANCE	No	**Answer:** Comparability of capital resources between the ICS and the AM is key. In fact, the ICS already contains extensive analysis of the principles and capital items that meet the requirements to be recognised as capital resources and the ICS already includes local practices. It seems unclear how the IAIS would be able to assess the similarity of outcomes if pivotal parameters used for valuation or capital requirements are different. The quality and eligibility are undeniably important defining factors for capital resources but provide information on the actual amount that may be included in capital resources for the respective resources/instruments. It will also be key to assess how both elements align with existing frameworks. Requirement differences may have adverse effects on the ability and efficiency of groups to manage their capital position. All in all, we believe that focusing on solvency in its totality rather than seeking comparability of its components will be challenging to achieve for two reasons. First, users of the solvency results will wish to understand how different components of the calculation have contributed to changes in coverage. Second it might be difficult to prove comparability between ICS and AM if each component of the two standards (valuation, capital requirement and equity etc.) would respond in different ways and with a different timing to the economic situation. We believe that this may be contradictory with High Level Principle 6. Overall criterion 2.4 currently describes at a very high level an analysis of capital resources without specifying how this analysis will be used to inform the overall comparability assessment. This section should be extended to cover specific considerations on capital requirements and valuation and specify how these analyses will be used to perform the comparability assessment.
330. France Assureurs	France	No	**Answer:** Comparability of capital resources between the ICS and the AM is key. In fact, the ICS already contains extensive analysis of the principles and capital items that meet the requirements to be recognised as capital resources and the ICS already includes local practices. It seems unclear how the IAIS would be able to assess the similarity of outcomes if pivotal parameters used for valuation or capital requirements are different. The quality and eligibility are undeniably important defining factors for

			capital resources, but provide information on the actual amount that may be included in capital resources for the respective resources/instruments. It will also be key to assess how both elements align with existing frameworks. Requirement differences may have adverse effects on the ability and efficiency of groups to manage their capital position. All in all, we believe that focusing on solvency in its totality rather than seeking comparability of its components will be challenging to achieve for two reasons. First, users of the solvency results will wish to understand how different components of the calculation have contributed to changes in coverage. Second it might be difficult to prove comparability between ICS and AM if each component of the two standards (valuation, capital requirement and equity etc.) would respond in different ways and with a different timing to the economic situation. We believe that this may be contradictory with High Level Principle 6. Overall criterion 2.4 currently describes at a very high level an analysis of capital resources without specifying how this analysis will be used to inform the overall comparability assessment. This section should be extended to cover specific considerations on capital requirements and valuation and specify how these analyses will be used to perform the comparability assessment.
331. Groupama	France	No	**Answer:** Comparability of capital resources between the ICS and the AM is key. In fact, the ICS already contains extensive analysis of the principles and capital items that meet the requirements to be recognised as capital resources and the ICS already includes local practices. It seems unclear how the IAIS would be able to assess the similarity of outcomes if pivotal parameters used for valuation or capital requirements are different. The quality and eligibility are undeniably important defining factors for capital resources but provide information on the actual amount that may be included in capital resources for the respective resources/instruments. It will also be key to assess how both elements align with existing frameworks. Requirement differences may have adverse effects on the ability and efficiency of groups to manage their capital position. All in all, we believe that focusing on solvency in its totality rather than seeking comparability of its components will be challenging to achieve for two reasons. First, users of the solvency results will wish to understand how different components of the calculation have contributed to changes in coverage. Second it might be difficult to prove comparability between ICS and AM if each component of the two standards (valuation, capital requirement and equity etc.) would respond in different ways and with a different timing to the economic situation. We believe that this may be contradictory with High Level Principle 6. Overall criterion 2.4 currently describes at a very high level an analysis of capital resources without specifying how this analysis will be used to inform the overall comparability assessment. This section should be extended to cover specific considerations on capital requirements and valuation and specify how these analyses will be used to perform the comparability assessment.

332. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. The RAB agrees that the comparability of capital resources between the ICS and the AM is key. These analyses should be made public at an appropriate level of aggregation (in order to ensure the confidentiality of individual results). While identifying differences in capital resources is important, it does not solve any inherent incomparability. Such differences may result in material differences in the ability and efficiency of groups to manage their capital position. Criterion 2.4(d) should cover how the comparison of capital composition limits, and differences, will be taken into account in the comparability assessment. The RAB is concerned about the comply or explain procedure for the assessment of capital resources. It is stated in criterion 2.4a) that any discrepancies in the treatment of capital elements other than financial instruments between the two methods need to be disclosed. However, the way those discrepancies will inform the comparability assessment is not specified. It is vital that the AM does not allow recognition of some material capital elements that are not recognised in the ICS method, such as non-subordinated instruments, and that could impact the timing of supervisory intervention. In any case, it should be clear that the PCR is the criterion and under all the scenarios, under both the AM and ICS, the PCR should be breached at similar points in time.
333. SOGECAP	FRANCE	No	**Answer:** Comparability of capital resources between the ICS and the AM is key. In fact, the ICS already contains extensive analysis of the principles and capital items that meet the requirements to be recognised as capital resources and the ICS already includes local practices. It seems unclear how the IAIS would be able to assess the similarity of outcomes if pivotal parameters used for valuation or capital requirements are different. The quality and eligibility are undeniably important defining factors for capital resources but provide information on the actual amount that may be included in capital resources for the respective resources/instruments. It will also be key to assess how both elements align with existing frameworks. Requirement differences may have adverse effects on the ability and efficiency of groups to manage their capital position. All in all, we believe that focusing on solvency in its totality rather than seeking comparability of its components will be challenging to achieve for two reasons. First, users of the solvency results will wish to understand how different components of the calculation have contributed to changes in coverage. Second it might be difficult to prove comparability between ICS and AM if each component of the two standards (valuation, capital requirement and equity etc.) would respond in different ways and with a different timing to the economic situation. We believe that this may be contradictory with High Level Principle 6. Overall criterion 2.4 currently describes at a very high level an analysis of capital resources without specifying how this

			analysis will be used to inform the overall comparability assessment. This section should be extended to cover specific considerations on capital requirements and valuation and specify how these analyses will be used to perform the comparability assessment.
334. German Insurance Association	Germany	No	**Answer:** GDV agrees that comparability of capital resources between the ICS and the AM is key. These analyse should be made public at an appropriate level of aggregation (in order to ensure the confidentiality of individual results). While identifying differences in capital resources is important, it does not solve any inherent incomparability. Such differences may result in material differences in the ability and efficiency of groups to manage their capital position.
335. General Insurance Association of Japan	Japan	No	**Answer:** 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.
336. Verbond van Verzekeraars	Netherlands	No	**Answer:** The Dutch Association of Insurers agrees that the comparability of capital resources between the ICS and the AM is key. These analyses should be made public at an appropriate level of aggregation (in order to ensure the confidentiality of individual results). While identifying differences in capital resources is important, it does not solve any inherent incomparability. Such differences may result in material differences in the ability and efficiency of groups to manage their capital position. Criterion 2.4(d) should cover how the comparison of capital composition limits, and differences, will be taken into account in the comparability assessment. The Dutch Association of Insurers is concerned about the comply or explain procedure for the assessment of capital resources. It is stated in criterion 2.4a) that any discrepancies in the treatment of capital elements other than financial instruments between the two methods need to be disclosed. However, the way those discrepancies will inform the comparability assessment is not specified. It is vital that the AM does not allow recognition of some material capital elements that are not recognised in the ICS method, such as non-subordinated instruments, and that could impact the timing of supervisory intervention. In any case, it should be clear that the PCR is the criterion and under all the scenarios, under both the AM and ICS, the PCR should be breached at similar points in time.
339. NN Group	The Netherlands	No	**Answer:** NN Group agrees that the comparability of capital resources between the ICS and the AM is key. These analyses should be made public at an appropriate level of aggregation (in order to ensure the confidentiality of

			individual results). While identifying differences in capital resources is important, it does not solve any inherent incomparability. Such differences may result in material differences in the ability and efficiency of groups to manage their capital position. Criterion 2.4(d) should cover how the comparison of capital composition limits, and differences, will be taken into account in the comparability assessment. NN Group is concerned about the comply or explain procedure for the assessment of capital resources. It is stated in criterion 2.4a) that any discrepancies in the treatment of capital elements other than financial instruments between the two methods need to be disclosed. However, the way those discrepancies will inform the comparability assessment is not specified. It is vital that the AM does not allow recognition of some material capital elements that are not recognised in the ICS method, such as non-subordinated instruments, and that could impact the timing of supervisory intervention. In any case, it should be clear that the PCR is the criterion and under all the scenarios, under both the AM and ICS, the PCR should be breached at similar points in time.
340. acli	U.S.A.	No	**Answer:** ACLI appreciates that the use of the word "similar" in criteria 2.3 and 2.4 supports a more comprehensive definition of "comparable." Capital requirements can vary by jurisdiction based upon differences in required reserves; jurisdictions with higher reserve requirements can compensate with lower capital requirements and still maintain similar levels of overall prudence. Rather than viewing capital requirements on a stand-alone basis, ACLI recommends that this criterion be adjusted to state that "AM capital and reserve requirements provide a similar level of solvency protection as the ICS." The NAIC has documented detailed requirements for recognizing capital resources for its Group Capital Calculation (GCC), which forms the basis for the AM for US insurers. Similarly, the Hong Kong Insurance Authority has recognized certain types of external debt as part of its supervisory regime. External stakeholders including rating agencies leverage these frameworks to calculate group capital resources. To simplify the operational burden of the comparability assessment, ACLI recommends that this element of the comparability criteria be conducted once for each jurisdiction, rather than requiring each company to justify this criterion on an individual basis.
341. Liberty Mutual Insurance Group	United States	No	**Answer:** When assessing the quality of financial instruments for purposes of comparability, the only consideration should be the extent they are available to pay policyholder obligations in the event of a liquidation. Liberty Mutual has objected consistently to the approach in the ICS to capital resources which imposes the ICS standards over other regulatory standards which have presumably been determined to be proper for any particular jurisdiction. These criteria as drafted appear to be biased in favor of ICS treatment over the AM's approach. For example, the ICS approach treats senior notes and subordinated debt as "Tier 2 Capital" that only gets credited into the qualifying capital calculation at a 50% discount. These long-term debt instruments are contractually subordinated to policyholder obligations, meaning

			that all policyholder obligations must be paid before bondholders receive any payments. As such they should be considered as part of qualifying capital, for purposes of determining baseline solvency protection for the policyholders of the IAIG, at 100% in the same manner as they are properly acknowledged under the AM approach as applied within the United States. For purposes of determining comparability, the AM should not be penalized for such an approach when such debt is available to pay policyholder obligations.
342. National Association of Mutual Insurance Companies	United States	No	**Answer:** The criterion in 2.4 [2.4a) to 2.4d)] weigh heavily towards the ICS as being the only standard of comparable measure. The goals of policyholder protection are germane for all stakeholders; therefore, there should not be a standard created that favors one approach as supreme when the objective is shared equally. There is no attempt to gain an understanding of the differences, rather the presumption is the ICS is primary and the considerations are focused on how the AM responds to the elements included in the ICS. There is a presumption that exists throughout the criteria that the ICS will calculate the "correct' amount of capital in every jurisdiction and that it will be comparable. This is a flawed assumption. The application of the same capital standard to unique companies that come from very different regulatory environments with very different economic and political goals will not produce comparable conclusions about capital and solvency.
343. Northwestern Mutual	United States	No	**Answer:** As noted in response to criterion 2.2, we encourage an approach which identifies the core underlying risks and compares how those risks are addressed in the ICS and in the primary capital regimes underlying the AM. Accordingly, we suggest that the criteria 2.4a), b), c) and d) are overly prescriptive and the evaluation of treatment of capital resources should be considered more generally in the totality of the treatment of core underlying risks in the ICS and regimes underlying the AM.
344. American Property Casualty Insurance Association	USA	No	**Answer:** This criterion states that "the overall quality and eligibility of capital resources allowed in the AM is similar to the ICS for the representative sample." By definition, the AM aggregates legal entity measures for capital resources and capital requirements for the entities in a group. For an IAIG, that could mean aggregating data from entities in three or more jurisdictions, for which there will likely be some differences in capital resource requirements and related limits across jurisdictions as well as between each jurisdiction and the ICS. The AM thus does not "allow" capital resources in and of itself, rather it recognizes the capital resource requirements in each legal entity and the regulations or rules in the respective jurisdiction for each. The current AM data collection exercise describes the calculation of the "Provisional AM," assesses differences in capital resources between the AM and the ICS, and leaves open what changes may ultimately be made for the "final AM." We believe that a similar approach should be taken with this criterion, to assess differences, but not set any single benchmark recognizing that comparability should be addressed more broadly.

			Please also see our comments to 2.4a) through 2.4d).
Q14 Comment on criterion 2.4a)			
345. Great Eastern Holdings	Asia	No	**Answer:** Nil.
346. Insurance Europe	European Union	No	**Answer:**
347. Axa	France	No	**Answer:** We do not support the Comply or Explain procedure for the assessment of capital resources. It is stated in the criterion 2.4a) that any discrepancies in treatment of capital elements other than financial instruments between the two methods need to be disclosed. However, the way those discrepancies will inform the comparability assessment is not specified. It is paramount that the AM does not allow recognition of some material capital elements which are not recognized in the ICS method, such as non-subordinated instruments for instance, and which could impact the timing of supervisory intervention. Again, and very important, disclosure does not solve any existing incomparability.
348. BNPPARIBAS CARDIF	France	No	**Answer:** We are highly concerned about the Comply or Explain procedure for the assessment of capital resources. It is stated in the criterion 2.4a) that any discrepancies in treatment of capital elements other than financial instruments between the two methods need to be disclosed. However, the way those discrepancies will inform the comparability assessment is not specified. It is paramount that the AM does not allow recognition some material capital elements which are not recognised in the ICS method, such as non-subordinated instruments for instance, and which could impact the timing of supervisory intervention. But, again, disclosure does not solve any existing incomparability.
349. CNP Assurances	France	No	**Answer:** We are highly concerned about the Comply or Explain procedure for the assessment of capital resources. It is stated in the criterion 2.4a) that any discrepancies in treatment of capital elements other than financial instruments between the two methods need to be disclosed. However, the way those discrepancies will inform the comparability assessment is not specified. It is paramount that the AM does not allow recognition some material capital elements which are not recognised in the ICS method, such as non-subordinated instruments for instance, and which could impact the timing of supervisory intervention. But, again, disclosure does not solve any existing incomparability.
350. COVEA	FRANCE	No	**Answer:** We are highly concerned about the Comply or Explain procedure for the assessment of capital resources. It is stated in the criterion 2.4a) that any discrepancies in treatment of capital elements other than financial instruments between the two methods need to be disclosed. However, the way those discrepancies will inform the comparability assessment is not specified. It is paramount that the AM does not allow recognition some material capital elements

			which are not recognised in the ICS method, such as non-subordinated instruments for instance, and which could impact the timing of supervisory intervention. But, again, disclosure does not solve any existing incomparability
351. Credit Agricole Assurances	FRANCE	No	**Answer:** We are highly concerned about the Comply or Explain procedure for the assessment of capital resources. It is stated in the criterion 2.4a) that any discrepancies in treatment of capital elements other than financial instruments between the two methods need to be disclosed. However, the way those discrepancies will inform the comparability assessment is not specified. It is paramount that the AM does not allow recognition some material capital elements which are not recognised in the ICS method, such as non-subordinated instruments for instance, and which could impact the timing of supervisory intervention. But, again, disclosure does not solve any existing incomparability.
352. France Assureurs	France	No	**Answer:** France Assureurs is highly concerned about the Comply or Explain procedure for the assessment of capital resources. It is stated in the criterion 2.4a) that any discrepancies in treatment of capital elements other than financial instruments between the two methods need to be disclosed. However, the way those discrepancies will inform the comparability assessment is not specified. It is paramount that the AM does not allow recognition some material capital elements which are not recognised in the ICS method, such as non-subordinated instruments for instance, and which could impact the timing of supervisory intervention. But, again, disclosure does not solve any existing incomparability.
353. French Treasury	France	No	**Answer:** France is concerned about the Comply or Explain procedure for the assessment of capital resources. Criterion 2.4a) explains that any difference in treatment of capital elements between the two methods need to be disclosed. However, the consequences that would stem from these discrepancies are not stated and it is not clear whether it could have any material impact on the comparability. France believes that allowing AM to recognise some material capital elements which are not recognised in the ICS method, such as non-subordinated instruments, would prevent any comparability, and disclosure by itself would not solve it.
354. Groupama	France	No	**Answer:** We are highly concerned about the Comply or Explain procedure for the assessment of capital resources. It is stated in the criterion 2.4a) that any discrepancies in treatment of capital elements other than financial instruments between the two methods need to be disclosed. However, the way those discrepancies will inform the comparability assessment is not specified. It is paramount that the AM does not allow recognition some material capital elements which are not recognised in the ICS method, such as non-subordinated instruments for instance, and which could impact the timing of supervisory intervention. But, again, disclosure does not solve any existing incomparability.
355. SOGECAP	FRANCE	No	**Answer:** We are highly concerned about the Comply or Explain procedure for the assessment of capital resources. It is stated in the criterion 2.4a) that any discrepancies in treatment of capital elements other than financial instruments between the two methods need to be disclosed. However, the way those discrepancies will inform the comparability assessment is not specified. It is paramount that the AM does not allow recognition some material capital elements

			which are not recognised in the ICS method, such as non-subordinated instruments for instance, and which could impact the timing of supervisory intervention. But, again, disclosure does not solve any existing incomparability.
357. DGSFP	SPAIN	No	**Answer:** Criterion 2.4a) explains that any difference in treatment of capital elements between the two methods need to be disclosed. However, the consequences that would stem from these discrepancies are not stated and it is not clear whether it could have any material impact on the comparability. Allowing AM to recognise some material capital elements which are not recognised in the ICS method would prevent any comparability, and disclosure by itself would not solve it.
359. Liberty Mutual Insurance Group	United States	No	**Answer:** See comments to 2.4 above.
360. National Association of Mutual Insurance Companies	United States	No	**Answer:** See Response to Criterion 2.4.
361. Northwestern Mutual	United States	No	**Answer:** See response to criterion 2.4 above.
362. American Property Casualty Insurance Association	USA	No	**Answer:** Similar to our comment on criterion 2.4, how the AM "treats" capital elements other than financial instruments relies on the regulatory requirements imposed by the respective jurisdiction on each legal entity. The current AM data collection exercise describes the calculation of the "Provisional AM," assesses the differences in capital resources between the AM and the ICS, and leaves open what changes may ultimately be made for the "final AM." We appreciate the way in which this criterion is worded in that it seeks to identify and understand differences rather than require the AM to treat capital elements other than financial instruments the same way as in the ICS -- which would defeat the purpose and intent of the AM framework, i.e., to reflect an aggregation of data based on jurisdictional requirements.
Q15 Comment on criterion 2.4b)			
363. Great Eastern Holdings	Asia	No	**Answer:** Nil.

364. Taiwan Insurance Institute	Chinese Taipei	No	**Answer:** Suggest adding this sentence "Any capital resources deducted in the AM, but not in the ICS, should be disclosed." Such amendment would make this consistent with criterion 2.4a).
365. BNPPARIBAS CARDIF	France	No	**Answer:** The criteria should specify how the analysis of deductions from ICS capital resources compared to AM treatment will be used. It should form part of the overall analysis of the assessment described in the comments described under 2.2.
366. CNP Assurances	France	No	**Answer:** The criteria should specify how the analysis of deductions from ICS capital resources compared to AM treatment will be used. It should form part of the overall analysis of the assessment described in the comments described under 2.2.
367. COVEA	FRANCE	No	**Answer:** The criteria should specify how the analysis of deductions from ICS capital resources compared to AM treatment will be used. It should form part of the overall analysis of the assessment described in the comments described under 2.2.
368. Credit Agricole Assurances	FRANCE	No	**Answer:** The criteria should specify how the analysis of deductions from ICS capital resources compared to AM treatment will be used. It should form part of the overall analysis of the assessment described in the comments described under 2.2.
369. France Assureurs	France	No	**Answer:** The criteria should specify how the analysis of deductions from ICS capital resources compared to AM treatment will be used. It should form part of the overall analysis of the assessment described in the comments described under 2.2.
370. Groupama	France	No	**Answer:** The criteria should specify how the analysis of deductions from ICS capital resources compared to AM treatment will be used. It should form part of the overall analysis of the assessment described in the comments described under 2.2.
371. SOGECAP	FRANCE	No	**Answer:** The criteria should specify how the analysis of deductions from ICS capital resources compared to AM treatment will be used. It should form part of the overall analysis of the assessment described in the comments described under 2.2. Q16 Comment on criterion 2.4c) The criteria should specify how the assessment of financial instruments in the AM will be used. It should form part of the overall analysis of the assessment described in the comments described under 2.2.

374. Liberty Mutual Insurance Group	United States	No	**Answer:** See comments to 2.4 above.
375. National Association of Mutual Insurance Companies	United States	No	**Answer:** See Response to Criterion 2.4.
376. Northwestern Mutual	United States	No	**Answer:** See response to criterion 2.4 above.
377. American Property Casualty Insurance Association	USA	No	**Answer:** Similar to our comment on criterion 2.4, how the AM "treats" deductions from ICS capital resources is that it relies on the regulatory requirements imposed by the respective jurisdiction on each legal entity. The current AM data collection exercise describes the calculation of the "Provisional AM," assesses the differences in capital resources between the AM and the ICS and leaves open what changes may ultimately be made for the "final AM." We appreciate the way in which this criterion is worded in that it seeks to explain differences in deductions from capital resources rather than require the AM to treat them the same way as in the ICS -- which would defeat the purpose and intent of the AM framework, i.e., to reflect an aggregation of data based on jurisdictional requirements.
Q16 Comment on criterion 2.4c)			
378. Great Eastern Holdings	Asia	No	**Answer:** Nil.
379. BNPPARIBAS CARDIF	France	No	**Answer:** The criteria should specify how the assessment of financial instruments in the AM will be used. It should form part of the overall analysis of the assessment described in the comments described under 2.2.
380. CNP Assurances	France	No	**Answer:** The criteria should specify how the assessment of financial instruments in the AM will be used. It should form part of the overall analysis of the assessment described in the comments described under 2.2.
381. COVEA	FRANCE	No	**Answer:** The criteria should specify how the assessment of financial instruments in the AM will be used. It should form part of the overall analysis of the assessment described in the comments described under 2.2.

382. Credit Agricole Assurances	FRANCE	No	**Answer:** The criteria should specify how the assessment of financial instruments in the AM will be used. It should form part of the overall analysis of the assessment described in the comments described under 2.2.
383. France Assureurs	France	No	**Answer:** The criteria should specify how the assessment of financial instruments in the AM will be used. It should form part of the overall analysis of the assessment described in the comments described under 2.2.
384. Groupama	France	No	**Answer:** The criteria should specify how the assessment of financial instruments in the AM will be used. It should form part of the overall analysis of the assessment described in the comments described under 2.2.
385. SOGECAP	FRANCE	No	**Answer:** The criteria should specify how the assessment of financial instruments in the AM will be used. It should form part of the overall analysis of the assessment described in the comments described under 2.2.
388. Liberty Mutual Insurance Group	United States	No	**Answer:** See comments to 2.4 above.
389. National Association of Mutual Insurance Companies	United States	No	**Answer:** See Response to Criterion 2.4.
390. Northwestern Mutual	United States	No	**Answer:** See response to criterion 2.4 above.
391. American Property Casualty Insurance Association	USA	No	**Answer:** This criterion requires that the recognition of financial instruments in the AM be "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." As worded, this criterion would then require the AM to conform in some respects to the ICS that would not be practical; would differ from the approach taken in criterion 2.4a), 2.4b) and 2.4d) which seek to explain differences rather than mandate an ICS approach in the AM; and which would defeat the purpose and intent of the AM framework, i.e., to reflect an aggregation of data based on jurisdictional requirements. The AM generally recognizes financial instruments consistent with the underlying jurisdictional requirements of each legal entity within a group. However, the criterion could be interpreted to suggest that structurally subordinated debt

			which qualifies as capital in the U.S. would not be recognized as such in the comparability analysis because it does not meet the ICS criterion with respect to acceleration clauses. The Abu Dhabi agreement settled the matter by acknowledging that "a national discretion will be allowed in order to recognise acceleration clauses, provided all other criterion are met." Likewise, the comparability criterion should be framed so as to recognize the Abu Dhabi agreement in this regard, and to explain differences without mandating ICS criterion in the AM. That is especially important since comparability may be achieved with some other aspects in the AM, e.g., if scaling were to be applied.
Q17 Comment on criterion 2.4d)			
392. Great Eastern Holdings	Asia	No	**Answer:** Nil.
393. Axa	France	No	**Answer:** As it stands, this is not a criterion. The statement "The capital composition limits in the AM are compared to those of the ICS" does not explain how this comparison will be taken into account in the comparability assessment.
394. BNPPARIBAS CARDIF	France	No	**Answer:** As it stands, this is clearly not a criterion. The statement "The capital composition limits in the AM are compared to those of the ICS" does not explain how this comparison will be taken into account in the comparability assessment. A proper criterion should state that the "capital composition limits ensure that the same amount of eligible own funds is available for each tier of capital resources in the AM and the ICS". Considering the above, we propose that the following amendments should be made to the HLP2 criteria: 1) Remove duplication of the HLP2 wording in the elaboration of the criteria. 2) The criteria should explicitly state that a separate investigation of the drivers of differences between the AM and ICS in respect of capital requirements, capital resources and valuation, will be carried out and disclosed at the appropriate level of aggregation. 3) This investigation should include a quantification of the differences between AM and ICS in total (at an appropriate level of aggregation) in respect of each of required capital, capital resources and valuation and a quantitative analysis of the components of these differences. A level over which the two regimes cannot be considered comparable should be defined. Also, some differences, by nature, should disqualify comparability. 4) The differences between the AM and ICS resulting from explicit risk charges should be broken down by major risk category (i.e., market, credit, life, non-life etc.) at the very least. Prudence embedded in the AM valuation should be broken down by assets and life/non-life liabilities. Other quantitative measures in the AM (e.g., scalars) should be identified separately in the analysis. 5) This analysis should be carried out for the base case and each of the scenarios described under the HLP 1 criteria. 6) The criteria need to be sufficiently detailed to explicitly describe how the AM scaled risk based legal entity capital requirements will achieve the same or similar target level as the ICS. 7) The assessment of capital resources should not be based on a Comply or Explain procedure. The criteria should

			ensure that similar amounts of eligible own funds are available for each tier of capital resources in the AM and the ICS, and each tier is made of the same types of own fund items. 8) To support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation (in order to ensure the confidentiality of individual results). It should be specified how the results of the analyses described in all criteria under HLP 2 will feed into the overall assessment of correlation between the two methods.
395. CNP Assurances	France	No	**Answer:** As it stands, this is clearly not a criterion. The statement "The capital composition limits in the AM are compared to those of the ICS" does not explain how this comparison will be taken into account in the comparability assessment. A proper criterion should state that the "capital composition limits ensure that the same amount of eligible own funds is available for each tier of capital resources in the AM and the ICS". Considering the above, we propose that the following amendments should be made to the HLP2 criteria: 1) Remove duplication of the HLP2 wording in the elaboration of the criteria. 2) The criteria should explicitly state that a separate investigation of the drivers of differences between the AM and ICS in respect of capital requirements, capital resources and valuation, will be carried out and disclosed at the appropriate level of aggregation. 3) This investigation should include a quantification of the differences between AM and ICS in total (at an appropriate level of aggregation) in respect of each of required capital, capital resources and valuation and a quantitative analysis of the components of these differences. A level over which the two regimes cannot be considered comparable should be defined. Also, some differences, by nature, should disqualify comparability. 4) The differences between the AM and ICS resulting from explicit risk charges should be broken down by major risk category (i.e., market, credit, life, non-life etc.) at the very least. Prudence embedded in the AM valuation should be broken down by assets and life/non-life liabilities. Other quantitative measures in the AM (e.g., scalars) should be identified separately in the analysis. 5) This analysis should be carried out for the base case and each of the scenarios described under the HLP 1 criteria. 6) The criteria need to be sufficiently detailed to explicitly describe how the AM scaled risk based legal entity capital requirements will achieve the same or similar target level as the ICS. 7) The assessment of capital resources should not be based on a Comply or Explain procedure. The criteria should ensure that similar amounts of eligible own funds are available for each tier of capital resources in the AM and the ICS, and each tier is made of the same types of own fund items. 8) To support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation (in order to ensure the confidentiality of individual results).

			It should be specified how the results of the analyses described in all criteria under HLP 2 will feed into the overall assessment of correlation between the two methods.
396. COVEA	FRANCE	No	**Answer:** As it stands, this is clearly not a criterion. The statement "The capital composition limits in the AM are compared to those of the ICS" does not explain how this comparison will be taken into account in the comparability assessment. A proper criterion should state that the "capital composition limits ensure that the same amount of eligible own funds is available for each tier of capital resources in the AM and the ICS". Considering the above, we propose that the following amendments should be made to the HLP2 criteria: 1) Remove duplication of the HLP2 wording in the elaboration of the criteria. 2) The criteria should explicitly state that a separate investigation of the drivers of differences between the AM and ICS in respect of capital requirements, capital resources and valuation, will be carried out and disclosed at the appropriate level of aggregation. 3) This investigation should include a quantification of the differences between AM and ICS in total (at an appropriate level of aggregation) in respect of each of required capital, capital resources and valuation and a quantitative analysis of the components of these differences. A level over which the two regimes cannot be considered comparable should be defined. Also, some differences, by nature, should disqualify comparability. 4) The differences between the AM and ICS resulting from explicit risk charges should be broken down by major risk category (i.e., market, credit, life, non-life etc.) at the very least. Prudence embedded in the AM valuation should be broken down by assets and life/non-life liabilities. Other quantitative measures in the AM (e.g., scalars) should be identified separately in the analysis. 5) This analysis should be carried out for the base case and each of the scenarios described under the HLP 1 criteria. 6) The criteria need to be sufficiently detailed to explicitly describe how the AM scaled risk based legal entity capital requirements will achieve the same or similar target level as the ICS. 7) The assessment of capital resources should not be based on a Comply or Explain procedure. The criteria should ensure that similar amounts of eligible own funds are available for each tier of capital resources in the AM and the ICS, and each tier is made of the same types of own fund items. 8) To support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation (in order to ensure the confidentiality of individual results). It should be specified how the results of the analyses described in all criteria under HLP 2 will be fed into the overall assessment of correlation between the two methods
397. Credit Agricole Assurances	FRANCE	No	**Answer:** As it stands, this is clearly not a criterion. The statement "The capital composition limits in the AM are compared to those of the ICS" does not explain how this comparison will be taken into account in the comparability assessment. A proper criterion should state that the "capital composition limits ensure that the same amount of eligible own funds is available for each tier of capital resources in the AM and the ICS".

			Considering the above, we propose that the following amendments should be made to the HLP2 criteria: 1) Remove duplication of the HLP2 wording in the elaboration of the criteria. 2) The criteria should explicitly state that a separate investigation of the drivers of differences between the AM and ICS in respect of capital requirements, capital resources and valuation, will be carried out and disclosed at the appropriate level of aggregation. 3) This investigation should include a quantification of the differences between AM and ICS in total (at an appropriate level of aggregation) in respect of each of required capital, capital resources and valuation and a quantitative analysis of the components of these differences. A level over which the two regimes cannot be considered comparable should be defined. Also, some differences, by nature, should disqualify comparability. 4) The differences between the AM and ICS resulting from explicit risk charges should be broken down by major risk category (i.e., market, credit, life, non-life etc.) at the very least. Prudence embedded in the AM valuation should be broken down by assets and life/non-life liabilities. Other quantitative measures in the AM (e.g., scalars) should be identified separately in the analysis. 5) This analysis should be carried out for the base case and each of the scenarios described under the HLP 1 criteria. 6) The criteria need to be sufficiently detailed to explicitly describe how the AM scaled risk based legal entity capital requirements will achieve the same or similar target level as the ICS. 7) The assessment of capital resources should not be based on a Comply or Explain procedure. The criteria should ensure that similar amounts of eligible own funds are available for each tier of capital resources in the AM and the ICS, and each tier is made of the same types of own fund items. 8) To support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation (in order to ensure the confidentiality of individual results). It should be specified how the results of the analyses described in all criteria under HLP 2 will feed into the overall assessment of correlation between the two methods.
398. France Assureurs	France	No	**Answer:** As it stands, this is clearly not a criterion. The statement "The capital composition limits in the AM are compared to those of the ICS" does not explain how this comparison will be taken into account in the comparability assessment. A proper criterion should state that the "capital composition limits ensure that the same amount of eligible own funds is available for each tier of capital resources in the AM and the ICS". Considering the above, France Assureurs proposes that the following amendments should be made to the HLP2 criteria: 1) Remove duplication of the HLP2 wording in the elaboration of the criteria. 2) The criteria should explicitly state that a separate investigation of the drivers of differences between the AM and ICS in respect of capital requirements, capital resources and valuation, will be carried out and disclosed at the appropriate level of aggregation.

			3) This investigation should include a quantification of the differences between AM and ICS in total (at an appropriate level of aggregation) in respect of each of required capital, capital resources and valuation and a quantitative analysis of the components of these differences. A level over which the two regimes cannot be considered comparable should be defined. Also, some differences, by nature, should disqualify comparability. 4) The differences between the AM and ICS resulting from explicit risk charges should be broken down by major risk category (i.e., market, credit, life, non-life etc.) at the very least. Prudence embedded in the AM valuation should be broken down by assets and life/non-life liabilities. Other quantitative measures in the AM (e.g., scalars) should be identified separately in the analysis. 5) This analysis should be carried out for the base case and each of the scenarios described under the HLP 1 criteria. 6) The criteria need to be sufficiently detailed to explicitly describe how the AM scaled risk based legal entity capital requirements will achieve the same or similar target level as the ICS. 7) The assessment of capital resources should not be based on a Comply or Explain procedure. The criteria should ensure that similar amounts of eligible own funds are available for each tier of capital resources in the AM and the ICS, and each tier is made of the same types of own fund items. 8) To support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation (in order to ensure the confidentiality of individual results). It should be specified how the results of the analyses described in all criteria under HLP 2 will feed into the overall assessment of correlation between the two methods.
399. French Treasury	France	No	**Answer:** As it stands, this is not a criterion for comparability. It does not explain how the comparison of capital composition limits will inform the comparability assessment.
400. Groupama	France	No	**Answer:** As it stands, this is clearly not a criterion. The statement "The capital composition limits in the AM are compared to those of the ICS" does not explain how this comparison will be taken into account in the comparability assessment. A proper criterion should state that the "capital composition limits ensure that the same amount of eligible own funds is available for each tier of capital resources in the AM and the ICS". Considering the above, we propose that the following amendments should be made to the HLP2 criteria: 1) Remove duplication of the HLP2 wording in the elaboration of the criteria. 2) The criteria should explicitly state that a separate investigation of the drivers of differences between the AM and ICS in respect of capital requirements, capital resources and valuation, will be carried out and disclosed at the appropriate level of aggregation. 3) This investigation should include a quantification of the differences between AM and ICS in total (at an appropriate

			level of aggregation) in respect of each of required capital, capital resources and valuation and a quantitative analysis of the components of these differences. A level over which the two regimes cannot be considered comparable should be defined. Also, some differences, by nature, should disqualify comparability. 4) The differences between the AM and ICS resulting from explicit risk charges should be broken down by major risk category (i.e., market, credit, life, non-life etc.) at the very least. Prudence embedded in the AM valuation should be broken down by assets and life/non-life liabilities. Other quantitative measures in the AM (e.g., scalars) should be identified separately in the analysis. 5) This analysis should be carried out for the base case and each of the scenarios described under the HLP 1 criteria. 6) The criteria need to be sufficiently detailed to explicitly describe how the AM scaled risk based legal entity capital requirements will achieve the same or similar target level as the ICS. 7) The assessment of capital resources should not be based on a Comply or Explain procedure. The criteria should ensure that similar amounts of eligible own funds are available for each tier of capital resources in the AM and the ICS, and each tier is made of the same types of own fund items. 8) To support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation (in order to ensure the confidentiality of individual results). It should be specified how the results of the analyses described in all criteria under HLP 2 will feed into the overall assessment of correlation between the two methods.
401. SOGECAP	FRANCE	No	**Answer:** As it stands, this is clearly not a criterion. The statement "The capital composition limits in the AM are compared to those of the ICS" does not explain how this comparison will be taken into account in the comparability assessment. A proper criterion should state that the "capital composition limits ensure that the same amount of eligible own funds is available for each tier of capital resources in the AM and the ICS". Considering the above, we propose that the following amendments should be made to the HLP2 criteria: 1) Remove duplication of the HLP2 wording in the elaboration of the criteria. 2) The criteria should explicitly state that a separate investigation of the drivers of differences between the AM and ICS in respect of capital requirements, capital resources and valuation, will be carried out and disclosed at the appropriate level of aggregation. 3) This investigation should include a quantification of the differences between AM and ICS in total (at an appropriate level of aggregation) in respect of each of required capital, capital resources and valuation and a quantitative analysis of

			the components of these differences. A level over which the two regimes cannot be considered comparable should be defined. Also, some differences, by nature, should disqualify comparability. 4) The differences between the AM and ICS resulting from explicit risk charges should be broken down by major risk category (i.e., market, credit, life, non-life etc.) at the very least. Prudence embedded in the AM valuation should be broken down by assets and life/non-life liabilities. Other quantitative measures in the AM (e.g., scalars) should be identified separately in the analysis. 5) This analysis should be carried out for the base case and each of the scenarios described under the HLP 1 criteria. 6) The criteria need to be sufficiently detailed to explicitly describe how the AM scaled risk based legal entity capital requirements will achieve the same or similar target level as the ICS. 7) The assessment of capital resources should not be based on a Comply or Explain procedure. The criteria should ensure that similar amounts of eligible own funds are available for each tier of capital resources in the AM and the ICS, and each tier is made of the same types of own fund items. 8) To support the credibility and transparency of the process, this analysis should be made public at an appropriate level of aggregation (in order to ensure the confidentiality of individual results). It should be specified how the results of the analyses described in all criteria under HLP 2 will feed into the overall assessment of correlation between the two methods.
402. German Insurance Association	Germany	No	**Answer:** Criterion 2.4(d) should cover how the comparison of capital composition limits, and differences, will be taken into account in the comparability assessment.
403. AIA and Prudential plc	Hong Kong	No	**Answer:** Given the potential fundamental differences that may exist in the available capital between the AM and ICS, it is not appropriate to compare their capital composition limits especially with reference to the structure and granularity set out in ICS. Instead, however, it can be assessed whether elements of the quality of capital resources are taken into account in the AM. This is consistent with the principle stated in HLP 2 that "the decision on comparable outcomes will consider the elements in totality".
404. The Actuarial Society of Hong Kong	Hong Kong	No	**Answer:** Although important, we do not view this as an actuarial matter and therefore make no comment
407. Liberty Mutual Insurance Group	United States	No	**Answer:** See comments to 2.4 above.
408. National Association of	United States	No	**Answer:** See Response to Criterion 2.4.

Mutual Insurance Companies			
409. Northwestern Mutual	United States	No	**Answer:** See response to criterion 2.4 above.
410. American Property Casualty Insurance Association	USA	No	**Answer:** We appreciate the way in which this criterion is worded in that it seeks to explain differences in limits on capital resources rather than require the AM to have the same limits as in the ICS -- which would defeat the purpose and intent of the AM framework, i.e., to reflect an aggregation of data based on jurisdictional requirements.
Q18 Comment on criterion 3.1			
411. Great Eastern Holdings	Asia	No	**Answer:** Nil.
412. Taiwan Insurance Institute	Chinese Taipei	No	**Answer:** The term "more but not less prudent' may cause additional ambiguity so need to be carefully defined. If more excess capital means more prudent (from criterion 3.1a)), this criterion seems to implicity assume the solvency ratio under AM should be no more than under ICS. It will create an additional implementation burden because IAIGs may need to separately report both solvency results to demonstrate one is more but less prudent than another.
413. Actuarial Association of Europe	Europe	No	**Answer:** The Actuarial Association of Europe stresses that outcome equivalence must entail that in all materially similar situations, materially the same supervisory action should be triggered. We doubt however, that a movement analysis, see Criterion 1.1 is suitable to achieve this goal. Especially the qualifications that come with the wording "over that business cycle" seem difficult to align with triggering supervisory action.
414. Insurance Europe	European Union	No	**Answer:** The ultimate comparability test is whether the AM and the ICS would trigger the same supervisory actions at similar points in time. It should be clarified in the criteria that the basis of assessment will include comparison of the PCR and the point in time at which the PCR would be breached under the AM and ICS. It should also be clarified that the AM could be considered comparable if it triggers supervisory intervention at similar points in time or sooner, but not if it does so later than the ICS. Therefore, in terms of assessing the AM as a potential alternative to the ICS, which leads to comparable outcomes, it could be more but not less prudent.

			In addition, Insurance Europe considers that this assessment should be performed at an appropriate level of granularity having regard to the different risk profiles that may underly the representative sample, rather than necessarily at the level of the representative sample in totality, in order to ensure similar triggering of supervisory actions for similar risk profiles at similar points in time.
415. Reinsurance Advisory Board	European Union	No	**Answer:** The ultimate comparability test is whether the AM and the ICS would trigger the same supervisory actions at similar points in time. It should be clarified in the criteria that the basis of assessment will include comparison of the PCR and the point in time at which the PCR would be breached under the AM and ICS. It should also be clarified that the AM could be considered comparable if it triggers supervisory intervention at similar points in time or sooner, but not if it does so later than the ICS. Therefore, in terms of assessing the AM as a potential alternative to the ICS, which leads to comparable outcomes, it could be more but not less prudent. In addition, the RAB considers that this assessment should be performed at an appropriate level of granularity having regard to the different risk profiles that may underly the representative sample, rather than necessarily at the level of the representative sample in totality, in order to ensure similar triggering of supervisory actions for similar risk profiles at similar points in time.
416. Axa	France	No	**Answer:** In our view, comparability means that the AM and the ICS would trigger the same supervisory actions at the same time under stress. Therefore, the sensitivity analysis and the scenario analysis set out in HLP1 should be designed in a way that allow to test quantitatively the simultaneity and similar intensity of the supervisory response in a variety of stress conditions. It is not clear what through the business cycle means and it ignores the fact that the ICS itself does not just look from this perspective but can trigger supervisory action even due to short term market fluctuations. Ignoring this fundamental item for the comparability assessment goes completely against the aim of an ICS being a minimum standard.
417. BNPPARIBAS CARDIF	France	No	**Answer:** In our view, the ultimate comparability test is whether the AM and the ICS would trigger the same supervisory actions at the same time under stress. Therefore, the sensitivity analysis and the scenario analysis (incl. reverse testing) set out in HLP1 should be designed in a way that allow to test the simultaneity and similar intensity of the supervisory response in a variety of stress conditions. We appreciate that the IAIS has considered that a robust global standard should target the same level of policyholder protection. All in all, we take the view that to achieve sound comparability, the AM should not be more or less prudent than the ICS but provide the same level of policyholder protection. In addition, prudency should be evaluated both from capital requirement perspective as well as from own funds

			assessment perspective. However, a recent study regarding the impact of the ICS on the life insurance industry in the US, published by the Insurance Policy Advisory Committee (IPAC) underlines that the ICS, as currently defined, is too conservative, not suitable to the US market and need to be revised . Based on those conclusions, we consider that it already appears unlikely that the ICS and the AM in their current designs would be able to produce comparable results in terms of level of protection of policyholders and trigger of supervisory actions. Those concerns reinforce the need for robust and objective criteria. It is not clear what through the business cycle means and it ignores the fact that the ICS itself does not just look from this perspective but can trigger supervisory action even due to short term market fluctuations. Ignoring this fundamental item for the comparability assessment goes completely against the aim of an ICS being a minimum standard.
418. CNP Assurances	France	No	**Answer:** In our view, the ultimate comparability test is whether the AM and the ICS would trigger the same supervisory actions at the same time under stress. Therefore, the sensitivity analysis and the scenario analysis (incl. reverse testing) set out in HLP1 should be designed in a way that allow to test the simultaneity and similar intensity of the supervisory response in a variety of stress conditions. We appreciate that the IAIS has considered that a robust global standard should target the same level of policyholder protection. All in all, we take the view that to achieve sound comparability, the AM should not be more or less prudent than the ICS but provide the same level of policyholder protection. In addition, prudency should be evaluated both from capital requirement perspective as well as from own funds assessment perspective. However, a recent study regarding the impact of the ICS on the life insurance industry in the US, published by the Insurance Policy Advisory Committee (IPAC) underlines that the ICS, as currently defined, is too conservative, not suitable to the US market and need to be revised . Based on those conclusions, we consider that it already appears unlikely that the ICS and the AM in their current designs would be able to produce comparable results in terms of level of protection of policyholders and trigger of supervisory actions. Those concerns reinforce the need for robust and objective criteria. It is not clear what through the business cycle means and it ignores the fact that the ICS itself does not just look from this perspective but can trigger supervisory action even due to short term market fluctuations. Ignoring this fundamental item for the comparability assessment goes completely against the aim of an ICS being a minimum standard.

419. COVEA	FRANCE	No	**Answer:** In our view, the ultimate comparability test is whether the AM and the ICS would trigger the same supervisory actions at the same time under stress. Therefore, the sensitivity analysis and the scenario analysis (incl. reverse testing) set out in HLP1 should be designed in a way that allow to test the simultaneity and similar intensity of the supervisory response in a variety of stress conditions. We appreciate that the IAIS has considered that a robust global standard should target the same level of policyholder protection. All in all, we take the view that to achieve sound comparability, the AM should not be more or less prudent than the ICS but provide the same level of policyholder protection. In addition, prudency should be evaluated both from capital requirement perspective as well as from own funds assessment perspective. However, a recent study regarding the impact of the ICS on the life insurance industry in the US, published by the Insurance Policy Advisory Committee (IPAC) underlines that the ICS, as currently defined, is too conservative, not suitable to the US market and needs to be revised . Based on those conclusions, we consider that it already appears unlikely that the ICS and the AM in their current designs would be able to produce comparable results in terms of level of protection of policyholders and triggering of supervisory actions. Those concerns reinforce the need for robust and objective criteria. It is not clear what "through the business cycle" concretely means and it ignores the fact that the ICS itself does not just look from this perspective but can trigger supervisory action even due to short term market fluctuations. Ignoring this fundamental item for the comparability assessment goes completely against the aim of an ICS being a minimum standard.
420. Credit Agricole Assurances	FRANCE	No	**Answer:** In our view, the ultimate comparability test is whether the AM and the ICS would trigger the same supervisory actions at the same time under stress. Therefore, the sensitivity analysis and the scenario analysis (incl. reverse testing) set out in HLP1 should be designed in a way that allow to test the simultaneity and similar intensity of the supervisory response in a variety of stress conditions. We appreciate that the IAIS has considered that a robust global standard should target the same level of policyholder protection. All in all, we take the view that to achieve sound comparability, the AM should not be more or less prudent than the ICS but provide the same level of policyholder protection. In addition, prudency should be evaluated both from capital requirement perspective as well as from own funds assessment perspective. However, a recent study regarding the impact of the ICS on the life insurance industry in the US, published by the Insurance Policy Advisory Committee (IPAC) underlines that the ICS, as currently defined, is too conservative, not

			suitable to the US market and need to be revised . Based on those conclusions, we consider that it already appears unlikely that the ICS and the AM in their current designs would be able to produce comparable results in terms of level of protection of policyholders and trigger of supervisory actions. Those concerns reinforce the need for robust and objective criteria. It is not clear what through the business cycle means and it ignores the fact that the ICS itself does not just look from this perspective but can trigger supervisory action even due to short term market fluctuations. Ignoring this fundamental item for the comparability assessment goes completely against the aim of an ICS being a minimum standard.
421. France Assureurs	France	No	**Answer:** In France Assureurs' view, the ultimate comparability test is whether the AM and the ICS would trigger the same supervisory actions at the same time under stress. Therefore, the sensitivity analysis and the scenario analysis (incl. reverse testing) set out in HLP1 should be designed in a way that allow to test the simultaneity and similar intensity of the supervisory response in a variety of stress conditions. France Assureurs appreciates that the IAIS has considered that a robust global standard should target the same level of policyholder protection. All in all, we take the view that to achieve sound comparability, the AM should not be more or less prudent than the ICS but provide the same level of policyholder protection. In addition, prudency should be evaluated both from capital requirement perspective as well as from own funds assessment perspective. However, a recent study regarding the impact of the ICS on the life insurance industry in the US, published by the Insurance Policy Advisory Committee (IPAC) underlines that the ICS, as currently defined, is too conservative, not suitable to the US market and need to be revised . Based on those conclusions, France Assureurs considers that it already appears unlikely that the ICS and the AM in their current designs would be able to produce comparable results in terms of level of protection of policyholders and trigger of supervisory actions. Those concerns reinforce the need for robust and objective criteria. It is not clear what through the business cycle means and it ignores the fact that the ICS itself does not just look from this perspective but can trigger supervisory action even due to short term market fluctuations. Ignoring this fundamental item for the comparability assessment goes completely against the aim of an ICS being a minimum standard.
422. French Treasury	France	No	**Answer:** Comparing supervisory action triggers of both methods is essential to assess their ability to protect policyholders and maintain financial stability. However, this comparison should not only be conducted over the business cycle but also in particular stressed situations. In point 3.1 it should be clear that similar supervisory actions should be triggered, at least simultaneously at different points in time for both frameworks -if not earlier for the AM, considering that it has to be at least as prudent as the ICS-, these points in time being representative of different economic

			conditions. Besides, the level of supervisory intervention on IAIGs should be assessed on an individual basis and not by considering the results of the sample on the whole. Supervisory actions are also taken on an undertaking-specific analysis. If the comparison is made on the basis of an average capital requirement coverage by a group of individual undertaking, it will miss its aim to identify some specific situations where supervisory intervention would be triggered under one prudential framework and not under the other. Therefore, the analysis should be conducted on a undertaking-by-undertaking basis, comparing for each of them whether the level of intervention in the AM methodology and in ICS is the same. France takes the view that this criterion will have to be strictly checked. However, a recent study regarding the impact of the ICS on the life insurance industry in the US, published by the Insurance Policy Advisory Committee (IPAC) underlines that the ICS, as currently defined, is too conservative, not suitable to the US market and needs to be revised. Therefore, we cannot conclude so far that the two standards provide the same level of prudence.
423. Groupama	France	No	**Answer:** In our view, the ultimate comparability test is whether the AM and the ICS would trigger the same supervisory actions at the same time under stress. Therefore, the sensitivity analysis and the scenario analysis (incl. reverse testing) set out in HLP1 should be designed in a way that allow to test the simultaneity and similar intensity of the supervisory response in a variety of stress conditions. We appreciate that the IAIS has considered that a robust global standard should target the same level of policyholder protection. All in all, we take the view that to achieve sound comparability, the AM should not be more or less prudent than the ICS but provide the same level of policyholder protection. In addition, prudency should be evaluated both from capital requirement perspective as well as from own funds assessment perspective. However, a recent study regarding the impact of the ICS on the life insurance industry in the US, published by the Insurance Policy Advisory Committee (IPAC)(1) underlines that the ICS, as currently defined, is too conservative, not suitable to the US market and need to be revised (2). Based on those conclusions, we consider that it already appears unlikely that the ICS and the AM in their current designs would be able to produce comparable results in terms of level of protection of policyholders and trigger of supervisory actions. Those concerns reinforce the need for robust and objective criteria. It is not clear what through the business cycle means and it ignores the fact that the ICS itself does not just look from this perspective but can trigger supervisory action even due to short term market fluctuations. Ignoring this fundamental item for the comparability assessment goes completely against the aim of an ICS being a minimum standard.

			(1) Potential Impact of the International Association of Insurance Supervisors' Insurance Capital Standard on the Life Insurance Industry, Policyholders and Markets in the United States, June 10, 2022 (2) Please refer to the Q33 answer for more detailed results from this study.
424. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. The ultimate comparability test is whether the AM and the ICS would trigger the same supervisory actions at similar points in time. It should be clarified in the criteria that the basis of assessment will include comparison of the PCR and the point in time at which the PCR would be breached under the AM and ICS. It should also be clarified that the AM could be considered comparable if it triggers supervisory intervention at similar points in time or sooner, but not if it does so later than the ICS. Therefore, in terms of assessing the AM as a potential alternative to the ICS, which leads to comparable outcomes, it could be more but not less prudent. In addition, the RAB considers that this assessment should be performed at an appropriate level of granularity having regard to the different risk profiles that may underly the representative sample, rather than necessarily at the level of the representative sample in totality, in order to ensure similar triggering of supervisory actions for similar risk profiles at similar points in time.
425. SOGECAP	FRANCE	No	**Answer:** In our view, the ultimate comparability test is whether the AM and the ICS would trigger the same supervisory actions at the same time under stress. Therefore, the sensitivity analysis and the scenario analysis (incl. reverse testing) set out in HLP1 should be designed in a way that allow to test the simultaneity and similar intensity of the supervisory response in a variety of stress conditions. We appreciate that the IAIS has considered that a robust global standard should target the same level of policyholder protection. All in all, we take the view that to achieve sound comparability, the AM should not be more or less prudent than the ICS but provide the same level of policyholder protection. In addition, prudency should be evaluated both from capital requirement perspective as well as from own funds assessment perspective. However, a recent study regarding the impact of the ICS on the life insurance industry in the US, published by the Insurance Policy Advisory Committee (IPAC) underlines that the ICS, as currently defined, is too conservative, not

			suitable to the US market and need to be revised . Based on those conclusions, we consider that it already appears unlikely that the ICS and the AM in their current designs would be able to produce comparable results in terms of level of protection of policyholders and trigger of supervisory actions. Those concerns reinforce the need for robust and objective criteria. It is not clear what through the business cycle means and it ignores the fact that the ICS itself does not just look from this perspective but can trigger supervisory action even due to short term market fluctuations. Ignoring this fundamental item for the comparability assessment goes completely against the aim of an ICS being a minimum standard.
426. German Insurance Association	Germany	No	**Answer:** The AM should be neither less nor more prudent than the ICS. A robust global standard should target the same level of policyholder protection. However, we agree that in terms of assessing the AM as a potential alternative to the ICS, which leads to comparable outcomes, it could be more but not less prudent.
427. AIA and Prudential plc	Hong Kong	No	**Answer:** HLP 3 - that the AM should be at least as prudent as the ICS - has been agreed. However, criteria 3.1 and 3.1a do not appear related to HLP 3. In our view, whether the AM satisfies HLP 3 can be assessed using the data that will be collected to assess compliance with HLP 1 and HLP 2. The analyses envisioned under Criteria 3.1 and 3.1a are neither necessary nor practical to reach a conclusion. For example, it is stated that "… the analysis considers movements in capital resources and capital requirement (as well as their difference - ie excess capital) at different points in time… Material differences in these items (between the ICS and AM) are explained." This would be an interesting analysis if it were possible. Unfortunately, it is not. It is beyond our resources, and we suspect those of most other IAIG's.
428. The Actuarial Society of Hong Kong	Hong Kong	No	**Answer:** HLP 3 - that the AM should be at least as prudent as the ICS - has been agreed. However, criteria 3.1 and 3.1a do not appear related to HLP 3. In our view, whether the AM satisfies HLP 3 can be assessed using the data that will be collected to assess compliance with HLP 1 and HLP 2. The analyses envisioned under Criteria 3.1 and 3.1a are neither necessary nor practical to reach a conclusion.
429. International Actuarial Association	International	No	**Answer:** The IAA notes that this criterion is with regard to legislation and/or regulation that would utilize the AM or ICS, and not with regard to the AM or ICS metrics themselves. Therefore, the IAA suggests that this criterion either needs to be reworded to address the metrics themselves (i.e., AM vs. ICS calculations), or needs to be deleted.
430. General Insurance Association of Japan	Japan	No	**Answer:** We support the standard where AM triggered supervisory actions could be more but not less prudent than the ICS.

431. Verbond van Verzekeraars	Netherlands	No	**Answer:** The ultimate comparability test is whether the AM and the ICS would trigger the same supervisory actions at similar points in time. It should be clarified in the criteria that the basis of assessment will include comparison of the PCR and the point in time at which the PCR would be breached under the AM and ICS. It should also be clarified that the AM could be considered comparable if it triggers supervisory intervention at similar points in time or sooner, but not if it does so later than the ICS. Therefore, in terms of assessing the AM as a potential alternative to the ICS, which leads to comparable outcomes, it could be more but not less prudent. In addition, The Dutch Association of Insurers considers that this assessment should be performed at an appropriate level of granularity having regard to the different risk profiles that may underly the representative sample, rather than necessarily at the level of the representative sample in totality, in order to ensure similar triggering of supervisory actions for similar risk profiles at similar points in time.
434. NN Group	The Netherlands	No	**Answer:** The ultimate comparability test is whether the AM and the ICS would trigger the same supervisory actions at similar points in time. It should be clarified in the criteria that the basis of assessment will include comparison of the PCR and the point in time at which the PCR would be breached under the AM and ICS. It should also be clarified that the AM could be considered comparable if it triggers supervisory intervention at similar points in time or sooner, but not if it does so later than the ICS. Therefore, in terms of assessing the AM as a potential alternative to the ICS, which leads to comparable outcomes, it could be more but not less prudent. In addition, NN Group considers that this assessment should be performed at an appropriate level of granularity having regard to the different risk profiles that may underly the representative sample, rather than necessarily at the level of the representative sample in totality, in order to ensure similar triggering of supervisory actions for similar risk profiles at similar points in time.
435. Institute and Faculty of Actuaries	United Kingdom	No	**Answer:** The (in)ability to apply local rules for group reporting purposes could have level playing field implications. For example, HLP 3 could give a competitiveness advantage to a non-US IAIG with one or more US entities that adopted the ICS over a US Group that applied the more onerous AM. Clarity on this issue including whether, and if so, where it had been considered would be welcome.
436. Allstate Insurance Company	United States	No	**Answer:** We believe that criterion 3.1. and 3.1(a) preclude comparability at the outset because they "anchor" to the ICS and focus on "solvency protection" and solvency ratios as the only measure of prudence. These criteria ignore other tools and methods of solvency protection outside of a capital ratio that provide protection to an insurance group such as dividend limitations, investment restrictions, etc.

			We propose that criteria 3.1 and 3.1(a) are rewritten by IAIS to contemplate other supervisory tools not captured in capital calculations, as other tools can work to reduce risk and drive prudence.
437. American Academy of Actuaries	United States	No	**Answer:** We believe the criterion should be two sided: "The methods trigger supervisory action on group capital adequacy grounds under similar conditions, showing that the level of solvency protection in totality is similar."
438. Liberty Mutual Insurance Group	United States	No	**Answer:** Liberty Mutual disagrees with the approach set forth in this criterion as it seeks to utilize company specific solvency ratios (and other information). The purpose of the exercise should be to determine on an outcomes basis whether the ICS and the AM as capital standards provide information that triggers a form of supervisory action. The only information required for that analysis are the specifications on the AM and the ICS, because those are the standards being compared.
439. National Association of Mutual Insurance Companies	United States	No	**Answer:** Obtainment of comparable regulatory parameters should not invoke superiority in objective. We believe this criterion would preclude the AM from being deemed outcomes equivalent to the ICS. A comparability of outcomes suggests that similar levels of exposure and risk would trigger similar supervisory and market responses; therefore, due consideration of the use of other supervisory tools that also mitigate exposure to such risks needs to be part of the comparability analysis. This is how we interpret prudence to mean in this criterion. We believe the view should be that the ICS is just one tool that must also operate in the context of a jurisdiction's overall regulatory regime. Supervisory outcomes such as policyholder protection and financial stability require both qualitative and quantitative measures as well as a review of supervisory processes. In the U.S., regulators focus is on individual carriers to maintain solvency, and the requirements - for example, legal, accounting, and capital - are directed at the individual carrier to maintain solvency. In the U.S., there are provisions included in state law like prior-notice-of-transaction or (dis)approval of dividends that ensure that companies are not pulling money out of one legal entity to the benefit of another. Before the advent of all the solvency tools in place today, rating laws were first developed to ensure companies maintain solvency by requiring rates to be adequate, but the laws have been expanded to prohibit inadequate, excessive, or unfairly discriminatory rates. Over the years, however, many different solvency tools were developed and designed to capture the risk of rates being inadequate. Even after a company has been declared insolvent the needs of the insurance policyholders are top-of-mind for regulators. In the U.S. the state guaranty funds provide basic coverage to policyholders if their insurance company goes insolvent, and companies writing insurance in each state are assessed for the claims payment of those policyholders.

			Further each insurer in the group is subject to quarterly and annual financial statement filings and annual risk-based capital submissions. RBC reporting and compliance includes charges for affiliate risk, investment risk, asset risk, credit risk, market risk, premium/underwriting/reserve risk, modelled catastrophe risk, and operational risk. State regulators have the authority to inquire through financial analysis additional information about reserve and loss costs trends, among other inquires. State regulators can request insurers provide a plan about how they intend to improve their solvency position before any RBC regulatory actions are triggered. The Supervisory College can also help supervisors understand intra-group risk. In addition to supervisory college reviews, annual enterprise risk reporting (Own Risk and Solvency Assessment and Enterprise Risk Reports), regular comprehensive financial examinations, annual independent audits, market conduct examinations, disclosures of corporate governance, investment limitations, and regular financial analysis of capital trend tests, risk profiles, and other material risks to the group are all legal requirements other than capital that address concerns about the solvency of insurance groups.
440. Northwestern Mutual	United States	No	**Answer:** Similarly to our comments on criteria 1.2, 1.3, and 2.3, this criterion seems to ignore the potential for the ICS to provide false solvency signals, overly rely on individual IAIG data for the assessment, and be biased towards matching the ICS rather than providing appropriate indicators for potential supervisory action. These shortcomings could limit the effectiveness of any comparability assessment of the ICS and AM. The IAIS ought to consider using a stylized modelled approach, with scenario analysis, to better understand the movements in capital resources and capital requirements across both the ICS and the AM. This approach could help inform whether both the AM and ICS provide appropriate indicators for potential supervisory action on group capital adequacy grounds over a practical time horizon, not individual points in time.
441. RAA	United States and many other jurisdicitons	No	**Answer:** The RAA has viewed the requirement that the AM could be more but not less prudent than the ICS as unfair since the K-L agreement was reached in November 2019. We believe this criteria would preclude the AM from achieving comparability with the ICS at the outset. HLP 3 presumes that the only issue that matters for equivalent supervisory outcomes is whether and when the single blunt instrument of a prescribed capital requirement indicates a supervisory action is necessary. As discussed in our response to HLP 2 above, the AM and the comprehensive legal entity supervision that it is based on provides for additional levels of prudence and solvency protection that go far beyond a narrow capital requirement (see response to criterion 2.1). Moreover, as stated by U.S. stakeholders for years and as demonstrated by the June 10, 2022 IPAC report there are real, evidence-based concerns that the ICS itself is not fit for purpose. The IPAC report states:

			As currently constructed, the ICS would not be appropriate as a capital rule for U.S. based internationally active insurance groups. The ICS's market-adjusted valuation seeks to respond to structural changes in markets, such as a sustained low interest-rate environment. However, the ICS is overly sensitive to short-term market conditions, such as temporary movements in credit spreads and does not reflect several asset classes held by insurers in connection with long-duration life insurance and retirement contracts. The ICS as currently constructed produces excessive conservatism and volatility into its required capital and excess capital indicators. As the report describes in detail, this could lead to inappropriate solvency signals and incentivize insurers to change product offerings and investments to minimize these effects, potentially creating a misalignment with actual underlying risks. If the ICS is excessively conservative and may lead to inappropriate solvency signals, then to require more prudence in the AM compounds the problem and is an unfair criterion for comparability.
442. American Property Casualty Insurance Association	USA	No	**Answer:** This criterion provides that "the AM triggers supervisory action on group capital adequacy grounds 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." While some comments on the prior consultation sought a definition of "prudence", a definition is still not provided. We are concerned that, to some, prudence is simply implied by a lower capital ratio, i.e., a ratio that is lower would have higher capital requirements and/or lower allowances for capital resources. We believe that the AM provides for prudence and in ways that go beyond a capital ratio as a single measure. The aggregation construct displays the entities/entity types by jurisdiction so that the group-wide supervisor can identify possible sources of contagion within the group. In so doing, issues involving the fungibility of capital across the group are more easily identified, understood, and assessed as well. The very concept of aggregation directly links group capital to legal entities as sources of that capital, using the legal entity's own requirements for capital resources and capital requirement. Thus, a group-wide supervisor utilizing the AM may be prompted into action based on the solvency of a group's entities located in other jurisdictions, Unlike the ICS, the AM incorporates and displays underlying entity-specific information. The comparability analysis should address this holistically, based on understanding not just what supervisory action could occur, but also how it could occur, and not solely focusing on bottom-line solvency ratios In assessing prudence in the AM, it is important to consider (and the group-wide supervisor would be able to consider) the level of prudence that is inherent at the legal entity level based on the jurisdictional requirements in which the legal entities are domiciled (e.g., conservatism in accounting requirements). For U.S. IAIGs (most of which likely have significant amounts of U.S. business written through state-supervised insurers), there also is another aspect of prudence that should be considered in the subject comparability analysis. That aspect relates to certain types of actions

			that a supervisor could take once the ICS as a PCR is triggered. An example of such an action is a requirement for the supervisor to approve dividends or distributions. In the case of U.S. legal entities, such an action does not wait for an insurer's capital levels to sink to any particular level - such a requirement already applies to all insurers regardless of their capital situation. The requirements exist in the form of statutes or regulations that allow dividend amounts via a safe harbor-like provision based on the amount of the transaction (i.e., materiality) and the projected impact on surplus levels and RBC. And for distributions above the safe harbor (so-called "extraordinary dividends") it is based on prior approval by the supervisor. And, in addition to dividends, all agreements with affiliates are subject to pre-approval by the supervisor, regardless of capital levels or financial condition. These are supervisory actions that await the ICS in order to be put in place in other jurisdictions, whereas such requirements are already standard operating procedure as applied by state insurance regulators to all U.S. insurers. In summary, we believe that a narrow scope that considers prudence solely through the lens of a capital ratio will miss other important aspects of prudence that occur in existing jurisdictional requirements, and would preclude the AM from being assessed as comparable to the ICS at the outset.
443. BonkNote	USA	No	**Answer:** Valuations Committee o (p11-12) - In 1907, following the Armstrong investigation and as a result of the panic of that year, the N.A.I.C. adopted a resolution to set the stage to obtain uniformity in valuing securities. - Up to 1909, New York and Massachusetts, at their own expense, had prepared valuation lists which were used by other states. In that year, the Valuations Committee of the N.A.I.C. hired its own expert to prepare its list. - He was the first salaried staff employee of the N.A.I.C. Later the work was done by professional organizations for a fee; concerns like Moodys and Poor's were employed, with various state insurance departments contributing to the payment of this expense. o Several times over the years, the N.A.I.C., through its Valuations Committee, has taken steps to adjust values in times of national economic stress or emergency. - As stated above, this was done during the panic of 1907. - It was undertaken again during the market demoralization of 1914 and again in 1917.

			- As a result of the stock market crash of 1929, the N.A.I.C. adopted so-called convention values in 1931. o Thus, upon at least four different occasions, the N.A.I.C., by realistic and timely action, became a potent factor in protecting the public against insolvency. 1958 0211 - Insurance Regulation in the Public Interest: "A BETTER N.A.I.C." - presented to the NAIC - by Robert E. Dineen* *Mr. Dineen is: - a Vice President of the Northwest Mutual Life Insurance Company. -a graduate of College of Law of Syracuse University. -admitted to the New York and Wisconsin Bars. -was Superintendent of Insurance of New York State from 1943 to 1950. -served as President of the National Association of Insurance Commissioners (1946-1947).
Q19 Comment on criterion 3.1a)			
444. Great Eastern Holdings	Asia	No	**Answer:** Nil.
445. Axa	France	No	**Answer:** We agree that the triggering of supervisory action should be fundamental to the definition of supervisory outcomes. We believe that it should be clearly stated that the triggering of any supervisory action should follow the same timeline for the ICS and the Aggregation Method and that there should be no differences between when and how supervisory actions are taken when insurers are faced with the same context. In addition, we consider that this assessment should be performed at an appropriate level of granularity having regard to the different risk profiles which may underly the representative sample, rather than necessarily at the level of the representative sample in totality, in order to ensure similar triggering of supervisory actions for similar risk profiles at the same point in time. Furthermore, it should be clarified that material differences would conclude that the two regimes are not comparable.
446. BNPPARIBAS CARDIF	France	No	**Answer:** We agree that the triggering of supervisory action should be fundamental to the definition of supervisory outcomes. We believe that it should be clearly stated that the triggering of any supervisory action should follow the same timeline for the ICS and the Aggregation Method and that there should be no discernible differences between when and how supervisory actions are taken when insurers are faced with the same context. We welcome the fact that the analysis will consider movements in capital resources and capital requirements at different points in time to understand the drivers of the movements in solvency ratios but stresses that valuation should also be considered here if not included as part of the assessment of capital resources. As mentioned previously, this assessment should also be performed in the controlled environment of sensitivity analysis and scenario analysis (incl. reverse testing). In addition, we consider that this assessment should be performed at an appropriate level of granularity having regard

			to the different risk profiles which may underly the representative sample, rather than necessarily at the level of the representative sample in totality, in order to ensure similar triggering of supervisory actions for similar risk profiles at the same point in time. Furthermore, it should be clarified that material differences would conclude that the two regimes are not comparable.
447. CNP Assurances	France	No	**Answer:** We agree that the triggering of supervisory action should be fundamental to the definition of supervisory outcomes. We believe that it should be clearly stated that the triggering of any supervisory action should follow the same timeline for the ICS and the Aggregation Method and that there should be no discernible differences between when and how supervisory actions are taken when insurers are faced with the same context. We welcome the fact that the analysis will consider movements in capital resources and capital requirements at different points in time to understand the drivers of the movements in solvency ratios but stresses that valuation should also be considered here if not included as part of the assessment of capital resources. As mentioned previously, this assessment should also be performed in the controlled environment of sensitivity analysis and scenario analysis (incl. reverse testing). In addition, we consider that this assessment should be performed at an appropriate level of granularity having regard to the different risk profiles which may underly the representative sample, rather than necessarily at the level of the representative sample in totality, in order to ensure similar triggering of supervisory actions for similar risk profiles at the same point in time. Furthermore, it should be clarified that material differences would conclude that the two regimes are not comparable.
448. COVEA	FRANCE	No	**Answer:** We agree that the triggering of supervisory action should be fundamental to the definition of supervisory outcomes. We believe that it should be clearly stated that the triggering of any supervisory action should follow the same timeline for the ICS and the Aggregation Method and that there should be no discernible differences between when and how supervisory actions are taken when insurers are faced with the same context. We welcome the fact that the analysis will consider movements in capital resources and capital requirements at different points in time to understand the drivers of the movements in solvency ratios but stresses that valuation should also be considered here if not included as part of the assessment of capital resources. As mentioned previously, this assessment should also be performed in the controlled environment of sensitivity analysis and scenario analysis (incl. reverse testing). In addition, we consider that this assessment should be performed at an appropriate level of granularity having regard to the different risk profiles which may underly the representative sample, rather than necessarily at the level of the

			representative sample in totality, in order to ensure similar triggering of supervisory actions for similar risk profiles at the same point in time. Furthermore, it should be clarified that material differences would lead to conclude that the two regimes are not comparable.
449. Credit Agricole Assurances	FRANCE	No	**Answer:** We agree that the triggering of supervisory action should be fundamental to the definition of supervisory outcomes. We believe that it should be clearly stated that the triggering of any supervisory action should follow the same timeline for the ICS and the Aggregation Method and that there should be no discernible differences between when and how supervisory actions are taken when insurers are faced with the same context. We welcome the fact that the analysis will consider movements in capital resources and capital requirements at different points in time to understand the drivers of the movements in solvency ratios but stresses that valuation should also be considered here if not included as part of the assessment of capital resources. As mentioned previously, this assessment should also be performed in the controlled environment of sensitivity analysis and scenario analysis (incl. reverse testing). In addition, we consider that this assessment should be performed at an appropriate level of granularity having regard to the different risk profiles which may underly the representative sample, rather than necessarily at the level of the representative sample in totality, in order to ensure similar triggering of supervisory actions for similar risk profiles at the same point in time. Furthermore, it should be clarified that material differences would conclude that the two regimes are not comparable.
450. France Assureurs	France	No	**Answer:** France Assureurs agrees that the triggering of supervisory action should be fundamental to the definition of supervisory outcomes. We believe that it should be clearly stated that the triggering of any supervisory action should follow the same timeline for the ICS and the Aggregation Method and that there should be no discernible differences between when and how supervisory actions are taken when insurers are faced with the same context. France Assureurs welcomes the fact that the analysis will consider movements in capital resources and capital requirements at different points in time to understand the drivers of the movements in solvency ratios but stresses that valuation should also be considered here if not included as part of the assessment of capital resources. As mentioned previously, this assessment should also be performed in the controlled environment of sensitivity analysis and scenario analysis (incl. reverse testing). In addition, France Assureurs considers that this assessment should be performed at an appropriate level of granularity having regard to the different risk profiles which may underly the representative sample, rather than necessarily at the level of the representative sample in totality, in order to ensure similar triggering of supervisory actions for similar risk

			profiles at the same point in time. Furthermore, it should be clarified that material differences would conclude that the two regimes are not comparable.
451. Groupama	France	No	**Answer:** We agree that the triggering of supervisory action should be fundamental to the definition of supervisory outcomes. We believe that it should be clearly stated that the triggering of any supervisory action should follow the same timeline for the ICS and the Aggregation Method and that there should be no discernible differences between when and how supervisory actions are taken when insurers are faced with the same context. We welcome the fact that the analysis will consider movements in capital resources and capital requirements at different points in time to understand the drivers of the movements in solvency ratios but stresses that valuation should also be considered here if not included as part of the assessment of capital resources. As mentioned previously, this assessment should also be performed in the controlled environment of sensitivity analysis and scenario analysis (incl. reverse testing). In addition, we consider that this assessment should be performed at an appropriate level of granularity having regard to the different risk profiles which may underly the representative sample, rather than necessarily at the level of the representative sample in totality, in order to ensure similar triggering of supervisory actions for similar risk profiles at the same point in time. Furthermore, it should be clarified that material differences would conclude that the two regimes are not comparable.
452. SOGECAP	FRANCE	No	**Answer:** We agree that the triggering of supervisory action should be fundamental to the definition of supervisory outcomes. We believe that it should be clearly stated that the triggering of any supervisory action should follow the same timeline for the ICS and the Aggregation Method and that there should be no discernible differences between when and how supervisory actions are taken when insurers are faced with the same context. We welcome the fact that the analysis will consider movements in capital resources and capital requirements at different points in time to understand the drivers of the movements in solvency ratios but stresses that valuation should also be considered here if not included as part of the assessment of capital resources. As mentioned previously, this assessment should also be performed in the controlled environment of sensitivity analysis and scenario analysis (incl. reverse testing). In addition, we consider that this assessment should be performed at an appropriate level of granularity having regard to the different risk profiles which may underly the representative sample, rather than necessarily at the level of the representative sample in totality, in order to ensure similar triggering of supervisory actions for similar risk profiles at the same point in time.

			Furthermore, it should be clarified that material differences would conclude that the two regimes are not comparable.
453. German Insurance Association	Germany	No	**Answer:** It should be clarified in the criteria that the basis of assessment will include comparison of the PCR and the point in time at which the PCR would be breached under the AM and ICS, as well that the AM could be considered comparable if it triggers supervisory intervention at the same points in time or sooner, but not if it does so later than the ICS.
456. Allstate Insurance Company	United States	No	**Answer:** See response to Q18, which captures feedback on criteria 3.1 and 3.1(a).
457. Liberty Mutual Insurance Group	United States	No	**Answer:** See comments to 3.1 above.
458. National Association of Mutual Insurance Companies	United States	No	**Answer:** See Response to Criterion 3.1.
459. American Property Casualty Insurance Association	USA	No	**Answer:** The first sentence of this criterion states that, "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." As per our response to criterion 3.1, there are important supervisory actions in the U.S. that occur as a matter of course, e.g., preapproval of dividends and of all transactions with affiliates. While that is at the legal entity level and applies to U.S. legal entities in the group, that would comprise a significant portion of coverage for most U.S. IAIGs and is a key aspect of prudence that should not be ignored in the comparability analysis. The criterion then goes on to say that "the assessment will consider the results of the representative sample in totality." It is not clear to us as to how that will be, or can be, done, particularly when considering the next sentence which aims to "consider[s] movements in capital resources and capital requirement (as well as their difference - i.e., excess capital) at different points in time to understand the drivers of the movements in solvency ratios." As an aggregation construct, the AM will identify movements in capital resources and capital requirements that may be negated in the consolidated ICS and have no impact on ICS. For one group, the lion's share of group capital and requirements may be based on state-based risk-based capital and statutory accounting in the U.S. For another group, a similar large proportion of group capital may come from EU-domiciled entities and reflect Solvency II including its market-based valuation

			framework. So, it is not clear to us if the IAIS aims to pool all the data of the groups that will provide both ICS and AM data and include them in the comparability analysis; whether a jurisdictional approach would be taken, e.g., to consider "in totality" the groups in the sample that are domiciled in a particular jurisdiction separate from those domiciled elsewhere; and whether a separate "pool" would be established to evaluate life groups separately from non-life groups. Our main point is that for the AM, group-specific context is needed to understand what is driving differences with the ICS.
460. BonkNote	USA	No	**Answer:** Senator Jake Garn - (R-Utah): o (p2) - The failures of Executive Life, First Capital and Fidelity Bankers last year have raised concerns about the financial condition of the insurance industry, the adequacy of regulatory supervision, as well as the sufficiency of policyholder protection provided by insurance guarantee funds. o (p3) - *GAO has indicated that the dreaded forbearance word was at fault in failing to mitigate, if not prevent, these financial failures. 1992 0218 - Senate - Banking, Housing and Urban Affairs - Causes and Implications of Insurance Company Failures *1992 0218 - GAO (Government Accountability Office) - Insurance Regulation: The Failures of Four Large Life Insurers, Testimony Before the Senate, Statement of Richard L. Fogel, Assistant Comptroller General -- Patricia Mosser - New York Federal Reserve: o *He also noted negative consequences in insurance markets in general if AIG goes down (ie cost of insurance is likely be much higher if they file) and negative consequences in muni bond market if GICs default so regulatory forbearance can be justified politically. 2008 0913 - Financial Crisis Inquiry Commission (FCIC) - FRBNY Email Mahoney and Mosser re AIG Update - SB-AIG-35651 o *Eric Dinallo - New York State Superintendent of Insurance - January 2007 through July 2009
Q20 Comment on criterion 4.1			

461. Great Eastern Holdings	Asia	No	**Answer:** Nil.
462. Actuarial Association of Europe	Europe	No	**Answer:** The Actuarial Association of Europe stresses that this is a necessary condition to achieve outcome equivalence.
463. Insurance Europe	European Union	No	**Answer:** This is a very important principle to ensure a valid comparability assessment.
464. Reinsurance Advisory Board	European Union	No	**Answer:** This is a very important principle to ensure a valid comparability assessment.
465. BNPPARIBAS CARDIF	France	No	**Answer:** We strongly view this principle as paramount. We would like to stress that it should also be assessed how this compare to other prudential frameworks.
466. CNP Assurances	France	No	**Answer:** We strongly view this principle as paramount. We would like to stress that it should also be assessed how this compare to other prudential frameworks.
467. COVEA	FRANCE	No	**Answer:** We strongly view this principle as paramount. We would like to stress that it should also be assessed how this compare to other prudential frameworks.
468. Credit Agricole Assurances	FRANCE	No	**Answer:** We strongly view this principle as paramount. We would like to stress that it should also be assessed how this compare to other prudential frameworks.
469. France Assureurs	France	No	**Answer:** France Assureurs strongly views this principle as paramount. We would like to stress that it should also be assessed how this compare to other prudential frameworks.
470. French Treasury	France	No	**Answer:** France highlights that this criterion will have to be applied very strictly. Taking into account that the AM method is not a consolidation method, all intercompany relations between the insurance companies within the group, and between the insurance, holding and other companies should be eliminated first, before the comparability calculation can start. This is especially relevant for the calculation of the capital sources per legal entity. Own-fund availability

			should be assessed in a group perspective, by factoring in intercompany relations, so that no additional own funds is created by debt transfer. That is why debt financing in holding companies should also be taken into account in this calculation on the base of group consolidated accounts as referred to in ICP 23.2.
471. Groupama	France	No	**Answer:** We strongly view this principle as paramount. We would like to stress that it should also be assessed how this compare to other prudential frameworks.
472. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. This is a very important principle to ensure a valid comparability assessment.
473. SOGECAP	FRANCE	No	**Answer:** We strongly view this principle as paramount. We would like to stress that it should also be assessed how this compare to other prudential frameworks.
474. German Insurance Association	Germany	No	**Answer:** This is a very important principle to ensure a valid comparability assessment.
475. AIA and Prudential plc	Hong Kong	No	**Answer:** We agree with this criterion
476. The Actuarial Society of Hong Kong	Hong Kong	No	**Answer:** We agree with this criterion.
477. Verbond van Verzekeraars	Netherlands	No	**Answer:** This is a very important principle to ensure a valid comparability assessment.
480. NN Group	The Netherlands	No	**Answer:** This is a very important principle to ensure a valid comparability assessment.
481. acli	U.S.A.	No	**Answer:** ACLI agrees with the general principle that all material entities should be captured in both AM and ICS; that said, the broader principle of proportionality should allow the exclusion of immaterial entities, if the exclusions are transparent.

482. Liberty Mutual Insurance Group	United States	No	**Answer:** Liberty Mutual agrees that both the AM and the ICS should use the same scope of the group consistent with that set out in ComFrame.
483. National Association of Mutual Insurance Companies	United States	No	**Answer:** No Comment.
Q21 Comment on criterion 5.1			
484. Great Eastern Holdings	Asia	No	**Answer:** Nil.
485. Actuarial Association of Europe	Europe	No	**Answer:** The Actuarial Association of Europe stresses that using a representative sample is a necessary condition to achieve outcome equivalence. Moreover, it seems necessary, to extent this set by model companies, as some IAIGs can and have changed their business mix substantially. Therefore, it is also necessary to reassess outcome equivalence on a regular basis to consider changes in the AM, ICS, and the risks for which capital is required.
486. Insurance Europe	European Union	No	**Answer:** Insurance Europe agrees that, in order to test comparability, a representative and relevant amount of data is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints and financial and market conditions, including both normal and stressed market situations. This should be achieved by back-testing the comparability assessment against past data including under a number of stressed market conditions. The primary focus of the comparability assessment should be on the supervisory actions triggered in response to stressed situations. In any case, the comparability assessment cannot primarily rely on using representative portfolios or stylised balance sheet approaches. Such tools could be beneficial as ancillary analysis to the primary assessment made on actual data reported by the Volunteers Group. In addition to the above, it is important that the comparability assessment (just like any other implementation assessment framework) becomes a permanent part of the framework, with a regular schedule. The comparability assessment at inception should be followed by a monitoring exercise on an ongoing basis, in particular in cases where either the ICS or the AM would suffer changes. The AM cannot avoid being affected by the changes made to local regimes, the relevance of which should be assessed to meet the comparability objective. In the broader context, this also raises fundamental concerns, as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS, while the AM frameworks will be stand-alone projects that are not under the governance or control of the IAIS and its members.

487. Reinsurance Advisory Board	European Union	No	**Answer:** The RAB agrees that, in order to test comparability, a representative and relevant amount of data is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints and financial and market conditions, including both normal and stressed market situations. This should be achieved by back-testing the comparability assessment against past data including under a number of stressed market conditions. The primary focus of the comparability assessment should be on the supervisory actions triggered in response to stressed situations. In any case, the comparability assessment cannot primarily rely on using representative portfolios or stylised balance sheet approaches. Such tools could be beneficial as ancillary analysis to the primary assessment made on actual data reported by the Volunteers Group. In addition to the above, it is important that the comparability assessment (just like any other implementation assessment framework) becomes a permanent part of the framework, with a regular schedule. The comparability assessment at inception should be followed by a monitoring exercise on an ongoing basis, in particular in cases where either the ICS or the AM would suffer changes. The AM cannot avoid being affected by the changes made to local regimes, the relevance of which should be assessed to meet the comparability objective. In the broader context, this also raises fundamental concerns, as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS, while the AM frameworks will be stand-alone projects that are not under the governance or control of the IAIS and its members.
488. Axa	France	No	**Answer:** We agree that, to test comparability, a representative and relevant amount of data is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This cannot be achieved by using representative portfolios or stylized balance sheet approaches. In addition to the above, it is important that the comparability assessment becomes a structural part of the framework. Specifically, the comparability assessment at inception should be followed by a monitoring exercise on an ongoing basis, in cases where either the ICS or the AM would suffer changes. The AM cannot avoid being affected by the changes made to local regimes, the relevance of which should be assessed to meet the comparability objective. In the broader context, this also raises fundamental concerns as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS, while the AM is a US stand-alone project that is not under the governance or control of the IAIS and its members. We believe that the assessment of comparability should ensure that as the risk and business landscape changes, and with it the risk and business profiles of firms, the frameworks will remain comparable over time. If there are any concerns on actual comparability, the AM and ICS should simply not be assessed as comparable.
489. BNPPARIBAS CARDIF	France	No	**Answer:** We agree that, in order to test comparability, a representative and relevant amount of data is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This should be achieved by back testing the

			comparability assessment against past data including those under a number of stressed market conditions. The primary focus of the comparability assessment should be on the supervisory actions triggered in response to stressed situations. We welcome the clarifications provided on the definition and assessment of representativeness (5.1 and 5.2). The draft criteria consider that the more heterogenous nature of life operations may require a relatively large sample, while the more homogenous nature of non-life operations in some jurisdictions, may require a smaller sample. In any case, the comparability assessment cannot rely on using representative portfolios or stylized balance sheet approaches. In addition to the above, it is important that the comparability assessment (just like any other implementation assessment framework) becomes a permanent part of the framework. Specifically, the comparability assessment at inception should be followed by a monitoring exercise on an ongoing basis, in cases where either the ICS or the AM would suffer changes. The AM cannot avoid being affected by the changes made to local regimes, the relevance of which should be assessed to meet the comparability objective. In the broader context, this also raises fundamental concerns as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS, while the AM is a US stand-alone project that is not under the governance or control of the IAIS and its members. We believe that the initial assessment of comparability should ensure that as the risk and business landscape changes, and with it the risk and business profiles of firms, the frameworks will remain comparable. As the comparability assessment should be made after the monitoring period, it should become clear if outcomes and supervisory actions are comparable. If there are concerns on actual comparability the AM and ICS should not be assessed comparable. Double reporting requirements seem unnecessary in this light. They might prove useful, not to assess comparability, but rather to enhance transparency and understanding by users of disclosed information.
490. CNP Assurances	France	No	**Answer:** We agree that, in order to test comparability, a representative and relevant amount of data is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This should be achieved by back testing the comparability assessment against past data including those under a number of stressed market conditions. The primary focus of the comparability assessment should be on the supervisory actions triggered in response to stressed situations. We welcome the clarifications provided on the definition and assessment of representativeness (5.1 and 5.2). The draft criteria consider that the more heterogenous nature of life operations may require a relatively large sample, while the more homogenous nature of non-life operations in some jurisdictions, may require a smaller sample. In any case, the comparability assessment cannot rely on using representative portfolios or stylized balance sheet approaches. In addition to the above, it is important that the comparability assessment (just like any other implementation assessment framework) becomes a permanent part of the framework. Specifically, the comparability assessment at

			inception should be followed by a monitoring exercise on an ongoing basis, in cases where either the ICS or the AM would suffer changes. The AM cannot avoid being affected by the changes made to local regimes, the relevance of which should be assessed to meet the comparability objective. In the broader context, this also raises fundamental concerns as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS, while the AM is a US stand-alone project that is not under the governance or control of the IAIS and its members. We believe that the initial assessment of comparability should ensure that as the risk and business landscape changes, and with it the risk and business profiles of firms, the frameworks will remain comparable. As the comparability assessment should be made after the monitoring period, it should become clear if outcomes and supervisory actions are comparable. If there are concerns on actual comparability the AM and ICS should not be assessed comparable. Double reporting requirements seem unnecessary in this light. They might prove useful, not to assess comparability, but rather to enhance transparency and understanding by users of disclosed information.
491. COVEA	FRANCE	No	**Answer:** We agree that, in order to test comparability, a representative and relevant amount of data is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This should be achieved by back testing the comparability assessment against past data including those under a number of stressed market conditions. The primary focus of the comparability assessment should be on the supervisory actions triggered in response to stressed situations. We welcome the clarifications provided on the definition and assessment of representativeness (5.1 and 5.2). The draft criteria considers that the more heterogenous nature of life operations may require a relatively large sample, while the more homogenous nature of non-life operations in some jurisdictions, may require a smaller sample. In any case, the comparability assessment cannot rely on using representative portfolios or stylized balance sheet approaches. In addition to the above, it is important that the comparability assessment (just like any other implementation assessment framework) becomes a permanent part of the framework. Specifically, the comparability assessment at inception should be followed by a monitoring exercise on an ongoing basis, in cases where either the ICS or the AM would suffer changes. The AM cannot avoid being affected by the changes made to local regimes, the relevance of which should be assessed to meet the comparability objective. In the broader context, this also raises fundamental concerns as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS, while the AM is a US stand-alone project that is not under the governance or control of the IAIS and its members. We believe that the initial assessment of comparability should ensure that as the risk and business landscape changes, and with it the risk and business profiles of firms, the frameworks will remain comparable. As the comparability assessment should be made after the monitoring period, it should become clear if outcomes and supervisory actions are comparable. If there are concerns on actual comparability the AM and ICS should not be assessed comparable.

			Double reporting requirements seem unnecessary in this light. They might prove useful, not to assess comparability, but rather to enhance transparency and understanding by users of disclosed information.
492. Credit Agricole Assurances	FRANCE	No	**Answer:** We agree that, in order to test comparability, a representative and relevant amount of data is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This should be achieved by back testing the comparability assessment against past data including those under a number of stressed market conditions. The primary focus of the comparability assessment should be on the supervisory actions triggered in response to stressed situations. We welcome the clarifications provided on the definition and assessment of representativeness (5.1 and 5.2). The draft criteria consider that the more heterogenous nature of life operations may require a relatively large sample, while the more homogenous nature of non-life operations in some jurisdictions, may require a smaller sample. In any case, the comparability assessment cannot rely on using representative portfolios or stylized balance sheet approaches. In addition to the above, it is important that the comparability assessment (just like any other implementation assessment framework) becomes a permanent part of the framework. Specifically, the comparability assessment at inception should be followed by a monitoring exercise on an ongoing basis, in cases where either the ICS or the AM would suffer changes. The AM cannot avoid being affected by the changes made to local regimes, the relevance of which should be assessed to meet the comparability objective. In the broader context, this also raises fundamental concerns as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS, while the AM is a US stand-alone project that is not under the governance or control of the IAIS and its members. We believe that the initial assessment of comparability should ensure that as the risk and business landscape changes, and with it the risk and business profiles of firms, the frameworks will remain comparable. As the comparability assessment should be made after the monitoring period, it should become clear if outcomes and supervisory actions are comparable. If there are concerns on actual comparability the AM and ICS should not be assessed comparable. Double reporting requirements seem unnecessary in this light. They might prove useful, not to assess comparability, but rather to enhance transparency and understanding by users of disclosed information.
493. France Assureurs	France	No	**Answer:** France Assureurs agrees that, in order to test comparability, a representative and relevant amount of data is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This should be achieved by back testing the comparability assessment against past data including those under a number of stressed market conditions. The primary focus of the comparability assessment should be on the supervisory actions triggered in response to stressed situations. France Assureurs welcomes the clarifications provided on the definition and assessment of representativeness (5.1 and 5.2). The draft criteria consider that the more heterogenous nature of life

			operations may require a relatively large sample, while the more homogenous nature of non-life operations in some jurisdictions, may require a smaller sample. In any case, the comparability assessment cannot rely on using representative portfolios or stylized balance sheet approaches. In addition to the above, it is important that the comparability assessment (just like any other implementation assessment framework) becomes a permanent part of the framework. Specifically, the comparability assessment at inception should be followed by a monitoring exercise on an ongoing basis, in cases where either the ICS or the AM would suffer changes. The AM cannot avoid being affected by the changes made to local regimes, the relevance of which should be assessed to meet the comparability objective. In the broader context, this also raises fundamental concerns as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS, while the AM is a US stand-alone project that is not under the governance or control of the IAIS and its members. We believe that the initial assessment of comparability should ensure that as the risk and business landscape changes, and with it the risk and business profiles of firms, the frameworks will remain comparable. As the comparability assessment should be made after the monitoring period, it should become clear if outcomes and supervisory actions are comparable. If there are concerns on actual comparability the AM and ICS should not be assessed comparable. Double reporting requirements seem unnecessary in this light. They might prove useful, not to assess comparability, but rather to enhance transparency and understanding by users of disclosed information.
494. French Treasury	France	No	**Answer:** France takes the view that a representative and relevant amount of data regarding the AM comparison with the ICS is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. In addition, it is important that the comparability assessment is verified on an ongoing basis with regular reassessments in the future, as it must adapt to potentially changing local rules for the AM. This raises the fundamental question that the AM method governance by design does not lies in the hands of IAIS members. Thus, the comparability cannot be taken for granted once for all and if it were to be recognised once, it would have to be confirmed on a frequent basis, and whenever a modification in the AM occurs. The timeframe and parameters for this update must be detailed in the present criteria.
495. Groupama	France	No	**Answer:** We agree that, in order to test comparability, a representative and relevant amount of data is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This should be achieved by back testing the comparability assessment against past data including those under a number of stressed market conditions. The primary focus of the comparability assessment should be on the supervisory actions triggered in response to stressed

			situations. We welcome the clarifications provided on the definition and assessment of representativeness (5.1 and 5.2). The draft criteria consider that the more heterogenous nature of life operations may require a relatively large sample, while the more homogenous nature of non-life operations in some jurisdictions, may require a smaller sample. In any case, the comparability assessment cannot rely on using representative portfolios or stylized balance sheet approaches. In addition to the above, it is important that the comparability assessment (just like any other implementation assessment framework) becomes a permanent part of the framework. Specifically, the comparability assessment at inception should be followed by a monitoring exercise on an ongoing basis, in cases where either the ICS or the AM would suffer changes. The AM cannot avoid being affected by the changes made to local regimes, the relevance of which should be assessed to meet the comparability objective. In the broader context, this also raises fundamental concerns as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS, while the AM is a US stand-alone project that is not under the governance or control of the IAIS and its members. We believe that the initial assessment of comparability should ensure that as the risk and business landscape changes, and with it the risk and business profiles of firms, the frameworks will remain comparable. As the comparability assessment should be made after the monitoring period, it should become clear if outcomes and supervisory actions are comparable. If there are concerns on actual comparability the AM and ICS should not be assessed comparable. Double reporting requirements seem unnecessary in this light. They might prove useful, not to assess comparability, but rather to enhance transparency and understanding by users of disclosed information.
496. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. The RAB agrees that, in order to test comparability, a representative and relevant amount of data is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints and financial and market conditions, including both normal and stressed market situations. This should be achieved by back-testing the comparability assessment against past data including under a number of stressed market conditions. The primary focus of the comparability assessment should be on the supervisory actions triggered in response to stressed situations. In any case, the comparability assessment cannot primarily rely on using representative portfolios or stylised balance sheet approaches. Such tools could be beneficial as ancillary analysis to the primary assessment made on actual data reported by the Volunteers Group. In addition to the above, it is important that the comparability assessment (just like any other implementation assessment framework) becomes a permanent part of the framework, with a regular schedule. The comparability assessment at inception should be followed by

			a monitoring exercise on an ongoing basis, in particular in cases where either the ICS or the AM would suffer changes. The AM cannot avoid being affected by the changes made to local regimes, the relevance of which should be assessed to meet the comparability objective. In the broader context, this also raises fundamental concerns, as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS, while the AM frameworks will be stand-alone projects that are not under the governance or control of the IAIS and its members.
497. SOGECAP	FRANCE	No	**Answer:** We agree that, in order to test comparability, a representative and relevant amount of data is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This should be achieved by back testing the comparability assessment against past data including those under a number of stressed market conditions. The primary focus of the comparability assessment should be on the supervisory actions triggered in response to stressed situations. We welcome the clarifications provided on the definition and assessment of representativeness (5.1 and 5.2). The draft criteria consider that the more heterogenous nature of life operations may require a relatively large sample, while the more homogenous nature of non-life operations in some jurisdictions, may require a smaller sample. In any case, the comparability assessment cannot rely on using representative portfolios or stylized balance sheet approaches. In addition to the above, it is important that the comparability assessment (just like any other implementation assessment framework) becomes a permanent part of the framework. Specifically, the comparability assessment at inception should be followed by a monitoring exercise on an ongoing basis, in cases where either the ICS or the AM would suffer changes. The AM cannot avoid being affected by the changes made to local regimes, the relevance of which should be assessed to meet the comparability objective. In the broader context, this also raises fundamental concerns as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS, while the AM is a US stand-alone project that is not under the governance or control of the IAIS and its members. We believe that the initial assessment of comparability should ensure that as the risk and business landscape changes, and with it the risk and business profiles of firms, the frameworks will remain comparable. As the comparability assessment should be made after the monitoring period, it should become clear if outcomes and supervisory actions are comparable. If there are concerns on actual comparability the AM and ICS should not be assessed comparable. Double reporting requirements seem unnecessary in this light. They might prove useful, not to assess comparability, but rather to enhance transparency and understanding by users of disclosed information.

498. German Insurance Association	Germany	No	**Answer:** GDV agrees that, in order to test comparability, a representative and relevant amount of data is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This should be achieved by back testing the comparability assessment against past data including those under a number of stressed market conditions. The primary focus of the comparability assessment should be on the supervisory actions triggered in response to stressed situations. In addition to the above, it is important that the comparability assessment (just like any other implementation assessment framework) becomes a permanent part of the framework, with a regular schedule. The comparability assessment at inception should be followed by a monitoring exercise on an ongoing basis, in particular in cases where either the ICS or the AM would suffer changes. The AM cannot avoid being affected by the changes made to local regimes, the relevance of which should be assessed to meet the comparability objective.
499. AIA and Prudential plc	Hong Kong	No	**Answer:** As explained in our response to Q33 below, our goal is that the Hong Kong Pillar 1 capital requirements, known as the LCSM, should be recognized as producing comparable outcomes to the ICS. We are the only IAIG's in Hong Kong and therefore constitute the entire universe of groups subject to the LCSM. There is one additional group - also primarily a writer of life and health business writing business in the same jurisdictions as we do - that may become an IAIG in the future, but no other group is likely to become an IAIG in the foreseeable future. We therefore constitute a "representative sample" prospectively as well. There is no general insurance group of any material size headquartered in Hong Kong.
500. The Actuarial Society of Hong Kong	Hong Kong	No	**Answer:** We believe the representativeness of the sample needs to be evaluated separately for each jurisdiction considering adoption of the AM. In Hong Kong there are only two Hong Kong-headquartered IAIG's and one potential IAIG. The representativeness of the sample needs to be evaluated in light of this universe of groups potentially impacted.
501. International Actuarial Association	International	No	**Answer:** The very small number of current IAIGs in the U.S., especially for the Life sector, may make it difficult to obtain a "representative sample". In particular, there is only one IAIG domiciled in the U.S. with a business model focused on life reinsurance. This situation makes criterion 5.1 difficult, if not problematic, to apply in practice.
502. Verbond van Verzekeraars	Netherlands	No	**Answer:** The Dutch Association of Insurers agrees that, in order to test comparability, a representative and relevant amount of data is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints and financial and market conditions, including both normal and stressed market situations. This should be achieved by back-testing the comparability assessment against past data including under a number of stressed market conditions. The primary focus of the comparability assessment should be on the supervisory actions triggered in response to stressed situations. In any case, the comparability assessment cannot primarily rely on using representative portfolios or stylised balance sheet approaches. Such tools could be beneficial as ancillary analysis to

			the primary assessment made on actual data reported by the Volunteers Group. In addition to the above, it is important that the comparability assessment (just like any other implementation assessment framework) becomes a permanent part of the framework, with a regular schedule. The comparability assessment at inception should be followed by a monitoring exercise on an ongoing basis, in particular in cases where either the ICS or the AM would suffer changes. The AM cannot avoid being affected by the changes made to local regimes, the relevance of which should be assessed to meet the comparability objective. In the broader context, this also raises fundamental concerns, as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS, while the AM frameworks will be stand-alone projects that are not under the governance or control of the IAIS and its members.
505. NN Group	The Netherlands	No	**Answer:** NN Group agrees that, in order to test comparability, a representative and relevant amount of data is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints and financial and market conditions, including both normal and stressed market situations. This should be achieved by back-testing the comparability assessment against past data including under a number of stressed market conditions. The primary focus of the comparability assessment should be on the supervisory actions triggered in response to stressed situations. In any case, the comparability assessment cannot primarily rely on using representative portfolios or stylised balance sheet approaches. Such tools could be beneficial as ancillary analysis to the primary assessment made on actual data reported by the Volunteers Group. In addition to the above, it is important that the comparability assessment (just like any other implementation assessment framework) becomes a permanent part of the framework, with a regular schedule. The comparability assessment at inception should be followed by a monitoring exercise on an ongoing basis, in particular in cases where either the ICS or the AM would suffer changes. The AM cannot avoid being affected by the changes made to local regimes, the relevance of which should be assessed to meet the comparability objective. In the broader context, this also raises fundamental concerns, as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS, while the AM frameworks will be stand-alone projects that are not under the governance or control of the IAIS and its members.
506. Allstate Insurance Company	United States	No	**Answer:** We reiterate our prior comments from the Comparability Principles public consultation that data already collected from Volunteer Groups should be the starting point for determining sufficiency and relevance of data. IAIS will then need to provide any "gaps" they believe the current Volunteer Group data set does not cover, so that Volunteer Groups can determine how to address those perceived "gaps." The interpretation of this criterion is important, and we believe this criterion needs further clarification from IAIS as to what time period(s) will be used to assess whether the sample is representative. This additional clarification ensures the AM is not precluded from comparability at the outset.

507. American Academy of Actuaries	United States	No	**Answer:** We note that criterion 5.1, along with HLP 5, is with regard to the assessment approach, and not with regard to the comparability of the AM and ICS metrics themselves. We also note that the very small number of current IAIGs in the U.S., especially for the Life sector, may make it difficult to obtain a "representative sample". In particular, there is only one IAIG domiciled in the U.S. with a business model focused on life reinsurance. This situation makes criterion 5.1 difficult if not problematic to apply in practice. At least some of the criteria in this section seem unnecessarily specific. The overarching question should be whether available data sets are sufficiently robust and representative to credibly assess the comparability of the AM and ICS. Consideration should be given to using data sets from sources other than Volunteer Groups (for example, existing monitoring period data, or using a newly built model office approach). Furthermore, it is not obviously necessary for the number of Volunteer Groups to be stable or increasing (criterion 5.3).
508. Liberty Mutual Insurance Group	United States	No	**Answer:** This criterion appears to condition comparability on company participation in the process either through ICS reporting, AM reporting, or both. This is entirely inappropriate given the nature of the exercise is that of a standard setting process, not a regulatory process, and there are plenty of ways to analyze the two standards absent company provided data including using dummy balance sheets, public filings (at least in the U.S., there is also copious amounts of statutory data for example). Finally, the AM is based on the U.S. functional regulatory regime, particularly the U.S. insurance legal entity regime, so obtaining information on the specifications of that regime should be relatively straightforward given that the IAIS has U.S. members. Participation in any monitoring or transition periods should remain voluntary, and whether a U.S. IAIG reports under the ICS, the AM, both or neither should remain at the sole option of the IAIG, based on discussions with the relevant GWS, without the compulsion to participate that appears to be imposed by the text of this criterion.
509. National Association of Mutual Insurance Companies	United States	No	**Answer:** We do not have a good sense for how many volunteers have participated, nor do we know how many jurisdictions are involved with collecting data from Volunteer Groups. However, we are generally concerned that this standard is being developed with very little input. Further, the standard under development will apply to a small number of groups compared to other international standards, lending credence to the assumption that a very small number of groups from a limited amount of jurisdictions are the only ones influencing the standard being developed. It is unknown how this could ultimately impact the ICS or other future local capital standards. This could jeopardize the representativeness principle that the IAIS is striving to achieve. Review and ultimate determination of comparability should not hinge upon a rigid prescriptive minimum participation from the insurance sector. Small participation from Volunteer Groups from AM jurisdictions would result in precluding the AM from being considered an outcomes equivalent approach by virtue of the myopic view of participants. The comparison should seek strongly representative input both in number of participants as well as their representative regulatory regimes.

510. RAA	United States and many other jurisdicitons	No	**Answer:** Given the requirements of HLP 1 to provide detailed and granular reporting on both the AM and ICS, including scenario-based analysis representing a range of economic conditions, the RAA questions whether a sufficient number of non-life insurance groups will participate to achieve what the IAIS considers a representative sample (see response to criterion 1.3e)). The scope of the other criteria and the quite significant resources necessary to produce this reporting, the criteria in HLP 5 will in all likelihood preclude the AM to be recognized as comparable to the ICS. Instead, the IAIS should consider alternative methods to assess comparability that would be less resource intensive for U.S. insurance groups including: 1 Utilizing the significant amounts of data and analysis already submitted to the IAIS during its field testing of the ICS and during the monitoring period. This would provide the additional benefit of providing data and information at different times and under different economic conditions that existed in those prior periods. 2 Develop a stylized insurance group model incorporating key elements of the ICS and AM in a manner similar to the June 10, 2022 Insurance Policy Advisory Committee (IPAC) report on the potential impact of the ICS on the U.S. life insurance industry. In our view, this was a particularly effective approach used to measure the impact of the ICS. The IPAC report described findings from a quantitative model of a hypothetical life insurer, developed from data provided by several life insurance groups.
511. American Property Casualty Insurance Association	USA	No	**Answer:** We sense that there are very few non-life firms participating in both the AM and ICS data collection exercises and which could therefore possibly be included in the "sample." Allowing other volunteers participating in the monitoring period (from the only two jurisdictions that are participating in the AM data collection) that are not IAIGs to be included in the sample will not change the sample that much. We also do not believe a larger non-life sample is needed because the insurance risks that are significant to the sector and that would be subject to the proposed scenario analyses have already been assessed by the IAIS' Capital, Solvency and Field Testing Working Group (CSFWG) with years of field testing and now over the monitoring period. We believe that experience has already shown that those risk charges in the ICS and the AM move similarly. That is because modelling of catastrophe risks is used in both the ICS and in many jurisdictional legal entity requirements which underlie the AM (such as in risk-based capital in the U.S.), as is the use of similar factor-based approaches for other insurance risks. The analysis should be data-based of course, but that does not have to be limited to data submitted by firms. That is especially true for non-life, for which in the U.S. there is much public data available that can produce the AM for a group short of actually participating formally in the ICS monitoring period and data collection exercise. We understand that members of the U.S. delegation to the CSFWG demonstrated that capability, APCIA has at least one member that has

			supported that effort, and the resulting data comprises evidence about its AM result that is compelling. We also note that on the life side there also is a very small number of U.S. IAIGs participating (unlike the non-life side, volunteer life groups that are not IAIGs will not be included in the sample, a difference for which there is no stated rationale). While we believe that each participant can demonstrate representativeness with the business models and risks in the U.S., a sample that is comprised of only, say, 2-4 groups per sector, could be assessed by IAIS staff as non-representative on that basis alone, thus precluding the AM from being assessed as comparable to the ICS at the outset. Thus, we are concerned that this criterion, taken with the other criteria in 5.2, will result in a conclusion that the sample is not representative. It is not clear what happens then -- possibly the comparability analysis is unable to move forward, no conclusion is made, and any possibility that the AM would be assessed as comparable to the ICS would be precluded at the outset. At a jurisdictional level, we sense that there may only be two jurisdictions that have domestic groups that are participating in the AM data collection exercise. Therefore, it is a fait accompli that there will be many fewer groups submitting AM data as compared to the number submitting ICS data. Considering the foregoing, criteria 5.1 and 5.2 (and their sub-criteria) would preclude the AM from being assessed as comparable to the ICS at the outset.
Q22 Comment on criterion 5.2			
512. Great Eastern Holdings	Asia	No	**Answer:** Nil.
513. Actuarial Association of Europe	Europe	No	**Answer:** The Actuarial Association of Europe agrees that these are necessary, yet not sufficient criteria, to achieve a representative sample to achieve outcome equivalence. Particularly the challenge to achieve a sufficient coverage of the entire conceivable space of IAIGs does not seem to be address adequately.
514. Insurance Europe	European Union	No	**Answer:** The minimum proportion of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections in relation to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria (eg, 95%).

515. Reinsurance Advisory Board	European Union	No	**Answer:** The minimum proportion of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections in relation to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria (eg, 95%).
516. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. The minimum proportion of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections in relation to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria (eg, 95%).
517. Verbond van Verzekeraars	Netherlands	No	**Answer:** The minimum proportion of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections in relation to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria (eg, 95%).
520. NN Group	The Netherlands	No	**Answer:** The minimum proportion of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections in relation to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria (eg, 95%).
521. acli	U.S.A.	No	**Answer:** ACLI believes that volunteers have satisfied this principle over the past several years, which includes data submissions from geographically disparate insurance groups and reflects a range of environments, including the effects of the global pandemic. The wide-ranging data collected on both ICS and AM during this period is an extremely valuable resource as the IAIS moves forward with the comparability assessment. Companies should determine the scope of information they report to facilitate the assessment consistent with the voluntary and "best efforts" nature of the ICS reporting exercise (criteria 5.2). We also believe that the relatively higher participation from Life volunteers stems primarily from the significant potential adverse impacts of ICS on the US Life sector. The application of a market-adjusted valuation (MAV) liability valuation method - in addition to other problematic methodology and calibration features - creates unwarranted complexity, volatility, and misalignment with insurance business fundamentals. The need to illustrate these negative impacts has been an important consideration in the Life sector's high degree of participation in both ICS field testing and the Monitoring Period. While ACLI represents the Life sector, we understand that the anticipated impacts of ICS on non-life insurance business is generally more benign, which could explain the reduced need for non-life volunteers to contribute data to the exercise. The 5.3 criteria that participation is "stable or increasing" over time should focus on the overall scope and quality of information collected from volunteers during the full Monitoring Period, rather than a simple count of the number of companies participating. Data collections to date should largely be sufficient for achieving the component of the

			comparability assessment that is based on volunteer data; assessing participation trends over time should not be a primary focal point.
522. Liberty Mutual Insurance Group	United States	No	**Answer:** See comments to 5.1 above.
523. National Association of Mutual Insurance Companies	United States	No	**Answer:** See Response to Criterion 5.1.
524. Northwestern Mutual	United States	No	**Answer:** Similarly to our comments on criteria 1.3 and 3.1, this criterion is overly focused on volunteer group participation for the assessment. We are concerned that the level of reliance and specificity for volunteer group participation could preclude any reasonable comparability assessment at the outset. Lack of effective volunteer group participation, for whatever reason, does not necessarily inhibit any regime-level assessment. As noted earlier, we encourage the IAIS to consider alternative approaches to perform the assessment and re-direct some of the emphasis away from specific volunteer group requirements. When HLP 5 is applied to an alternative approach, such as a stylized model, its same core tenets of diversity of business models, geographical regions, and product types could still be represented.
525. American Property Casualty Insurance Association	USA	No	**Answer:** As a brief summary comment covering the various sub-criterion under 5.2, the very small number of volunteers that apparently will be reporting both AM and ICS data (due in large part because all but two jurisdictions have refrained from having the insurance groups in their jurisdictions that are participating in the ICS monitoring period also report AM data), the criterion's requirements to consider life and non-life as separate samples, to have ample coverage in all geographic regions, to have a relatively large sample on the life side while at the same time precluding life groups that are non-IAIGs from participating (which is explicitly allowed on the non-life side), all work toward a foregone conclusion that would preclude the AM from being assessed as comparable at the outset. The criterion has an academic take on what might be considered in determining the representativeness of a sample, but shows no reflection of actual facts at hand. The IAIS has gone on record in 2019 acknowledging that the United States and other interested jurisdictions are developing the AM to be considered an outcomes-equivalent approach for implementation of the ICS and that it "appreciates the significance of this development." However, given what is known about the small number of jurisdictions and groups involved, sub-criteria of 5.2 (as well as 5.1) appear to preclude comparability of the AM at the outset.

Q23 Comment on criterion 5.2a)			
526. Great Eastern Holdings	Asia	No	**Answer:** Nil.
527. BNPPARIBAS CARDIF	France	No	**Answer:** We agree that, in order to test comparability, a representative and relevant amount of data is necessary.
528. CNP Assurances	France	No	**Answer:** We agree that, in order to test comparability, a representative and relevant amount of data is necessary
529. COVEA	FRANCE	No	**Answer:** We agree that, in order to test comparability, a representative and relevant amount of data is necessary
530. Credit Agricole Assurances	FRANCE	No	**Answer:** We agree that, in order to test comparability, a representative and relevant amount of data is necessary.
531. France Assureurs	France	No	**Answer:** France Assureurs agrees that, in order to test comparability, a representative and relevant amount of data is necessary
532. Groupama	France	No	**Answer:** We agree that, in order to test comparability, a representative and relevant amount of data is necessary.
533. SOGECAP	FRANCE	No	**Answer:** We agree that, in order to test comparability, a representative and relevant amount of data is necessary
536. Liberty Mutual Insurance Group	United States	No	**Answer:** See comments to 5.1 above.
537. National Association of Mutual Insurance Companies	United States	No	**Answer:** No Comment.
Q24 Comment on criterion 5.2b)			

538. Great Eastern Holdings	Asia	No	**Answer:** Nil.
539. Axa	France	No	**Answer:** We agree that, to test comparability, a representative and relevant amount of data is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This cannot be achieved by using representative portfolios or stylized balance sheet approaches.
540. BNPPARIBAS CARDIF	France	No	**Answer:** We agree that, in order to test comparability, a representative and relevant amount of data from the Volunteers Group is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This cannot be achieved by only using representative portfolios or stylised balance sheet approaches. Such tools may be beneficial as ancillary analysis only to the primary assessment made upon actual data reported by the Volunteers Group.
541. CNP Assurances	France	No	**Answer:** We agree that, in order to test comparability, a representative and relevant amount of data from the Volunteers Group is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This cannot be achieved by only using representative portfolios or stylised balance sheet approaches. Such tools may be beneficial as ancillary analysis only to the primary assessment made upon actual data reported by the Volunteers Group.
542. COVEA	FRANCE	No	**Answer:** We agree that, in order to test comparability, a representative and relevant amount of data from the Volunteers Group is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This cannot be achieved by only using representative portfolios or stylised balance sheet approaches. Such tools may be beneficial as ancillary analysis only to the primary assessment made upon actual data reported by the Volunteers Group
543. Credit Agricole Assurances	FRANCE	No	**Answer:** We agree that, in order to test comparability, a representative and relevant amount of data from the Volunteers Group is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This cannot be achieved by only using representative portfolios or stylised balance sheet approaches. Such tools may be beneficial as ancillary analysis only to the primary assessment made upon actual data reported by the Volunteers Group.

544. France Assureurs	France	No	**Answer:** France Assureurs agrees that, in order to test comparability, a representative and relevant amount of data from the Volunteers Group is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This cannot be achieved by only using representative portfolios or stylised balance sheet approaches. Such tools may be beneficial as ancillary analysis only to the primary assessment made upon actual data reported by the Volunteers Group.
545. Groupama	France	No	**Answer:** We agree that, in order to test comparability, a representative and relevant amount of data from the Volunteers Group is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This cannot be achieved by only using representative portfolios or stylised balance sheet approaches. Such tools may be beneficial as ancillary analysis only to the primary assessment made upon actual data reported by the Volunteers Group.
546. SOGECAP	FRANCE	No	**Answer:** We agree that, in order to test comparability, a representative and relevant amount of data from the Volunteers Group is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This cannot be achieved by only using representative portfolios or stylised balance sheet approaches. Such tools may be beneficial as ancillary analysis only to the primary assessment made upon actual data reported by the Volunteers Group.
549. Liberty Mutual Insurance Group	United States	No	**Answer:** See comments to 5.1 above.
550. National Association of Mutual Insurance Companies	United States	No	**Answer:** No Comment.
551. American Property Casualty Insurance Association	USA	No	**Answer:** We are not privy to the details of exactly which groups will be involved but have a sense of that. As worded, this criterion only requires that there be legal entities in all the listed major regions. It does not say how many, or how significant the amount of business in each may be, either in absolute monetary terms, or as a proportion of business of IAIGs in the sample. If so, and, as long as each region is represented to some degree, it seems possible that this criterion can be met. It would help, however, if the criterion could explicitly clarify that not just IAIGs will be considered, but also non-IAIGs (life as well as non-life) that are participating in the AM and ICS data collection.

Q25 Comment on criterion 5.2c)			
552. Great Eastern Holdings	Asia	No	**Answer:** Nil.
553. Axa	France	No	**Answer:** We agree that, to test comparability, a representative and relevant amount of data is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and market conditions, including both normal and stress market situations. This cannot be achieved by using representative portfolios or stylized balance sheet approaches.
554. BNPPARIBAS CARDIF	France	No	**Answer:** The minimum ratio of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria and be sufficiently high (e.g., 95%).
555. CNP Assurances	France	No	**Answer:** The minimum ratio of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria and be sufficiently high (e.g., 95%).
556. COVEA	FRANCE	No	**Answer:** The minimum ratio of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria and be sufficiently high (e.g., 95%).
557. Credit Agricole Assurances	FRANCE	No	**Answer:** The minimum ratio of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria and be sufficiently high (e.g., 95%).
558. France Assureurs	France	No	**Answer:** The minimum ratio of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria and be sufficiently high (e.g., 95%).
559. Groupama	France	No	**Answer:** The minimum ratio of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria and be sufficiently high (e.g., 95%).

560. SOGECAP	FRANCE	No	**Answer:** The minimum ratio of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria and be sufficiently high (e.g., 95%).
561. International Actuarial Association	International	No	**Answer:** The criterion for "a relatively large sample" is problematic given only three IAIGs in the U.S. with large life/annuity operations (and only one with a life reinsurance focus).
564. Fubon Life Insurance Co., Ltd.	Taiwan	No	**Answer:** The minimum ratio for demonstrating representativeness may be biased since the representative sample only includes US (or other interested jurisdictions) IAIGs and this sample may not be represented all volunteer groups from different geographical areas. Therefore, we suggest the minimum ratio should consider as large a population of all volunteer groups as possible.
565. American Academy of Actuaries	United States	No	**Answer:** The criterion for "a relatively large sample" is problematic given only three IAIGs and a small number of expected non-IAIG volunteers in the U.S. with large life/annuity operations (and only one with a life reinsurance focus). The overarching question should be whether available data sets are sufficiently robust and representative to credibly assess the comparability of the AM and ICS. Consideration should be given to using data sets from sources other than Volunteer Groups.
566. Liberty Mutual Insurance Group	United States	No	**Answer:** See comments to 5.1 above.
567. National Association of Mutual Insurance Companies	United States	No	**Answer:** No Comment.
Q26 Comment on criterion 5.2d)			
568. Great Eastern Holdings	Asia	No	**Answer:** Nil.
569. Axa	France	No	**Answer:** We agree that, to test comparability, a representative and relevant amount of data is necessary. Such data should indeed cover a diversity of business models and business lines, geographical footprints, various financial and

			market conditions, including both normal and stress market situations. This cannot be achieved by using representative portfolios or stylized balance sheet approaches.
570. Credit Agricole Assurances	FRANCE	No	**Answer:** .
571. French Treasury	France	No	**Answer:** Conditions are too loose to ensure the representativeness of the non-life sample. A sufficient number of groups applying AM should be part of the sample for it to be representative of the whole groups applying this method. Representativeness should be assessed as strictly in the life business and in the non-life business. This cannot be achieved by using representative portfolios or stylized balance sheet approaches. This condition of representativeness is not met so far, which undermines the possibility to draw conclusions on the outcome of the comparability exercise. A minimum threshold of groups participating to the sample should be set, to ensure the coverage of lines of business and geographical areas is satisfactory. In this regard, 80% of the total activity would be a minimum, and should be reached for each geographical area and line of business (motor insurance, nat cat …).
572. International Actuarial Association	International	No	**Answer:** It is not clear that non-life operations would be more homogeneous, given that the industry is defined as an "all other" with regard to insurance. In any event, it is clear that investment portfolios can differ materially within this grouping, for example, in the US two of the largest non-life predominate IAIGs have equity instruments ranging from under 5% of the investment portfolio to nearly 50% of the investment portfolio. Given only six U.S. domiciled IAIGs with non-life operations, there needs to be more definition of the sample requirements than "representativeness", especially given the variability in business models for those six groups.
573. General Insurance Association of Japan	Japan	No	**Answer:** 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. 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.
576. Allstate Insurance Company	United States	No	**Answer:** In general, we agree there is a higher level of homogeneity in non-life operations as it relates to lines of business as we expect larger property-casualty (P&C) insurers focused more on P&C operations have a significant part of their business in insurance for business (commercial insurance), structures (residences, other buildings) and vehicles (personal automobiles, commercial fleets, etc.). We do not believe looking purely at net loss ratios of participants versus all US IAIGs is a reasonable way to assess representativeness of participants. As noted in our response to 1.3(c) above, while insurers may face similar risks, the magnitude of those risks may be different. Specifically, for personal lines property-casualty insurers (auto and home insurers), catastrophe risk and resulting catastrophe expense may result in very different loss ratios for insurers depending on the geography of their book of business and exposure to catastrophes. If the IAIS keeps an income statement measure as part of criterion 5.2(d), we would propose that the IAIS creates a process to "normalize" for catastrophe losses that may not represent a "steady state" of operations. Removing volatile catastrophe losses from loss ratio calculations could provide a better view of representativeness in the sample of Volunteer Groups.
577. American Academy of Actuaries	United States	No	**Answer:** It is not clear that non-life operations would be more homogeneous, given that the industry is defined as an "all other" with regard to insurance. In any event, it is clear that investment portfolios can differ materially within this grouping, given that two of the largest non-life predominate IAIGs in the U.S. have equity instruments ranging from under 5% of the investment portfolio to nearly 50% of the investment portfolio (this information is available in the public financials for Berkshire Hathaway and Chubb Group). Given only 6 U.S. domiciled IAIGs with non-life operations, there needs to be more definition of the sample requirements than "representativeness," especially given the variability in business models for those 6 groups. The overarching question should be whether available data sets are sufficiently robust and representative to credibly assess the comparability of the AM and ICS. Consideration should be given to using data sets from sources other than Volunteer Groups.
578. Liberty Mutual Insurance Group	United States	No	**Answer:** See comments to 5.1 above.
579. National Association of	United States	No	**Answer:** No Comment.

Mutual Insurance Companies			
580. American Property Casualty Insurance Association	USA	No	**Answer:** This criterion states, in part, "for non-life, in recognition of the more homogenous nature of non-life operations in some jurisdictions, a smaller sample is needed." We agree that a smaller non-life sample is appropriate. However, we gather that there may only be a couple of non-life groups participating in the sample. No matter how "representative" the business of those firms might be of the overall non-life business in the U.S. and in other "major geographic areas" (as per criterion 5.2.b), it is a small number of groups nonetheless and the IAIS analysts may conclude on that basis alone. So, again, much is open for interpretation and, depending on which way the IAIS analysts decide, it could preclude the AM from being assessed as comparable to the ICS at the outset. More concerning, however, or at least unclear, is the rationale for the provisions in this criterion that, to demonstrate representativeness, considerations must include the group's material lines of business, similarity of investment portfolios; correlation of net loss ratios between the sample and all U.S. business; and correlation of solvency ratios. As we have commented on in other criterion, the term "correlation" has a specific meaning in the fields of mathematics and statistics and, as worded in the criterion, much is left to the analyst to determine how tightly to measure correlation. Despite HLP 2's statement that "the decision on comparable outcomes will consider the elements in totality," this criterion seeks to do otherwise by focusing in a very granular way on the activities of each insurance group in the sample, and very possibly disqualifying some firms in the sample if not the entire sample. While a small number of non-life firms has participated, the IAIS has enough data to work with from those firms and as well from others previously participating in the field testing and monitoring period exercises. We encourage the IAIS to avail itself of that data, and not preclude its use through the use of overly granular and restrictive criterion that leaves too much discretion to the analysts.
Q27 Comment on criterion 5.2e)			
581. Great Eastern Holdings	Asia	No	**Answer:** Nil.
584. Liberty Mutual Insurance Group	United States	No	**Answer:** See comments to 5.1 above.
585. National Association of	United States	No	**Answer:** No Comment.

Mutual Insurance Companies			
586. American Property Casualty Insurance Association	USA	No	**Answer:** We appreciate the statement that non-IAIGs can contribute to the determination of representativeness for the non-life industry.
Q28 Comment on criterion 5.3			
587. Great Eastern Holdings	Asia	No	**Answer:** Nil.
588. Actuarial Association of Europe	Europe	No	**Answer:** The Actuarial Association of Europe agrees that this would be helpful to avoid other challenges.
589. Insurance Europe	European Union	No	**Answer:** Insurance Europe supports this point as the stability of the sample is necessary in order to define any comparability.
590. Reinsurance Advisory Board	European Union	No	**Answer:** The RAB supports this point as the stability of the sample is necessary in order to define any comparability.
591. BNPPARIBAS CARDIF	France	No	**Answer:** We support this point as the stability of the sample is necessary in order to define any comparability.
592. CNP Assurances	France	No	**Answer:** We support this point as the stability of the sample is necessary in order to define any comparability.
593. COVEA	FRANCE	No	**Answer:** We support this point as the stability of the sample is necessary in order to define any comparability.
594. Credit Agricole Assurances	FRANCE	No	**Answer:** We support this point as the stability of the sample is necessary in order to define any comparability.

595. France Assureurs	France	No	**Answer:** France Assureurs supports this point as the stability of the sample is necessary in order to define any comparability.
596. Groupama	France	No	**Answer:** We support this point as the stability of the sample is necessary in order to define any comparability.
597. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. The RAB supports this point as the stability of the sample is necessary in order to define any comparability.
598. SOGECAP	FRANCE	No	**Answer:** We support this point as the stability of the sample is necessary in order to define any comparability.
599. German Insurance Association	Germany	No	**Answer:** GDV supports this point as the stability of the sample is necessary in order to define any comparability.
600. AIA and Prudential plc	Hong Kong	No	**Answer:** Both AIA and Pru plc have participated in the AM and ICS data collections during the Monitoring Period and therefore represent a "stable" group of companies.
601. Verbond van Verzekeraars	Netherlands	No	**Answer:** The Dutch Association of Insurers supports this point as the stability of the sample is necessary in order to define any comparability.
604. NN Group	The Netherlands	No	**Answer:** NN Group supports this point as the stability of the sample is necessary in order to define any comparability.
605. acli	U.S.A.	No	**Answer:** ACLI believes that volunteers have satisfied this principle over the past several years, which includes data submissions from geographically disparate insurance groups and reflects a range of environments, including the effects of the global pandemic. The wide-ranging data collected on both ICS and AM during this period is an extremely valuable resource as the IAIS moves forward with the comparability assessment. Companies should determine the scope of information they report to facilitate the assessment consistent with the voluntary and "best efforts" nature of the ICS reporting exercise (criteria 5.2). We also believe that the relatively higher participation from Life volunteers stems primarily from the significant potential adverse impacts of ICS on the US Life sector. The application of a market-adjusted valuation (MAV) liability valuation method - in addition to other problematic methodology and calibration features - creates unwarranted complexity, volatility, and misalignment with insurance

			business fundamentals. The need to illustrate these negative impacts has been an important consideration in the Life sector's high degree of participation in both ICS field testing and the Monitoring Period. While ACLI represents the Life sector, we understand that the anticipated impacts of ICS on non-life insurance business is generally more benign, which could explain the reduced need for non-life volunteers to contribute data to the exercise. The 5.3 criteria that participation is "stable or increasing" over time should focus on the overall scope and quality of information collected from volunteers during the full Monitoring Period, rather than a simple count of the number of companies participating. Data collections to date should largely be sufficient for achieving the component of the comparability assessment that is based on volunteer data; assessing participation trends over time should not be a primary focal point.
606. Allstate Insurance Company	United States	No	**Answer:** We believe this criterion should be removed for two reasons: 1. As written, the criterion is capturing data from a point before the date of the public consultation on the comparability criteria. Therefore, it could be interpreted that the IAIS has already set a participation benchmark that may or may not have been met in the early years of the five-year monitoring period, which could preclude AM at the outset from being deemed comparable to the ICS. 2. If the sensitivity analysis s in criterion 1.3 remains in the final comparability criteria, the criterion of participation across the monitoring period would not be applicable because sensitivity analysis over any new scenarios provided by IAIS would start in the middle of the monitoring period.
607. Liberty Mutual Insurance Group	United States	No	**Answer:** See comments to 5.1 above.
608. National Association of Mutual Insurance Companies	United States	No	**Answer:** See Response to Criterion 5.1.
609. American Property Casualty Insurance Association	USA	No	**Answer:** On the non-life side, we understand that the volunteer groups providing both AM and ICS data have been stable during the monitoring period. Nonetheless, we do not see the relevance of this criterion. The focus should be on the overall scope and quality of information collected from volunteers during the full monitoring period, rather than a simple count of the number of companies participating. Data collections to date should largely be sufficient for achieving the component of the comparability assessment that is based on volunteer data; assessing participation trends over time should not be a primary focal point.
Q29 Comment on criterion 6.1			

610. Great Eastern Holdings	Asia	No	**Answer:** Nil.
611. Actuarial Association of Europe	Europe	No	**Answer:** The Actuarial Association of Europe is not aware that any IAIG public disclosure requirements have yet been decided. We would therefor suggest rewording "If introduced in ComFrame …". We support, that the same requirement will apply to the AM. In case transparency would require, the reporting and potential disclosure requirement could also exceed to requirement for the Standard Method.
612. Insurance Europe	European Union	No	**Answer:** Should a requirement for public disclosure apply to the ICS, the same should apply to the AM. Insurance Europe welcomes the references to relevant ICPs/ComFrame, in particular ICP 9 (Supervisory reporting) and ICP 20 (Public reporting).
613. Reinsurance Advisory Board	European Union	No	**Answer:** Should a requirement for public disclosure apply to the ICS, the same should apply to the AM. The RAB welcomes the references to relevant ICPs/ComFrame, in particular ICP 9 (Supervisory reporting) and ICP 20 (Public reporting).
614. Axa	France	No	**Answer:** We agree that the AM and ICS should be similarly transparent. However, we would like to highlight that it seems difficult to achieve such principle of transparency and enhancing of understanding and comparability if the two standards are built on significantly different indicators.
615. BNPPARIBAS CARDIF	France	No	**Answer:** We agree that the AM and ICS should be similarly transparent and notes that this is already well defined under ComFrame, so the ICS and AM would apply in conjunction with the ICPs and in particular ICP 9 (supervisory reporting) and ICP 20 (public reporting). However, we would like to highlight that it seems difficult to achieve such principle of transparency and enhancing of understanding and comparability if the two standards are built on significantly different indicators. One solution to overcome this obstacle could be for the specifications for the AM and the ICS used for the comparison exercise to be made public. For the AM, this includes the scalars used, the aggregation/consolidation methodology to reach a group PCR and any triggers for supervisor intervention. In order to support the credibility and transparency of the process, the analysis of adherence to the comparability criteria should be made public at an appropriate level of aggregation (to ensure the confidentiality of individual results), and AM users should simultaneously publish the ICS translation of their results and ICS user should be allowed to publish their AM proxy.
616. CNP Assurances	France	No	**Answer:** We agree that the AM and ICS should be similarly transparent and notes that this is already well defined under ComFrame, so the ICS and AM would apply in conjunction with the ICPs and in particular ICP 9 (supervisory reporting) and ICP 20 (public reporting). However, we would like to highlight that it seems difficult to achieve such principle of transparency and enhancing of understanding and comparability if the two standards are built on significantly different indicators.

			One solution to overcome this obstacle could be for the specifications for the AM and the ICS used for the comparison exercise to be made public. For the AM, this includes the scalars used, the aggregation/consolidation methodology to reach a group PCR and any triggers for supervisor intervention. In order to support the credibility and transparency of the process, the analysis of adherence to the comparability criteria should be made public at an appropriate level of aggregation (to ensure the confidentiality of individual results), and AM users should simultaneously publish the ICS translation of their results and ICS user should be allowed to publish their AM proxy.
617. COVEA	FRANCE	No	**Answer:** We agree that the AM and ICS should be similarly transparent and notes that this is already well defined under ComFrame, so the ICS and AM would apply in conjunction with the ICPs and in particular ICP 9 (supervisory reporting) and ICP 20 (public reporting). However, we would like to highlight that it seems difficult to achieve such principle of transparency and enhancement of understanding and comparability if the two standards are built on significantly different indicators. One solution to overcome this obstacle could be for the specifications for the AM and the ICS used for the comparison exercise to be made public. For the AM, this includes the scalars used, the aggregation/consolidation methodology to reach a group PCR and any triggers for supervisor intervention. In order to support the credibility and transparency of the process, the analysis of adherence to the comparability criteria should be made public at an appropriate level of aggregation (to ensure the confidentiality of individual results), and AM users should simultaneously publish the ICS translation of their results and ICS user should be allowed to publish their AM proxy
618. Credit Agricole Assurances	FRANCE	No	**Answer:** We agree that the AM and ICS should be similarly transparent and notes that this is already well defined under ComFrame, so the ICS and AM would apply in conjunction with the ICPs and in particular ICP 9 (supervisory reporting) and ICP 20 (public reporting). However, we would like to highlight that it seems difficult to achieve such principle of transparency and enhancing of understanding and comparability if the two standards are built on significantly different indicators. One solution to overcome this obstacle could be for the specifications for the AM and the ICS used for the comparison exercise to be made public. For the AM, this includes the scalars used, the aggregation/consolidation methodology to reach a group PCR and any triggers for supervisor intervention. In order to support the credibility and transparency of the process, the analysis of adherence to the comparability criteria should be made public at an appropriate level of aggregation (to ensure the confidentiality of individual results), and AM users should simultaneously publish the ICS translation of their results and ICS user should be allowed to publish their AM proxy.
619. France Assureurs	France	No	**Answer:** France Assureurs agrees that the AM and ICS should be similarly transparent and notes that this is already well defined under ComFrame, so the ICS and AM would apply in conjunction with the ICPs and in particular ICP 9 (supervisory reporting) and ICP 20 (public reporting). However, the French insurance industry would like to highlight

			that it seems difficult to achieve such principle of transparency and enhancing of understanding and comparability if the two standards are built on significantly different indicators. One solution to overcome this obstacle could be for the specifications for the AM and the ICS used for the comparison exercise to be made public. For the AM, this includes the scalars used, the aggregation/consolidation methodology to reach a group PCR and any triggers for supervisor intervention. In order to support the credibility and transparency of the process, the analysis of adherence to the comparability criteria should be made public at an appropriate level of aggregation (to ensure the confidentiality of individual results), and AM users should simultaneously publish the ICS translation of their results and ICS user should be allowed to publish their AM proxy.
620. Groupama	France	No	**Answer:** We agree that the AM and ICS should be similarly transparent and notes that this is already well defined under ComFrame, so the ICS and AM would apply in conjunction with the ICPs and in particular ICP 9 (supervisory reporting) and ICP 20 (public reporting). However, we would like to highlight that it seems difficult to achieve such principle of transparency and enhancing of understanding and comparability if the two standards are built on significantly different indicators. One solution to overcome this obstacle could be for the specifications for the AM and the ICS used for the comparison exercise to be made public. For the AM, this includes the scalars used, the aggregation/consolidation methodology to reach a group PCR and any triggers for supervisor intervention. In order to support the credibility and transparency of the process, the analysis of adherence to the comparability criteria should be made public at an appropriate level of aggregation (to ensure the confidentiality of individual results), and AM users should simultaneously publish the ICS translation of their results and ICS user should be allowed to publish their AM proxy.
621. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. Should a requirement for public disclosure apply to the ICS, the same should apply to the AM. The RAB welcomes the references to relevant ICPs/ComFrame, in particular ICP 9 (Supervisory reporting) and ICP 20 (Public reporting).
622. SOGECAP	FRANCE	No	**Answer:** We agree that the AM and ICS should be similarly transparent and notes that this is already well defined under ComFrame, so the ICS and AM would apply in conjunction with the ICPs and in particular ICP 9 (supervisory reporting) and ICP 20 (public reporting). However, we would like to highlight that it seems difficult to achieve such principle of transparency and enhancing of understanding and comparability if the two standards are built on

			significantly different indicators. One solution to overcome this obstacle could be for the specifications for the AM and the ICS used for the comparison exercise to be made public. For the AM, this includes the scalars used, the aggregation/consolidation methodology to reach a group PCR and any triggers for supervisor intervention. In order to support the credibility and transparency of the process, the analysis of adherence to the comparability criteria should be made public at an appropriate level of aggregation (to ensure the confidentiality of individual results), and AM users should simultaneously publish the ICS translation of their results and ICS user should be allowed to publish their AM proxy.
623. German Insurance Association	Germany	No	**Answer:** GDV welcomes the references to relevant ICP/ComFrame, in particular ICP 9 (supervisory reporting) and ICP 20 (public reporting).
624. AIA and Prudential plc	Hong Kong	No	**Answer:** While we agree with the principle that the AM and ICS should be similarly transparent in terms of facilitating understanding of the group's capital position, we believe it is premature to establish criteria under HLP 6. As of now, no disclosure requirements for the ICS have been proposed, much less decided. The same is true of the AM. This makes it impossible to comment in any detail. As has been noted, the ICS and AM are different constructs so it is quite possible that a disclosure requirement under ICS would not be appropriate for the AM - and vice versa. We also note that some of the disclosure requirements in ICP 20 would not be appropriate for the AM. For example, disclosures around the granularities of technical provisions (assumptions, methodologies) and market and insurance risk exposures (with mapping aligned to ICS risk charges) assume a single consistent basis is used across the group, which is not true under the AM.
625. The Actuarial Society of Hong Kong	Hong Kong	No	**Answer:** While we agree with the principle that the AM and ICS should be similarly transparent in terms of facilitating understanding of the group's capital position, we believe it is premature to establish criteria under HLP 6. As of now, no disclosure requirements for the ICS have been proposed, much less decided. The same is true of the AM. This makes it impossible to comment in any detail. As has been noted, the ICS and AM/LCSM are different constructs so it is quite possible that a disclosure requirement under ICS would not be appropriate for the AM/LCSM - and vice versa. For example, disclosure under the AM/LCSM would likely require a high level description of the local regimes that are most material to the group, whereas this would not be necessary under the ICS.
626. International Actuarial Association	International	No	**Answer:** The IAA notes that this criterion is with regard to legislation and/or regulation that would utilize the AM, and not with regard to the AM metric itself. Therefore, the IAA suggests that this criterion either needs to be reworded to address the metric itself (i.e., AM calculation), or needs to be deleted.

627. General Insurance Association of Japan	Japan	No	**Answer:** 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.
628. Verbond van Verzekeraars	Netherlands	No	**Answer:** Should a requirement for public disclosure apply to the ICS, the same should apply to the AM. The Dutch Association of Insurers welcomes the references to relevant ICPs/ComFrame, in particular ICP 9 (Supervisory reporting) and ICP 20 (Public reporting).
631. NN Group	The Netherlands	No	**Answer:** Should a requirement for public disclosure apply to the ICS, the same should apply to the AM. NN Group welcomes the references to relevant ICPs/ComFrame, in particular ICP 9 (Supervisory reporting) and ICP 20 (Public reporting).
632. Allstate Insurance Company	United States	No	**Answer:** While we support disclosure of information on ICS and AM to facilitate understanding and comparability, we believe the requirements related to disclosure must consider both audiences listed in this criterion - group-wide supervisors and the public. Disclosure of information for these two parties should be different in terms of content, granularity, and frequency. For reporting to group-wide supervisors, principles around content, granularity, and frequency should be set in such a way that the group-wide supervisor can carry out its oversight duties and objectives. A principle that is tied to a group-wide supervisor's duties could help facilitate a more efficient information-sharing process between the group-wide supervisor and the insurer. When thinking about public disclosure, we believe confidentiality of AM-related information must be considered. Insurance Groups should not be required to publicly disclose confidential information on the AM. Instead, we believe public disclosure needs to go back to the concept of comparability in HLP 6 and the public should only be provided information at a more aggregated level to facilitate comparability. One example that shows how capital information can be aggregated to facilitate comparability is the NAIC's annual publishing of risk-based capital statistics in the U.S. (example for property-casualty insurers can be found here: https://content.naic.org/sites/default/files/inline-files/2020 PC RBC Statistics.pdf. Similar example is available for life insurers at https://content.naic.org/sites/default/files/inline-files/2020 Life and Fraternal statistics.pdf and health insurers athttps://content.naic.org/sites/default/files/inline-files/2020 Health RBC Statistics_as of 2020-06-30.pdf.). The statistics allow the public to see where supervisory actions were or could be taken and the number of insurers within a specified range of capital ratios. Statistics can be reviewed for the current year, and the public can look at statistical trends across years.

633. American Academy of Actuaries	United States	No	**Answer:** We note that this criterion is with regard to legislation and/or regulation that would utilize the AM, and not with regard to the AM metric itself. Therefore, we suggest that this criterion either needs to be reworded to address the metric itself (i.e., AM calculation), or needs to be deleted.
634. Liberty Mutual Insurance Group	United States	No	**Answer:** While transparency is key to providing mutual understanding, this criterion could wrongly require supervisors to attempt to reverse engineer quantitative results under the AM, or any other method assessed to be comparable to the ICS. The goal of the comparability assessment is to ensure supervisors that any solvency capital model assessed to be comparable to the ICS provides comparable outcomes, without further reference or comparison to the ICS.
635. National Association of Mutual Insurance Companies	United States	No	**Answer:** No Comment.
Q30 Comment on criterion 6.2			
636. Great Eastern Holdings	Asia	No	**Answer:** Nil.
637. International Actuarial Association	International	No	**Answer:** The IAA notes that this criterion is with regard to legislation and/or regulation that would utilize the AM, and not with regard to the AM metric itself. Therefore, the IAA suggests that this criterion either needs to be reworded to address the metric itself (i.e., AM calculation), or needs to be deleted.
640. American Academy of Actuaries	United States	No	**Answer:** We note that this criterion is with regard to legislation and/or regulation that would utilize the AM, and not with regard to the AM metric itself. Therefore we suggest that this criterion either needs to be reworded to address the metric itself (i.e., AM calculation), or needs to be deleted.
641. Liberty Mutual Insurance Group	United States	No	**Answer:** Liberty Mutual agrees that some public disclosure, consistent with the IAIS's confidentiality standards, is appropriate, but the focus should be on the outcome of the AM. "Preparatory work" is relatively less important.
642. National Association of	United States	No	**Answer:** No Comment.

Mutual Insurance Companies			
643. American Property Casualty Insurance Association	USA	No	**Answer:** The criterion is as follows: "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." APCIA has located a draft AM Level 1 document from 2020 but can find no reference therein to public disclosure or supervisory reporting. Also, it is not clear what is meant by "preparatory work". It is not possible for us to respond to this criterion as currently worded. We would appreciate the opportunity to respond once it has been clarified.
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.			
644. Great Eastern Holdings	Asia	No	**Answer:** Nil.
645. Taiwan Insurance Institute	Chinese Taipei	No	**Answer:** Business cycle has different impact on each legal entity of IAIG, and the degree of differences depends on business models, investment, and product strategy. For example, during the expansion phase of the business cycle, it is common to observe increasing interest rates and inflation, which is good for non-life insurers but may cause lapse and liquidity issues for life insurers. Care must be taken to observe the differences in risk profiles of each legal entity in IAIG to design an appropriate scenario. Another point is that business cycle can capture the dynamics of economics but not demographics, though sometimes are correlated with each other. Changes in demographics are a critical risk factor for the insurance industry, especially in the life and health sectors. It is worth including demographic scenarios in the sensitivity analysis.
646. Actuarial Association of Europe	Europe	No	**Answer:** The Actuarial Association of Europe stresses that to ensure that the point in time of breaches and supervisory intervention are analysed, more extreme scenarios are necessary, as it is vital to compare outcomes under a range of scenarios. The additional scenarios mentioned in criterion 1.3 must include a wide range of market and other scenarios covering both periods of contraction and expansion, in particular those that have been experienced, including very high spreads, high and low (negative) interest rates, equity market crashes, pandemic situation, potentially rapid change of climate conditions, cyber-attacks, and potential change in worldwide economic collaboration, etc.
647. Insurance Europe	European Union	No	**Answer:** In order to ensure that the point in time of breaches and supervisory intervention are analysed, more extreme scenarios could be necessary, as it is vital to compare outcomes under a range of scenarios. The additional scenarios mentioned in criterion 1.3 must include a wide range of market and other scenarios covering both periods of contraction and expansion, in particular those that have been experienced, including very high spreads, high and low (negative) interest rates and equity market crashes.

648. Reinsurance Advisory Board	European Union	No	**Answer:** In order to ensure that the point in time of breaches and supervisory intervention are analysed, more extreme scenarios could be necessary, as it is vital to compare outcomes under a range of scenarios. The additional scenarios mentioned in criterion 1.3 must include a wide range of market and other scenarios covering both periods of contraction and expansion, in particular those that have been experienced, including very high spreads, high and low (negative) interest rates and equity market crashes.
649. Axa	France	No	**Answer:** Various economic situations should be selected to mirror evolving market conditions as they may occur. A comprehensive list cannot be developed here, but it should include several scenarios based on different combinations of parameters. Scenarios must be capable to test if similar supervisory actions would be taken if adverse events unfolded that would trigger supervisory action under ICS. It is not likely a limited set of simple standard sensitivities can achieve this.
650. French Treasury	France	No	**Answer:** Various economic situations should be selected to mirror the evolving market conditions over the business cycle. A comprehensive list cannot be developed here, but it should include several scenarios based on different combinations of parameters listed in 1.3d and obviously, scenarios reflecting the 2008 economic crisis, the early 2020 pandemic peak, as well as the current economic situation soaring inflation rates combined with increasing interest rates.
651. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. In order to ensure that the point in time of breaches and supervisory intervention are analysed, more extreme scenarios could be necessary, as it is vital to compare outcomes under a range of scenarios. The additional scenarios mentioned in criterion 1.3 must include a wide range of market and other scenarios covering both periods of contraction and expansion, in particular those that have been experienced, including very high spreads, high and low (negative) interest rates and equity market crashes.
652. AIA and Prudential plc	Hong Kong	No	**Answer:** We suggest that the three economic scenarios - interest rates (+/- 100bps), credit spreads (+/-100bps) and equity prices (+/-20%) would be sufficient.
653. The Actuarial Society of Hong Kong	Hong Kong	No	**Answer:** The Hong Kong Insurance Authority requires disclosure of the following three scenarios: These might be considered a starting point. Interest rates (+/- 100bps), credit spreads (+/-100bps) and equity prices (+/-20%) would be sufficient.
654. International Actuarial Association	International	No	**Answer:** The IAA would advise against using the experience during the monitoring period as the basis for testing "over the business cycle", given the unique set of circumstances over that period (e.g., COVID, Ukraine invasion).

655. General Insurance Association of Japan	Japan	No	**Answer:** (Same comments on criterion 1.3d) 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. In addition, for non-life insurers, natural catastrophe risk is also an important risk factor and should be included in the scenario analysis.
656. Verbond van Verzekeraars	Netherlands	No	**Answer:** In order to ensure that the point in time of breaches and supervisory intervention are analysed, more extreme scenarios could be necessary, as it is vital to compare outcomes under a range of scenarios. The additional scenarios mentioned in criterion 1.3 must include a wide range of market and other scenarios covering both periods of contraction and expansion, in particular those that have been experienced, including very high spreads, high and low (negative) interest rates and equity market crashes.
659. Cathay Life Insurance	Taiwan	No	**Answer:** Feedback 1: Changes in currencies should be considered in sensitivity analysis to assess whether AM and ICS are significantly correlated over time. Feedback 2: The design of sensitivity scenario on interest rates should consider 1. Different changes on short-term and long-term interest rates. Given short-term and long-term interest rates do not always co-move, separate sensitivity scenarios should be included to better depict the changes of the yield curves. 2. Different magnitude of change to capture convexity effect, i.e. 10bps changes and 100bps changes in the interest rates. Feedback 3: The design of sensitivity scenario on credit spread should consider 1. Changes on investment grade and non-investment grade bonds, and other factors such as rating, maturities and security type as their price evolution over business cycle may differ.
660. NN Group	The Netherlands	No	**Answer:** In order to ensure that the point in time of breaches and supervisory intervention are analysed, more extreme scenarios could be necessary, as it is vital to compare outcomes under a range of scenarios. The additional scenarios mentioned in criterion 1.3 must include a wide range of market and other scenarios covering both periods of contraction and expansion, in particular those that have been experienced, including very high spreads, high and low (negative) interest rates and equity market crashes.

661. acli	U.S.A.	No	**Answer:** For the most part, the proposed sensitivity analysis in criterion 1.3 preclude a determination of comparability in that: - Market-based measures like ICS will in certain scenarios respond differently to changes in risk factors than those solvency regimes underlying AM that are based primarily on book values. The immediate impact of certain scenarios on market-based measures such as ICS will sometimes be different than on solvency measures that use a book value approach. However, we would expect comparable market based and book based approaches to converge over the business cycle. Sensitivity analysis is complicated further by the fact that changes in market factors can generate changes in ICS bucketing qualifications, adding more noise to the comparability assessment. - It will be operationally challenging for volunteer companies to conduct thorough sensitivity analysis for a multitude of market and credit factors, given the complexity of performing multi-scenario ICS calculations under the compressed timeframe for the comparability assessment. Unlike the AM, ICS is not based on currently implemented solvency measures and is therefore not readily calculable through existing internal valuation and capital systems. Furthermore, we note that the implementation of this criterion will require complicated scenario design and parameterization work, including, for example: determination and standardization of sensitivity levels; underlying company assumptions; and definition and implementation of essential but subjective concepts such as "over the business cycle." In lieu of relying on volunteer data submissions, we believe that more operationally feasible - and substantively useful - approaches could include: - Leveraging historical ICS and AM data collection efforts, which cover a variety of market conditions including the global pandemic. Real world market conditions experienced during the Monitoring Period could provide more meaningful applied information than synthetic scenarios. Such analysis could helpfully consider realized supervisor responses and actions (e.g., help illustrate false indications due to short-term market fluctuations). Understanding how ICS and AM have responded to recent volatility may provide regulators with critical insights on the robustness of these measures under future stress events; - Developing a stylized, representative example, similar to the Federal Reserve Insurance Policy Advisory Committee (IPAC) report, which would also help in controlling for the "noise" and unwieldy nature of ICS volunteer submissions. We would note, however, that this approach, while likely more achievable than volunteer scenario testing, will require significant resources and time and may not be able to be completed in currently allotted timeline; - Analyzing the expected directional performance of ICS and AM under particular scenarios, with an emphasis on the proportionally most relevant risk factors for each line of business. In other words, based on a holistic consideration of

			the overall design, methodology, and calibration of AM and ICS, respectively, we believe that the IAIS can develop a sufficiently accurate and realistic sense of how each measure would behave in a particular scenario. It is not necessary to attempt to achieve a (potentially misleading) degree of granular precision through volunteer data submissions, in order to reach credible conclusions about the relative performance of ICS and AM as risk-based capital measures. ACLI recommends that the specifics of any such alternative approach should be subject to consultation before being finalized. ACLI believes that a potentially useful sensitivity criterion is 1.3.E: calling for volunteer groups to provide stress scenarios for AM and ICS individually where a group's available capital falls below its required capital. Comparing these stress scenarios at the group level (derived, for example, from the ORSA, provided that appropriate measures around confidentiality are in place) could be instructive in assessing an outcomes-focused view of comparability based on "regulatory intervention" under group AM relative to group ICS. The sensitivity analysis in 1.3.E could be both analytically useful and operationally feasible, if also reflecting qualitative considerations, an appropriate degree of judgment, and "tabletop exercise" assessments about supervisory response functions in a stress scenario.
662. American Academy of Actuaries	United States	No	**Answer:** We do not have technical input on the design and parameters of scenarios, but, as mentioned earlier, we suggest exposing via consultation the proposed scenarios for comment.
663. Liberty Mutual Insurance Group	United States	No	**Answer:** Liberty Mutual disagrees with the presumption of this criterion and reiterates its previous comments including that the analysis should not be overly quantitative in nature. Such an approach could lead to an incorrect conclusion given the inappropriate level of granularity in the specifications for the proposed ICS.
664. National Association of Mutual Insurance Companies	United States	No	**Answer:** Enough data has been collected already through field-testing and the monitoring period to understand how various risks respond to the reference-ICS and AM for non-life groups. The IAIS should instead be focused on how they can provide an understanding for how each method is responding and forgo conducting additional scenario analysis for non-life risks.
665. Northwestern Mutual	United States	No	**Answer:** We agree with the intent of criterion 1.3 to conduct some form of scenario analysis in the assessment and that it ought to capture different economic and financial market conditions. In our specific comments on criterion 1.3, we note how a stylized modelled approach could, at minimum, supplement the volunteer group data collection and represent longer time periods, different economic environments, and additional product types, while still capturing the essence of the AM and the ICS. Our comments here are focused on the scenario design aspect of criterion 1.3. One practical way to develop the scenarios is to utilize samples from the actual economic conditions from the last 50 years. This period has included varying degrees of equity market declines, interest rate levels, and corporate bond spreads. Summarized shocks on the liability side (e.g., mortality spike) could also be derived from this time period and

			applied to a stylized model for the ICS and AM. When applied over an appropriate period of time for the underlying business and at a summarized level, these scenarios ought to give a sufficient indicator as to whether the ICS and AM perform similarly for their stated purpose.
666. American Property Casualty Insurance Association	USA	No	**Answer:** We understand that the intent is not to use actual data over time (e.g., the monitoring period), rather different scenarios will be applied to data reported as of a single point in time, e.g., as of point in time. Modelling multiple scenarios is a data- and labor-intensive exercise, utilizing very technical resources who are already constrained by a plethora of competing responsibilities. Furthermore, groups vary as to business lines, models, and geographies in which they operate; standardized scenarios would not likely be that relevant to some groups and would layer in even more work. Standardized scenarios would not enable a group to leverage modelling capabilities related to scenarios that it considers to be more relevant to its operations and which the group analyses as part of its ongoing ERM processes. For non-life groups in particular, the amount of effort and resources required to fulfil the planned scenario analysis is disproportionate to any benefit that could be realized in return. As stated in the consultation document, "For non-life business, the scenarios include changes appropriate to the nature of the business, like changes on non-life insurance risks." Scenarios based on financial /economic risks will thus be excluded from the non-life analysis, which is appropriate since such risks have much less impact (than to life groups) due to the non-life sector's shorter asset durations. But the non-life insurance risks which would be subject to the scenario analyses have already been assessed by the CSFWG with years of field testing and now over the monitoring period. We believe that experience has already shown that those risk charges in the ICS and the AM move similarly. That is because modelling of catastrophe risks is used in both the ICS and in many jurisdictional legal entity requirements which underlie the AM (such as in Risk-Based Capital in the U.S.), as is the use of similar factor-based approaches for other insurance risks. Therefore, a much more feasible and practical approach for the assessment of comparability of non-life risks is to simply utilize the ample amount of information that has already been submitted to the IAIS over the years, and to forego scenario analyses which would be inherently complex, burdensome, and hypothetical. To the extent that a data call is necessary, it should be narrowly focused and expedient for groups to provide and submit. Should the IAIS nonetheless go the scenario analysis route, we believe that it would be well advised to consult with the involved groups. Each group would have the best understanding of plausible, relevant and material scenarios that could impact its operations. Some of this information is already being sought, i.e., in Public 2022 Data Collection Technical Specifications for the AM, paragraph 33.
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).			

667. Great Eastern Holdings	Asia	No	**Answer:** Nil.
668. Insurance Europe	European Union	No	**Answer:** Insurance Europe agrees that life business is more heterogenous across jurisdictions and so requires a larger data set for comparison than non-life business.
669. Reinsurance Advisory Board	European Union	No	**Answer:** The RAB agrees that life business is more heterogenous across jurisdictions and so requires a larger data set for comparison than non-life business.
670. BNPPARIBAS CARDIF	France	No	**Answer:** As mentioned in response to criteria 5.2, a minimum ratio of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria (e.g., 95%). Regarding the assessment of representativeness and the level of homogeneity, it is quite difficult to comment on whether this is sufficient without understanding the adequacy of the proposed approximation having regard to the purpose of the comparability assessment. This approximation should therefore be defined in terms of the objective i.e., a deviation in total AM capital of < XX% compared to a full assessment, as opposed to the possible result of any such analysis i.e., one third of AM required capital excluded from the full sensitivity analysis.
671. CNP Assurances	France	No	**Answer:** As mentioned in response to criteria 5.2, a minimum ratio of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria (e.g., 95%). Regarding the assessment of representativeness and the level of homogeneity, it is quite difficult to comment on whether this is sufficient without understanding the adequacy of the proposed approximation having regard to the purpose of the comparability assessment. This approximation should therefore be defined in terms of the objective i.e., a deviation in total AM capital of < XX% compared to a full assessment, as opposed to the possible result of any such analysis i.e., one third of AM required capital excluded from the full sensitivity analysis.
672. COVEA	FRANCE	No	**Answer:** As mentioned in response to criteria 5.2, a minimum ratio of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria (e.g., 95%). Regarding the assessment of representativeness and the level of homogeneity, it is quite difficult to comment on whether this is sufficient without understanding the adequacy of the proposed approximation having regard to the purpose of the comparability assessment. This approximation should therefore be defined in terms of the objective i.e., a deviation in total AM capital of < XX% compared to a full assessment, as opposed to the possible result of any such analysis i.e., one third of AM required capital excluded from the full sensitivity analysis.

673. Credit Agricole Assurances	FRANCE	No	**Answer:** As mentioned in response to criteria 5.2, a minimum ratio of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria (e.g., 95%). Regarding the assessment of representativeness and the level of homogeneity, it is quite difficult to comment on whether this is sufficient without understanding the adequacy of the proposed approximation having regard to the purpose of the comparability assessment. This approximation should therefore be defined in terms of the objective i.e., a deviation in total AM capital of < XX% compared to a full assessment, as opposed to the possible result of any such analysis i.e., one third of AM required capital excluded from the full sensitivity analysis.
674. France Assureurs	France	No	**Answer:** As mentioned in response to criteria 5.2, a minimum ratio of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria (e.g., 95%). Regarding the assessment of representativeness and the level of homogeneity, it is quite difficult to comment on whether this is sufficient without understanding the adequacy of the proposed approximation having regard to the purpose of the comparability assessment. This approximation should therefore be defined in terms of the objective i.e., a deviation in total AM capital of < XX% compared to a full assessment, as opposed to the possible result of any such analysis i.e., one third of AM required capital excluded from the full sensitivity analysis.
675. French Treasury	France	No	**Answer:** Homogeneity of the non-life insurance market cannot be assumed, due to the variety of insurance groups at stake, both in terms of business models, geographical footprint and sizes. That is the reason why a large number of US (and other interested jurisdictions) insurance non-life groups is a sine qua non condition for an honest comparison. Finally, it is of the upmost importance that any jurisdiction that intends to apply the AM if deemed comparable should be represented in both the life and non-life samples.
676. Groupama	France	No	**Answer:** As mentioned in response to criteria 5.2, a minimum ratio of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria (e.g., 95%). Regarding the assessment of representativeness and the level of homogeneity, it is quite difficult to comment on whether this is sufficient without understanding the adequacy of the proposed approximation having regard to the purpose of the comparability assessment. This approximation should therefore be defined in terms of the objective i.e., a deviation in total AM capital of < XX% compared to a full assessment, as opposed to the possible result of any such analysis i.e., one third of AM required capital excluded from the full sensitivity analysis.
677. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below.

			The RAB agrees that life business is more heterogenous across jurisdictions and so requires a larger data set for comparison than non-life business.
678. SOGECAP	FRANCE	No	**Answer:** As mentioned in response to criteria 5.2, a minimum ratio of AM required capital of US (or other interested jurisdiction) IAIGs participating in the ICS and AM data collections to the total AM required capital of all US (or other interested jurisdictions) should be specified in the criteria (e.g., 95%). Regarding the assessment of representativeness and the level of homogeneity, it is quite difficult to comment on whether this is sufficient without understanding the adequacy of the proposed approximation having regard to the purpose of the comparability assessment. This approximation should therefore be defined in terms of the objective i.e., a deviation in total AM capital of < XX% compared to a full assessment, as opposed to the possible result of any such analysis i.e., one third of AM required capital excluded from the full sensitivity analysis.
679. German Insurance Association	Germany	No	**Answer:** GDV agrees that life business is more heterogenous across jurisdictions and so requires a larger data set for comparison than non-life business.
680. International Actuarial Association	International	No	**Answer:** The requirement for a large sample for life insurer IAIGs cannot be met with regard to the U.S. jurisdiction given only three life insurers predominate IAIGs in that jurisdiction. The requirement for a smaller "representative" sample for non-life would need to reflect the material variation in business model, including investment portfolios, for the non-life IAIGs in the U.S. As such, that requirement may not be operative.
681. General Insurance Association of Japan	Japan	No	**Answer:** (Same comments on criterion 5.2d) 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. 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.
682. Verbond van Verzekeraars	Netherlands	No	**Answer:** The Dutch Association of Insurers agrees that life business is more heterogenous across jurisdictions and so requires a larger data set for comparison than non-life business.
685. NN Group	The Netherlands	No	**Answer:** NN Group agrees that life business is more heterogenous across jurisdictions and so requires a larger data set for comparison than non-life business.
686. acli	U.S.A.	No	**Answer:** Companies should determine the scope of information they report to facilitate the assessment consistent with the voluntary and "best efforts" nature of the ICS reporting exercise (criteria 5.2). We also believe that the relatively higher participation from Life volunteers stems primarily from the significant potential adverse impacts of ICS on the US Life sector. The application of a market-adjusted valuation (MAV) liability valuation method - in addition to other problematic methodology and calibration features - creates unwarranted complexity, volatility, and misalignment with insurance business fundamentals. The need to illustrate these negative impacts has been an important consideration in the Life sector's high degree of participation in both ICS field testing and the Monitoring Period. While ACLI represents the Life sector, we understand that the anticipated impacts of ICS on non-life insurance business is generally more benign, which could explain the reduced need for non-life volunteers to contribute data to the exercise.
687. American Academy of Actuaries	United States	No	**Answer:** We have some concern that the IAIS has characterized the non-life sector as relatively homogenous, which seems questionable. Nevertheless, a "smaller sample" of non-life data may be adequate for an assessment of comparability. The IAIS may need to assess the treatment of material individual risks within prominent local regimes in order to determine whether available data sets are sufficient.
688. Liberty Mutual Insurance Group	United States	No	**Answer:** See comments to 5.1 and 5.2.
689. National Association of Mutual Insurance Companies	United States	No	**Answer:** See Response to Criteria 5.1.
690. Northwestern Mutual	United States	No	**Answer:** In our response to criterion 5.2, we note that this criterion is overly focused on volunteer group participation for the assessment. By pursuing alternative approaches that aren't solely reliant on volunteer group data, such as a

			stylized modelled approach, we believe sufficient representativeness of various jurisdictions, business types, and insurance products could be reflected in the assessment.
691. American Property Casualty Insurance Association	USA	No	**Answer:** This criterion states, in part, "for non-life, in recognition of the more homogenous nature of non-life operations in some jurisdictions, a smaller sample is needed." We agree that a smaller non-life sample is appropriate. However, we gather that there may only be a couple of non-life groups participating in the sample. No matter how "representative" the business of those firms might be of the overall non-life business in the U.S. and in other "major geographic areas" (as per criterion 5.2.b), it is a small number of groups nonetheless and the IAIS analysts may conclude on that basis alone. So, again, much is open for interpretation and, depending on which way the IAIS analysts decide, it could preclude the AM from being assessed as comparable to the ICS at the outset. More concerning, however, or at least unclear, is the rationale for the provisions in this criterion that, to demonstrate representativeness, considerations must include the group's material lines of business, similarity of investment portfolios; correlation of net loss ratios between the sample and all US business; and correlation of solvency ratios. As we have commented on in other criterion, the term "correlation" has a specific meaning in the fields of mathematics and statistics and, as worded in the criterion, much is left to the analyst to determine how tightly to measure correlation. Despite HLP 2's statement that "the decision on comparable outcomes will consider the elements in totality," this criterion seeks to do otherwise by focusing in a very granular way on the activities of each insurance group in the sample, and very possibly disqualifying some firms in the sample if not the entire sample entirely. While it is a small number of non-life firms participating, the IAIS has enough data to work with from those firms and as well from others previously participating in the field testing and monitoring period exercises. We encourage the IAIS to avail itself of that data, not preclude it from being used through the use of overly granular and restrictive criterion that is left open to too much discretion by analysts.
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			
692. Great Eastern Holdings	Asia	No	**Answer:** Nil.
693. Actuarial Association of Europe	Europe	No	**Answer:** The Actuarial Association of Europe is thankful for the opportunity to provide comments and remarks to the International Association of Insurance Supervisors (IAIS) on the draft criteria to assess whether the Aggregation Method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS). Our Assessment comes to very similar conclusion than Insurance Europe's. We use similar language to describe our findings. The Actuarial Association of Europe recognises that IAIS is developing the ICS with the aim of "creating a common

			language for supervisory discussions" with the "ultimate goal of a single ICS that includes a common methodology by which one ICS achieves comparable - i.e., similar but not identical - outcomes across jurisdictions" and that its objective is "to enhance global convergence among group capital standards". The Actuarial Association of Europe supports the aim of the proposed High-Level Principles and associated draft assessment criteria to take a quantitative approach to the comparability assessment. A rigorous, quantitative, and robust assessment is essential to avoid that the AM gives raise to two different standards in supervision that appear equivalent by considering the AM equivalent. This could have significant consequences on, for example, any future assessments under the financial sector assessment program (FSAP) with the jurisdictions that ultimately implement the ICS being under a much more demanding set-up and held to much higher standards than those implementing the AM. The risk of having a de facto double standard in the implementation phase needs to be averted by a robust, quantitatively substantiated comparability assessment. For this to be achieved, the following key elements need be reassessed and potentially rectified before the criteria are finalised and the comparability assessment begins: 1. The AM can only be considered as producing comparable outcomes if any group's prescribed capital requirement (PCR) under the AM would be breached at similar points under all possible financial market and insurance risk scenarios as its PCR under the ICS, leading to much the same supervisory outcomes. 2. All criteria are essential, and all should be sufficiently met to achieve comparability. 3. Short-term market fluctuations are a reality that must be included in the assessment. 4. It is vital to compare outcomes under a suitably wide range of scenarios. 5. A suitable sample of real company data should be included in the study. In addition, it is necessary to apply scenarios to model companies to explore the space of possibility appropriately. 6. The criteria contain language that lends itself to a potentially wide range of interpretations. To facilitate a robust assessment and an objective final conclusion IAIS should clarify in advance what will guide the IAIS when drawing a final conclusion. 7. The potential equivalence of the AM needs to be reassessed on a regular basis to consider changes in the AM, ICS, and the risks for which capital is required.
694. Insurance Europe	European Union	No	**Answer:** Insurance Europe welcomes the opportunity to provide comments to the International Association of Insurance Supervisors (IAIS) on the draft criteria that will be used to assess whether the Aggregation Method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS). The ICS project is of particular relevance to and has impact for the European industry, given that a significant number of internationally active insurance groups (IAIGs) are European and that European insurers are active globally. This response is focused on the comparability assessment. Other aspects of the ICS project remain under development

			and consideration by the IAIS and other stakeholders but are also very important. Insurance Europe's key high-level views on these aspects can be found on its website. Insurance Europe supports the objective of the ICS project to create a high-quality and robust global insurance standard that promotes a sound and level global regulatory playing field. Insurance Europe recognises that the IAIS is developing the ICS with the aim of "creating a common language for supervisory discussions" with the "ultimate goal of a single ICS that includes a common methodology by which one ICS achieves comparable - ie similar but not identical - outcomes across jurisdictions" and that its objective is "to enhance global convergence among group capital standards" . Insurance Europe supports the aim of the proposed High-Level Principles and associated draft assessment criteria to take a quantitative approach to the comparability assessment. A rigorous, quantitative and robust assessment is essential, as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS, while the outcome of the AM will be dependent on the underlying solvency regimes, which may not be under the governance or direct control of the IAIS and its members. So, a double standard in supervision is potentially already created simply by considering the AM comparability. It may have significant consequences on, for example, any future assessments under the financial sector assessment program (FSAP) with the jurisdictions that ultimately implement the ICS being under a much more strenuous set-up and held to much higher standards than those implementing the AM. The risk of having a de facto double standard in the implementation phase needs to be averted by a robust, quantitatively substantiated comparability assessment. For this to be achieved, the following key elements need be changed/clarified before the criteria are finalised and the comparability assessment begins: 1. The AM can only be considered as producing comparable outcomes if any group's prescribed capital requirement (PCR) under the AM would be breached at similar points in time as its PCR under the ICS, leading to much the same supervisory outcomes. Therefore, analysis that would provide evidence of this must be included explicitly in the comparability assessment and be part of the required criteria. It is not sufficient to base the comparability assessment on the correlation of movements in the ICS versus those in the AM because it is absolute levels of PCR that will trigger supervisory action. Criterion 1.3e goes some way towards addressing this, but a greater focus on comparing PCR breach points is necessary. It is also noted that one of the challenges for an appropriate comparability assessment that is based on comparing points of PCR breach is that, at present, the method and calibration of scalars to generate a group PCR based on the AM has not yet been developed. In fact, the comparability exercise appears to be used to develop the aggregation approach. This appears circular and problematic.

			2. All criteria are considered to be essential and all should be sufficiently met to achieve comparability. High-level principles should not be considered to be achieved when only a subset of the criteria is met. This should be clearly stated as a prerequisite of achieving comparability. 3. Short-term market fluctuations cannot be excluded from the assessment. Short-term market fluctuations are a reality and if they lead to volatility of the PCR they can result in supervisory intervention and therefore need to be included in the comparability assessment. 4. It is vital to compare outcomes under a suitable range of scenarios. The additional scenarios mentioned in criterion 1.3 must include the wide range of market and other scenarios, in particular those that have been experienced, including the very high spreads (eg, those during the financial crisis) and the high and low (negative) interest rates. 5. A suitable sample of real company data should be included in the study. In addition, it may be necessary to also apply scenarios to model companies. In this respect, the IAIS may want to consider the approach taken and work done for the June 2022 Insurance Policy Advisory Committee's report to the Federal Reserve Board of Governors (IPAC report). 6. It is essential to clarify in advance what will guide the IAIS when drawing a final conclusion, for example: - How will the terms "similar(ly)" and "quantum of change" be defined? What are acceptable ranges for variation in the "quantum of change"? - How will the term "business cycle" be defined and applied when calculating the correlations? What time intervals will be used for data points within the business cycle? - How will the required level of correlation be decided. What will it be? What correlation metric will be used? How does this relate to the key point of triggering supervisor action (ie, PCR breaches)? - How will prudence be defined and measured? What metrics will be used to assess "offsetting" of prudence between valuation, capital requirements and capital resources? - How will the different elements of the assessment be combined into a final decision? - How will the results from different companies be aggregated, eg, if the AM and ICS appear comparable for some companies but not all, or comparable under some scenarios but not all? 7. The ICS 2.0 is not final. The standard must evolve after the monitoring period ends in 2024, and in particular in response to the shortfalls identified and raised by Insurance Europe and those highlighted in the recent IPAC report. Therefore, the comparability assessment will need to be updated using the improved ICS. It should be made clear how this will be achieved in the comparability assessment process and timetable.

			8. Finally, if the AM is found to be comparable following this assessment, Insurance Europe believes that the assessment would need to be updated on a regular basis to provide assurance over time (model drift) and capture evolutions oin the ICS and the AM frameworks. Therefore, the high-level principle should be strengthened to ensure that the two standards remain comparable in the long term or, if not, to enable the IAIS to take appropriate measures. To this end, it is proposed to include the following governance principle: "In the event of change in the global ICS and/or the regimes on which the aggregation method is based, clear and transparent governance and processes are put in place to reconsider the comparability of the outcome. Such processes shall include dialogue with stakeholders." If the principle is not updated, Insurance Europe asks the IAIS to elaborate on how assurance over time will be provided. Ultimately, the credibility of the IAIS will be impacted by the suitability of the ICS framework and the quality of the comparability assessment. Therefore, it is very important that an ICS is finalised that is suited to the long-term nature of insurance and any comparability process is rigorous, quantitative and evidence-based.
695. Reinsurance Advisory Board	European Union	No	**Answer:** Insurance Europe's Reinsurance Advisory Board (RAB) welcomes the opportunity to provide comments to the International Association of Insurance Supervisors (IAIS) on the draft criteria that will be used to assess whether the Aggregation Method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS). The ICS project is of particular relevance to and has impact for the European industry, given that a significant number of internationally active insurance groups (IAIGs) are European and that European insurers are active globally. This response is focused on the comparability assessment. Other aspects of the ICS project remain under development and consideration by the IAIS and other stakeholders but are also very important. The RAB supports Insurance Europe's key high-level views on these aspects, that can be found on Insurance Europe website (here). In particular, the RAB supports the recognition and inclusion of internal models in the ICS framework. Internal models are a well-established risk management and capital measurement tool, which can be instrumental for recognising reinsurers' global and diversified portfolios. They are, and must continue to be, subject to initial and ongoing company and supervisor validation and approval requirements. Using an internal model provides an appropriate understanding, measurement and management of risk for those undertakings, calibrated to the same confidence level as the standard formula and subject to extensive supervisory oversight. The reference ICS will not be able to provide an appropriate estimate of the ICS target risk measure for all the European IAIGs including RAB companies. Internal models must therefore be a permanent and integral part of the ICS framework. The RAB supports the objective of the ICS project to create a high-quality and robust global insurance standard that promotes a sound and level global regulatory playing field. The RAB recognises that the IAIS is developing the ICS with the aim of "creating a common language for supervisory discussions" with the "ultimate goal of a single ICS that

			includes a common methodology by which one ICS achieves comparable - ie similar but not identical - outcomes across jurisdictions" and that its objective is "to enhance global convergence among group capital standards" . The RAB supports the aim of the proposed High-Level Principles and associated draft assessment criteria to take a quantitative approach to the comparability assessment. A rigorous, quantitative and robust assessment is essential, and the RAB believes that the following key elements need be changed/clarified before the criteria are finalised and the comparability assessment begins: 1. The AM can only be considered as producing comparable outcomes if any group's prescribed capital requirement (PCR) under the AM would be breached at similar points in time as its PCR under the ICS, leading to much the same supervisory outcomes. Therefore, analysis that would provide evidence of this must be included explicitly in the comparability assessment and be part of the required criteria. It is not sufficient to base the comparability assessment on the correlation of movements in the ICS versus those in the AM because it is absolute levels of PCR that will trigger supervisory action. Criterion 1.3e goes some way towards addressing this, but a greater focus on comparing PCR breach points is necessary. It is also noted that one of the challenges for an appropriate comparability assessment that is based on comparing points of PCR breach is that, at present, the method and calibration of scalars to generate a group PCR based on the AM has not yet been developed. In fact, the comparability exercise appears to be used to develop the aggregation approach. This appears circular and problematic. 2. All criteria are considered to be essential and all should be sufficiently met to achieve comparability. High-level principles should not be considered to be achieved when only a subset of the criteria is met. This should be clearly stated as a prerequisite of achieving comparability. 3. Short-term market fluctuations cannot be excluded from the assessment. Short-term market fluctuations are a reality and if they lead to volatility of the PCR they can result in supervisory intervention and therefore need to be included in the comparability assessment. 4. It is vital to compare outcomes under a suitable range of scenarios. The additional scenarios mentioned in criterion 1.3 must include the wide range of market and other scenarios, in particular those that have been experienced, including the very high spreads (eg, those during the financial crisis) and the high and low (negative) interest rates. 5. A suitable sample of real company data should be included in the study. In addition, it may be necessary to also apply scenarios to model companies. In this respect, the IAIS may want to consider the approach taken and work done for the June 2022 Insurance Policy Advisory Committee's report to the Federal Reserve Board of Governors (IPAC

			report). 6. It is essential to clarify in advance what will guide the IAIS when drawing a final conclusion, for example: - How will the terms "similar(ly)" and "quantum of change" be defined? What are acceptable ranges for variation in the "quantum of change"? - How will the term "business cycle" be defined and applied when calculating the correlations? What time intervals will be used for data points within the business cycle? - How will the required level of correlation be decided. What will it be? What correlation metric will be used? How does this relate to the key point of triggering supervisor action (ie, PCR breaches)? - How will prudence be defined and measured? What metrics will be used to assess "offsetting" of prudence between valuation, capital requirements and capital resources? - How will the different elements of the assessment be combined into a final decision? - How will the results from different companies be aggregated, eg, if the AM and ICS appear comparable for some companies but not all, or comparable under some scenarios but not all? 7. The ICS 2.0 is not final. The standard must evolve after the monitoring period ends in 2024, and in particular in response to the shortfalls identified and raised by Insurance Europe and those highlighted in the recent IPAC report. Therefore, the comparability assessment will need to be updated using the improved ICS. It should be made clear how this will be achieved in the comparability assessment process and timetable. 8. Finally, if the AM is found to be comparable following this assessment, the RAB believes that the assessment would need to be updated on a regular basis to provide assurance over time (model drift) and capture evolutions in the ICS and the AM frameworks. Therefore, the high-level principle should be strengthened to ensure that the two standards remain comparable in the long term or, if not, to enable the IAIS to take appropriate measures. To this end, it is proposed to include the following governance principle: "In the event of change in the global ICS and/or the regimes on which the aggregation method is based, clear and transparent governance and processes are put in place to reconsider the comparability of the outcome. Such processes shall include dialogue with stakeholders." If the principle is not updated, The RAB asks the IAIS to elaborate on how assurance over time will be provided. Ultimately, the credibility of the IAIS will be impacted by the suitability of the ICS framework and the quality of the comparability assessment. Therefore, it is very important that an ICS is finalised that is suited to the long-term nature of insurance and any comparability process is rigorous, quantitative and evidence-based.
696. Axa	France	No	**Answer:** The AXA Group is a worldwide leader in insurance with activities ranging from Property & Casualty, Life & Savings, Health, but also Asset Management. We operate across the globe and have established an economic framework that allows us to measure risk on an economic and consistent basis across the group to support our

			business. AXA has been applying Solvency II since 2016. Solvency II is a robust and advanced supervisory framework, which we also apply on a global basis. AXA has from the start supported the development of an ICS as a single global standard to provide a sound, global regulatory level playing field. This can only be achieved if the ICS is based on a common shared methodology through which it achieves comparable (i.e, substantially similar) outcomes across jurisdictions resulting in a single global standard. We are therefore cautious on the comparability assessment in principle, but especially given there are fundamental differences between the RBC Aggregation Methodology (AM) and ICS. Keeping the objective of a single global standard in mind, the comparability assessment must establish if the AM produces an identical targeted level of policyholder protection and trigger similar supervisory actions at the same point in time under the same economic circumstances to be comparable to the ICS. Consequently, the comparability assessment exercise needs to be sufficiently robust, objective, and quantitatively substantiated as it will result in introducing a double standard in supervision. Indeed, those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS, while the AM being a US stand-alone project will not fall under the governance or control of the IAIS and its members. In that perspective, we welcome the fact the IAIS is willing to provide further clarification on how the assessment should be performed from a quantitative perspective. Nevertheless, at this stage we wish to outline our fundamental concerns with the current set of high-level principles (HLPs). Indeed, the elements put forward by the IAIS do not provide precise and reliable decision "criteria" but rather a short explanatory text of the principles. Comparability must cover a range of insurers and types of business using a wide range of economic scenarios that can occur on a reporting date since the ICS reacts to the economic conditions as they present themselves. This needs to be done without removing data points or recrafting outcomes to reflect concepts such as the business cycle or short-term fluctuations which are both subject to various interpretations. A new direction, where ICS is transformed into a framework that endorses multiple standards and formalizes divergence by becoming an equivalence framework would be contrary to its prime objective. Over the course of the ICS project, a lot has been achieved with an ICS that is being developed on sound risk-based principles and a market consistent approach, and various jurisdictions in Asia developing their local frameworks in the same direction. These are good steps towards real global convergence in insurance supervision. It is key that this project does not stray from this path. Concluding, AXA supports an ICS that delivers a true global standard that triggers the same intervention levels under similar circumstances. It is the only way to achieve convergence and improve the global level playing field. Only a rigorous, quantitative and transparent comparability assessment can address real concerns that with AM a double standard may be introduced.
697. BNPPARIBAS CARDIF	France	No	**Answer:** We consider that for the Insurance Capital Standard (ICS) project to be a success and achieve its prime objective, as laid out by the IAIS, it must lead to a single, high-quality, and robust global insurance standard that promotes a sound, global regulatory level playing field. This can only be achieved if the ICS is based on a common

			methodology through which it achieves comparable (ie, substantially similar) outcomes across jurisdictions. we therefore consider that the Aggregation Method (AM), should produce the same targeted level of policyholder protection and trigger similar supervisory actions over the reporting period (annually and quarterly where appropriate) by the group supervisor and at the same point in time under stressed conditions in order to preserve the objective of a single standard. Consequently, it is vital that the comparability assessment exercise is sufficiently robust, objective, and quantitatively substantiated to ensure the same level of policyholder protection and not to undermine the key objective of a global standard for prudential supervision. Additionally, we believe that it is key that the criteria constitute a comprehensive set, which means that all the criteria must be met in full for the AM to be considered comparable. In that regard, only a subset of it would not be sufficient to ensure the robustness, the transparency, and the objectivity of the comparability assessment. Truly, the ICS can only be considered global if all major jurisdictions commit to implementing it as a PCR. Thus, assessing comparability of methods will, if not done properly, fundamentally change the nature of the project and weaken the objective and ability of promoting a sound global level playing field, and would actually contribute to the opposite. A rigorous, quantitative, and robust assessment is essential as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS will not be under the governance or control of the IAIS and its members. In that sense, a double standard in supervision is potentially already created simply by considering the AM comparability. It may have significant consequences for example on any future FSAP assessments with the jurisdictions that ultimately implement the ICS being under a much more strenuous set-up and held to much higher standards than those implementing the AM. The risk of having a de facto double standard in the implementation phase needs to be averted by a robust, quantitatively substantiated comparability assessment. We appreciate the work of the IAIS in setting common standards and establishing a common language in order to facilitate supervisory coordination across jurisdictions and constructive engagement with stakeholders. This important work will ultimately avoid duplicative or contradictory standards between jurisdictions and enhance a sound level playing field at global level. As previously stressed, we believe that, to this extent, the ICS is of crucial importance for global competitiveness and supports the development of a single and robust standard, based on common rules and applied across all jurisdictions. We strongly believe that such a step would be pivotal towards a sound level playing field at the global level, but only if done correctly. We provided detailed feedback on the high-level principles (HLPs) during the HLP consultation phase, outlining our fundamental concerns with those HLPs. As the IAIS committed to address this feedback through the criteria, we are commenting here both on the HLP and the criteria. Therefore, we are not endorsing those HLPs in this response. In addition, the elements put forward by the IAIS do not provide precise and reliable decision "criteria" but rather a short explanatory text of the principles. These proposals are therefore substantially lacking in their current form and should be significantly improved in order to provide a robust quantitative framework for the comparability assessment. The detailed, in both design and calibration, and prescriptive nature of the ICS as a PCR currently put forward by the IAIS, necessitates an equally detailed and quantitative type of comparability assessment on the AM that establishes

			unequivocally that this different approach does indeed provide substantially the same outcomes. This needs to be established, side by side in the ICS and AM, covering a range of insurers and types of business using a wide range of economic scenarios that can occur on a reporting date. This needs to be done without removing data points or recrafting outcomes to reflect vague concepts such as the business cycle or short-term fluctuations, since such concepts are not specifically accounted for in the ICS, which moves with the economic situation as it presents itself. In that perspective, we welcome the fact the IAIS is willing to provide further clarification on how the assessment should be performed from a quantitative perspective. However, there are still some significant elements which are unclear or not defined, such as how the comparability assessment will be performed. We understand that in parallel to its work on the draft criteria, the IAIS has been advancing discussions on how the comparability assessment will be conducted, focusing on the methodology, process, and governance. However, we regret that those elements have not been included in this consultation document, as they remain key in ensuring that the comparability assessment remains meaningful, robust, and objective. We appreciate the efforts made by the IAIS to provide further guidance on the specification of the assessment, the introduction of sensitivity analysis over different points in time, which will indeed provide clarity on how the AM and the ICS will react in different points in time and different contexts. Nevertheless, we consider that the consultation fails to provide clarity on the actual comparability assessment. Indeed, the consultation is leaving considerable room for interpretation, whether on the definition of elements to be produced, on specific treatments that could be realised on provided data. While we understand how the data that will enable the comparison will be produced, the paramount question on how the assessment is going to be performed remains unanswered. As it stands, no quantitative or clear criteria have been proposed to decide to what extent the results to be produced will be qualified as comparable or incomparable. In that regard, we believe that the consultation fails to provide sufficient assurance on the objectivity and robustness of the comparability assessment. Lacking a solid anchor, the IAIS will unwittingly be drawn into political bargains when deciding on the comparability of the AM, unless the "criteria" are significantly strengthened after this consultation. we would also like to suggest that additional research and third-party views are added into the assessment of comparability. we read with great care the Insurance Policy Advisory Committee's report to the Federal Reserve Board of Governors (June 2022). In this study, the IPAC shows that the ICS is not suitable for the specificities of the US market . Indeed, according to the IPAC's study, the ICS does not reflect market and product specificities in all jurisdictions and, in addition, inconsistently measures assets and liabilities which can lead to inappropriate solvency signals, especially in times of crisis . The study specifies that the ICS standard is too conservative for long-term risks, which would lead US insurers to shift their

			positions towards less risky investments and less capital-intensive products. Thus, according to the IPAC, the ICS as currently defined does not represent a relevant measure of the solvency assessment of insurers in the US . This report therefore concludes that the US supervisory regime is not comparable to the ICS and should not change to converge towards the ICS as it is deemed to be better suited for the needs of the US market. Instead, the report suggests modifying the ICS to make it potentially comparable to the US framework. The conclusions of external reputable bodies such as the IPAC should be included in the comparability assessment and genuinely encouraged and looked for. Based on those conclusions, we consider that it already appears unlikely that the ICS and the AM in their current designs would be able to produce comparable results in terms of level of protection of policyholders and trigger of supervisory actions. Therefore, the need to clearly define and specify robust, objective, and quantitative criteria to assess the comparability between those two standards is more than ever paramount. We stress that the merit of the ICS is not grounded in a supposedly superiority over local supervisory regimes. Indeed, the ICS cannot be as tailored to the specificities of each market as local regimes but should remain a high-level principle to which local regimes should aspire to. Yet, the "criteria" seems to fall short of providing a clear answer on the simple question of comparability. The justification and added value of the ICS must be questioned if no true comparability is achieved. Finally, transparency of the comparability assessment is critical to the credibility of the process and the outcome. Therefore, the specifications for the AM and the ICS used for the comparison exercise need to be made public. For the AM, this includes the scalars used, the aggregation/consolidation methodology to reach a group PCR and any triggers for supervisor intervention. In the same vein, the quantitative results of the comparability assessment need to be made public at appropriate level of aggregation, while maintaining confidentiality.
698. CNP Assurances	France	No	**Answer:** We consider that for the Insurance Capital Standard (ICS) project to be a success and achieve its prime objective, as laid out by the IAIS, it must lead to a single, high-quality, and robust global insurance standard that promotes a sound, global regulatory level playing field. This can only be achieved if the ICS is based on a common methodology through which it achieves comparable (ie, substantially similar) outcomes across jurisdictions. we therefore consider that the Aggregation Method (AM), should produce the same targeted level of policyholder protection and trigger similar supervisory actions over the reporting period (annually and quarterly where appropriate) by the group supervisor and at the same point in time under stressed conditions in order to preserve the objective of a single standard. Consequently, it is vital that the comparability assessment exercise is sufficiently robust, objective, and quantitatively substantiated to ensure the same level of policyholder protection and not to undermine the key objective of a global standard for prudential supervision. Additionally, we believe that it is key that the criteria constitute a comprehensive set, which means that all the criteria must be met in full for the AM to be considered comparable. In that regard, only a

			subset of it would not be sufficient to ensure the robustness, the transparency, and the objectivity of the comparability assessment. Truly, the ICS can only be considered global if all major jurisdictions commit to implementing it as a PCR. Thus, assessing comparability of methods will, if not done properly, fundamentally change the nature of the project and weaken the objective and ability of promoting a sound global level playing field, and would actually contribute to the opposite. A rigorous, quantitative, and robust assessment is essential as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS will not be under the governance or control of the IAIS and its members. In that sense, a double standard in supervision is potentially already created simply by considering the AM comparability. It may have significant consequences for example on any future FSAP assessments with the jurisdictions that ultimately implement the ICS being under a much more strenuous set-up and held to much higher standards than those implementing the AM. The risk of having a de facto double standard in the implementation phase needs to be averted by a robust, quantitatively substantiated comparability assessment. We appreciate the work of the IAIS in setting common standards and establishing a common language in order to facilitate supervisory coordination across jurisdictions and constructive engagement with stakeholders. This important work will ultimately avoid duplicative or contradictory standards between jurisdictions and enhance a sound level playing field at global level. As previously stressed, we believe that, to this extent, the ICS is of crucial importance for global competitiveness and supports the development of a single and robust standard, based on common rules and applied across all jurisdictions. We strongly believe that such a step would be pivotal towards a sound level playing field at the global level, but only if done correctly. We provided detailed feedback on the high-level principles (HLPs) during the HLP consultation phase, outlining our fundamental concerns with those HLPs. As the IAIS committed to address this feedback through the criteria, we are commenting here both on the HLP and the criteria. Therefore, we are not endorsing those HLPs in this response. In addition, the elements put forward by the IAIS do not provide precise and reliable decision "criteria" but rather a short explanatory text of the principles. These proposals are therefore substantially lacking in their current form and should be significantly improved in order to provide a robust quantitative framework for the comparability assessment. The detailed, in both design and calibration, and prescriptive nature of the ICS as a PCR currently put forward by the IAIS, necessitates an equally detailed and quantitative type of comparability assessment on the AM that establishes unequivocally that this different approach does indeed provide substantially the same outcomes. This needs to be established, side by side in the ICS and AM, covering a range of insurers and types of business using a wide range of economic scenarios that can occur on a reporting date. This needs to be done without removing data points or recrafting outcomes to reflect vague concepts such as the business cycle or short-term fluctuations, since such concepts are not specifically accounted for in the ICS, which moves with the economic situation as it presents itself. In that perspective, we welcome the fact the IAIS is willing to provide further clarification on how the assessment should be performed from a quantitative perspective.

			However, there are still some significant elements which are unclear or not defined, such as how the comparability assessment will be performed. We understand that in parallel to its work on the draft criteria, the IAIS has been advancing discussions on how the comparability assessment will be conducted, focusing on the methodology, process, and governance. However, we regret that those elements have not been included in this consultation document, as they remain key in ensuring that the comparability assessment remains meaningful, robust, and objective. We appreciate the efforts made by the IAIS to provide further guidance on the specification of the assessment, the introduction of sensitivity analysis over different points in time, which will indeed provide clarity on how the AM and the ICS will react in different points in time and different contexts. Nevertheless, we consider that the consultation fails to provide clarity on the actual comparability assessment. Indeed, the consultation is leaving considerable room for interpretation, whether on the definition of elements to be produced, on specific treatments that could be realised on provided data. While we understand how the data that will enable the comparison will be produced, the paramount question on how the assessment is going to be performed remains unanswered. As it stands, no quantitative or clear criteria have been proposed to decide to what extent the results to be produced will be qualified as comparable or incomparable. In that regard, we believe that the consultation fails to provide sufficient assurance on the objectivity and robustness of the comparability assessment. Lacking a solid anchor, the IAIS will unwittingly be drawn into political bargains when deciding on the comparability of the AM, unless the "criteria" are significantly strengthened after this consultation. we would also like to suggest that additional research and third-party views are added into the assessment of comparability. we read with great care the Insurance Policy Advisory Committee's report to the Federal Reserve Board of Governors (June 2022). In this study, the IPAC shows that the ICS is not suitable for the specificities of the US market . Indeed, according to the IPAC's study, the ICS does not reflect market and product specificities in all jurisdictions and, in addition, inconsistently measures assets and liabilities which can lead to inappropriate solvency signals, especially in times of crisis . The study specifies that the ICS standard is too conservative for long-term risks, which would lead US insurers to shift their positions towards less risky investments and less capital-intensive products. Thus, according to the IPAC, the ICS as currently defined does not represent a relevant measure of the solvency assessment of insurers in the US . This report therefore concludes that the US supervisory regime is not comparable to the ICS and should not change to converge towards the ICS as it is deemed to be better suited for the needs of the US market. Instead, the report suggests modifying the ICS to make it potentially comparable to the US framework. The conclusions of external reputable bodies such as the IPAC should be included in the comparability assessment and genuinely encouraged and looked for. Based on those conclusions, we consider that it already appears unlikely that the ICS and the AM in their current

			designs would be able to produce comparable results in terms of level of protection of policyholders and trigger of supervisory actions. Therefore, the need to clearly define and specify robust, objective, and quantitative criteria to assess the comparability between those two standards is more than ever paramount. We stress that the merit of the ICS is not grounded in a supposedly superiority over local supervisory regimes. Indeed, the ICS cannot be as tailored to the specificities of each market as local regimes but should remain a high-level principle to which local regimes should aspire to. Yet, the "criteria" seems to fall short of providing a clear answer on the simple question of comparability. The justification and added value of the ICS must be questioned if no true comparability is achieved. Finally, transparency of the comparability assessment is critical to the credibility of the process and the outcome. Therefore, the specifications for the AM and the ICS used for the comparison exercise need to be made public. For the AM, this includes the scalars used, the aggregation/consolidation methodology to reach a group PCR and any triggers for supervisor intervention. In the same vein, the quantitative results of the comparability assessment need to be made public at appropriate level of aggregation, while maintaining confidentiality.
699. COVEA	FRANCE	No	**Answer:** We consider that for the Insurance Capital Standard (ICS) project to be a success and achieve its prime objective, as laid out by the IAIS, it must lead to a single, high-quality, and robust global insurance standard that promotes a sound, global regulatory level playing field. This can only be achieved if the ICS is based on a common methodology through which it achieves comparable (ie, substantially similar) outcomes across jurisdictions. we therefore consider that the Aggregation Method (AM), should produce the same targeted level of policyholder protection and trigger similar supervisory actions over the reporting period (annually and quarterly where appropriate) by the group supervisor and at the same point in time under stressed conditions in order to preserve the objective of a single standard. Consequently, it is vital that the comparability assessment exercise is sufficiently robust, objective, and quantitatively substantiated to ensure the same level of policyholder protection and not to undermine the key objective of a global standard for prudential supervision. Additionally, we believe that it is key that the criteria constitute a comprehensive set, which means that all the criteria must be met in full for the AM to be considered comparable. In that regard, only a subset of it would not be sufficient to ensure the robustness, the transparency, and the objectivity of the comparability assessment. Truly, the ICS can only be considered global if all major jurisdictions commit to implementing it as a PCR. Thus, assessing comparability of methods will, if not done properly, fundamentally change the nature of the project and weaken the objective and ability of promoting a sound global level playing field, and would actually contribute to the opposite. A rigorous, quantitative, and robust assessment is essential as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS, but will not be under the governance or control of the IAIS and its members. In that sense, a double standard in supervision is potentially already created simply by considering the AM comparability. It may have significant consequences for example on any future FSAP assessments with the jurisdictions

			that ultimately implement the ICS being under a much more strenuous set-up and held to much higher standards than those implementing the AM. The risk of having a de facto double standard in the implementation phase needs to be averted by a robust, quantitatively substantiated comparability assessment. We appreciate the work of the IAIS in setting common standards and establishing a common language in order to facilitate supervisory coordination across jurisdictions and constructive engagement with stakeholders. This important work will ultimately avoid duplicative or contradictory standards between jurisdictions and enhance a sound level playing field at global level. As previously stressed, we believe that, to this extent, the ICS is of crucial importance for global competitiveness and supports the development of a single and robust standard, based on common rules and applied across all jurisdictions. We strongly believe that such a step would be pivotal towards a sound level playing field at the global level, but only if done correctly. As the IAIS committed to address HLP received feedbacks through the criteria, we are commenting here both on the HLP and the criteria. Therefore, we are not endorsing those HLPs in this response. In addition, the elements put forward by the IAIS do not provide precise and reliable decision "criteria" but rather a short explanatory text of the principles. These proposals are therefore substantially lacking in their current form and should be significantly improved in order to provide a robust quantitative framework for the comparability assessment. The detailed, in both design and calibration, and prescriptive nature of the ICS as a PCR currently put forward by the IAIS, requires an equally detailed and quantitative type of comparability assessment on the AM that establishes unequivocally that this different approach does indeed provide substantially the same outcomes. This needs to be established, side by side in the ICS and AM, covering a range of insurers and types of business using a wide range of economic scenarios that can occur on a reporting date. This needs to be done without removing data points or recrafting outcomes to reflect vague concepts such as the business cycle or short-term fluctuations, since such concepts are not specifically accounted for in the ICS, which moves with the economic situation as it presents itself. In that perspective, we welcome the fact the IAIS is willing to provide further clarification on how the assessment should be performed from a quantitative perspective. However, there are still some significant elements which are unclear or not defined, such as how the comparability assessment will be performed. We understand that in parallel to its work on the draft criteria, the IAIS has been advancing discussions on how the comparability assessment will be conducted, focusing on the methodology, process, and governance. However, we regret that those elements have not been included in this consultation document, as they are key in ensuring that the comparability assessment remains meaningful, robust, and objective. We appreciate the efforts made by the IAIS to provide further guidance on the specification of the assessment, the introduction of sensitivity analysis over different points in time, which will indeed provide clarity on how the AM and the ICS will react in different points in time and different contexts.

			Nevertheless, we consider that the consultation fails to provide clarity on the actual comparability assessment. Indeed, the consultation is leaving considerable room for interpretation, whether on the definition of elements to be produced, on specific treatments that could be realised on provided data. While we understand how the data that will enable the comparison will be produced, the paramount question on how the assessment is going to be performed remains unanswered. As it stands, no quantitative or clear criteria have been proposed to decide to what extent the results to be produced will be qualified as comparable or incomparable. In that regard, we believe that the consultation fails to provide sufficient assurance on the objectivity and robustness of the comparability assessment. Lacking a solid anchor, the IAIS could unwillingly be drawn into political bargains when deciding on the comparability of the AM, unless the "criteria" are significantly strengthened after this consultation. We would also like to suggest that additional research and third-party views are added into the assessment of comparability. We read with great care the Insurance Policy Advisory Committee's report to the Federal Reserve Board of Governors (June 2022). In this study, the IPAC shows that the ICS is not suitable for the specificities of the US market . Indeed, according to the IPAC's study, the ICS does not reflect market and product specificities in all jurisdictions and, in addition, inconsistently measures assets and liabilities which can lead to inappropriate solvency signals, especially in times of crisis . The study specifies that the ICS standard is too conservative for long-term risks, which would lead US insurers to shift their positions towards less risky investments and less capital-intensive products. Thus, according to the IPAC, the ICS as currently defined does not represent a relevant measure of the solvency assessment of insurers in the US . This report therefore concludes that the US supervisory regime is not comparable to the ICS and should not change to converge towards the ICS as it is deemed to be better suited for the needs of the US market. Instead, the report suggests modifying the ICS to make it potentially comparable to the US framework. The conclusions of external reputable bodies such as the IPAC should be included in the comparability assessment and genuinely encouraged and looked for. Based on those conclusions, we consider that it already appears unlikely that the ICS and the AM in their current designs would be able to produce comparable results in terms of level of protection of policyholders and triggering of supervisory actions. Therefore, the need to clearly define and specify robust, objective, and quantitative criteria to assess the comparability between those two standards is more than ever paramount. We stress that the merit of the ICS is not grounded in a supposedly superiority over local supervisory regimes. Indeed, the ICS cannot be as tailored to the specificities of each market as local regimes but should remain a high-level principle to which local regimes should aspire to. Yet, the "criteria" seems to fall short of providing a clear answer on the simple question of comparability. The justification and added value of the ICS must be questioned if no true comparability is achieved. Finally, transparency of the comparability assessment is critical to the credibility of the process and the outcome.

			Therefore, the specifications for the AM and the ICS used for the comparison exercise need to be made public. For the AM, this includes the scalars used, the aggregation/consolidation methodology to reach a group PCR and any triggers for supervisor intervention. In the same vein, the quantitative results of the comparability assessment need to be made public at appropriate level of aggregation, while maintaining confidentiality.
700. Credit Agricole Assurances	FRANCE	No	**Answer:** We consider that for the Insurance Capital Standard (ICS) project to be a success and achieve its prime objective, as laid out by the IAIS, it must lead to a single, high-quality, and robust global insurance standard that promotes a sound, global regulatory level playing field. This can only be achieved if the ICS is based on a common methodology through which it achieves comparable (ie, substantially similar) outcomes across jurisdictions. we therefore consider that the Aggregation Method (AM), should produce the same targeted level of policyholder protection and trigger similar supervisory actions over the reporting period (annually and quarterly where appropriate) by the group supervisor and at the same point in time under stressed conditions in order to preserve the objective of a single standard. Consequently, it is vital that the comparability assessment exercise is sufficiently robust, objective, and quantitatively substantiated to ensure the same level of policyholder protection and not to undermine the key objective of a global standard for prudential supervision. Additionally, we believe that it is key that the criteria constitute a comprehensive set, which means that all the criteria must be met in full for the AM to be considered comparable. In that regard, only a subset of it would not be sufficient to ensure the robustness, the transparency, and the objectivity of the comparability assessment. Truly, the ICS can only be considered global if all major jurisdictions commit to implementing it as a PCR. Thus, assessing comparability of methods will, if not done properly, fundamentally change the nature of the project and weaken the objective and ability of promoting a sound global level playing field, and would actually contribute to the opposite. A rigorous, quantitative, and robust assessment is essential as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS will not be under the governance or control of the IAIS and its members. In that sense, a double standard in supervision is potentially already created simply by considering the AM comparability. It may have significant consequences for example on any future FSAP assessments with the jurisdictions that ultimately implement the ICS being under a much more strenuous set-up and held to much higher standards than those implementing the AM. The risk of having a de facto double standard in the implementation phase needs to be averted by a robust, quantitatively substantiated comparability assessment. We appreciate the work of the IAIS in setting common standards and establishing a common language in order to facilitate supervisory coordination across jurisdictions and constructive engagement with stakeholders. This important work will ultimately avoid duplicative or contradictory standards between jurisdictions and enhance a sound level playing field at global level. As previously stressed, we believe that, to this extent, the ICS is of crucial importance for global competitiveness and supports the development of a single and robust standard, based on common rules and applied across all jurisdictions. We strongly believe that such a step would be pivotal towards a sound level playing field at the global level, but only if done correctly.

			We provided detailed feedback on the high-level principles (HLPs) during the HLP consultation phase, outlining our fundamental concerns with those HLPs. As the IAIS committed to address this feedback through the criteria, we are commenting here both on the HLP and the criteria. Therefore, we are not endorsing those HLPs in this response. In addition, the elements put forward by the IAIS do not provide precise and reliable decision "criteria" but rather a short explanatory text of the principles. These proposals are therefore substantially lacking in their current form and should be significantly improved in order to provide a robust quantitative framework for the comparability assessment. The detailed, in both design and calibration, and prescriptive nature of the ICS as a PCR currently put forward by the IAIS, necessitates an equally detailed and quantitative type of comparability assessment on the AM that establishes unequivocally that this different approach does indeed provide substantially the same outcomes. This needs to be established, side by side in the ICS and AM, covering a range of insurers and types of business using a wide range of economic scenarios that can occur on a reporting date. This needs to be done without removing data points or recrafting outcomes to reflect vague concepts such as the business cycle or short-term fluctuations, since such concepts are not specifically accounted for in the ICS, which moves with the economic situation as it presents itself. In that perspective, we welcome the fact the IAIS is willing to provide further clarification on how the assessment should be performed from a quantitative perspective. However, there are still some significant elements which are unclear or not defined, such as how the comparability assessment will be performed. We understand that in parallel to its work on the draft criteria, the IAIS has been advancing discussions on how the comparability assessment will be conducted, focusing on the methodology, process, and governance. However, we regret that those elements have not been included in this consultation document, as they remain key in ensuring that the comparability assessment remains meaningful, robust, and objective. We appreciate the efforts made by the IAIS to provide further guidance on the specification of the assessment, the introduction of sensitivity analysis over different points in time, which will indeed provide clarity on how the AM and the ICS will react in different points in time and different contexts. Nevertheless, we consider that the consultation fails to provide clarity on the actual comparability assessment. Indeed, the consultation is leaving considerable room for interpretation, whether on the definition of elements to be produced, on specific treatments that could be realised on provided data. While we understand how the data that will enable the comparison will be produced, the paramount question on how the assessment is going to be performed remains unanswered. As it stands, no quantitative or clear criteria have been proposed to decide to what extent the results to be produced will be qualified as comparable or incomparable. In that regard, we believe that the consultation fails to provide sufficient assurance on the objectivity and robustness of the comparability assessment. Lacking a solid anchor, the IAIS will unwittingly be drawn into political bargains when deciding on the comparability of the AM, unless the "criteria" are significantly strengthened after this consultation.

			we would also like to suggest that additional research and third-party views are added into the assessment of comparability. we read with great care the Insurance Policy Advisory Committee's report to the Federal Reserve Board of Governors (June 2022). In this study, the IPAC shows that the ICS is not suitable for the specificities of the US market . Indeed, according to the IPAC's study, the ICS does not reflect market and product specificities in all jurisdictions and, in addition, inconsistently measures assets and liabilities which can lead to inappropriate solvency signals, especially in times of crisis . The study specifies that the ICS standard is too conservative for long-term risks, which would lead US insurers to shift their positions towards less risky investments and less capital-intensive products. Thus, according to the IPAC, the ICS as currently defined does not represent a relevant measure of the solvency assessment of insurers in the US . This report therefore concludes that the US supervisory regime is not comparable to the ICS and should not change to converge towards the ICS as it is deemed to be better suited for the needs of the US market. Instead, the report suggests modifying the ICS to make it potentially comparable to the US framework. The conclusions of external reputable bodies such as the IPAC should be included in the comparability assessment and genuinely encouraged and looked for. Based on those conclusions, we consider that it already appears unlikely that the ICS and the AM in their current designs would be able to produce comparable results in terms of level of protection of policyholders and trigger of supervisory actions. Therefore, the need to clearly define and specify robust, objective, and quantitative criteria to assess the comparability between those two standards is more than ever paramount. We stress that the merit of the ICS is not grounded in a supposedly superiority over local supervisory regimes. Indeed, the ICS cannot be as tailored to the specificities of each market as local regimes but should remain a high-level principle to which local regimes should aspire to. Yet, the "criteria" seems to fall short of providing a clear answer on the simple question of comparability. The justification and added value of the ICS must be questioned if no true comparability is achieved. Finally, transparency of the comparability assessment is critical to the credibility of the process and the outcome. Therefore, the specifications for the AM and the ICS used for the comparison exercise need to be made public. For the AM, this includes the scalars used, the aggregation/consolidation methodology to reach a group PCR and any triggers for supervisor intervention. In the same vein, the quantitative results of the comparability assessment need to be made public at appropriate level of aggregation, while maintaining confidentiality.
701. France Assureurs	France	No	**Answer:** France Assureurs considers that for the Insurance Capital Standard (ICS) project to be a success and achieve its prime objective, as laid out by the IAIS, it must lead to a single, high-quality, and robust global insurance standard that promotes a sound, global regulatory level playing field. This can only be achieved if the ICS is based on a common methodology through which it achieves comparable (ie, substantially similar) outcomes across jurisdictions. France

			Assureurs therefore considers that the Aggregation Method (AM), should produce the same targeted level of policyholder protection and trigger similar supervisory actions over the reporting period (annually and quarterly where appropriate) by the group supervisor and at the same point in time under stressed conditions in order to preserve the objective of a single standard. Consequently, it is vital that the comparability assessment exercise is sufficiently robust, objective, and quantitatively substantiated to ensure the same level of policyholder protection and not to undermine the key objective of a global standard for prudential supervision. Additionally, we believe that it is key that the criteria constitute a comprehensive set, which means that all the criteria must be met in full for the AM to be considered comparable. In that regard, only a subset of it would not be sufficient to ensure the robustness, the transparency, and the objectivity of the comparability assessment. Truly, the ICS can only be considered global if all major jurisdictions commit to implementing it as a PCR. Thus, assessing comparability of methods will, if not done properly, fundamentally change the nature of the project and weaken the objective and ability of promoting a sound global level playing field, and would actually contribute to the opposite. A rigorous, quantitative, and robust assessment is essential as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS will not be under the governance or control of the IAIS and its members. In that sense, a double standard in supervision is potentially already created simply by considering the AM comparability. It may have significant consequences for example on any future FSAP assessments with the jurisdictions that ultimately implement the ICS being under a much more strenuous set-up and held to much higher standards than those implementing the AM. The risk of having a de facto double standard in the implementation phase needs to be averted by a robust, quantitatively substantiated comparability assessment. The French insurance industry appreciates the work of the IAIS in setting common standards and establishing a common language in order to facilitate supervisory coordination across jurisdictions and constructive engagement with stakeholders. This important work will ultimately avoid duplicative or contradictory standards between jurisdictions and enhance a sound level playing field at global level. As previously stressed, the French insurance industry believes that, to this extent, the ICS is of crucial importance for global competitiveness and supports the development of a single and robust standard, based on common rules and applied across all jurisdictions. We strongly believe that such a step would be pivotal towards a sound level playing field at the global level, but only if done correctly. We provided detailed feedback on the high-level principles (HLPs) during the HLP consultation phase, outlining our fundamental concerns with those HLPs. As the IAIS committed to address this feedback through the criteria, we are commenting here both on the HLP and the criteria. Therefore, we are not endorsing those HLPs in this response. In addition, the elements put forward by the IAIS do not provide precise and reliable decision "criteria" but rather a short explanatory text of the principles. These proposals are therefore substantially lacking in their current form and should be

			significantly improved in order to provide a robust quantitative framework for the comparability assessment. The detailed, in both design and calibration, and prescriptive nature of the ICS as a PCR currently put forward by the IAIS, necessitates an equally detailed and quantitative type of comparability assessment on the AM that establishes unequivocally that this different approach does indeed provide substantially the same outcomes. This needs to be established, side by side in the ICS and AM, covering a range of insurers and types of business using a wide range of economic scenarios that can occur on a reporting date. This needs to be done without removing data points or recrafting outcomes to reflect vague concepts such as the business cycle or short-term fluctuations, since such concepts are not specifically accounted for in the ICS, which moves with the economic situation as it presents itself. In that perspective, France Assureurs welcomes the fact the IAIS is willing to provide further clarification on how the assessment should be performed from a quantitative perspective. However, there are still some significant elements which are unclear or not defined, such as how the comparability assessment will be performed. We understand that in parallel to its work on the draft criteria, the IAIS has been advancing discussions on how the comparability assessment will be conducted, focusing on the methodology, process, and governance. However, France Assureurs regrets that those elements have not been included in this consultation document, as they remain key in ensuring that the comparability assessment remains meaningful, robust, and objective. France Assureurs appreciates the efforts made by the IAIS to provide further guidance on the specification of the assessment, the introduction of sensitivity analysis over different points in time, which will indeed provide clarity on how the AM and the ICS will react in different points in time and different contexts. Nevertheless, France Assureurs considers that the consultation fails to provide clarity on the actual comparability assessment. Indeed, the consultation is leaving considerable room for interpretation, whether on the definition of elements to be produced, on specific treatments that could be realised on provided data. While we understand how the data that will enable the comparison will be produced, the paramount question on how the assessment is going to be performed remains unanswered. As it stands, no quantitative or clear criteria have been proposed to decide to what extent the results to be produced will be qualified as comparable or incomparable. In that regard, France Assureurs believes that the consultation fails to provide sufficient assurance on the objectivity and robustness of the comparability assessment. Lacking a solid anchor, the IAIS will unwittingly be drawn into political bargains when deciding on the comparability of the AM, unless the "criteria" are significantly strengthened after this consultation. France Assureurs would also like to suggest that additional research and third-party views are added into the assessment of comparability. France Assureurs read with great care the Insurance Policy Advisory Committee's report to the Federal Reserve Board of Governors (June 2022). In this study, the IPAC shows that the ICS is not suitable for the specificities of the US market . Indeed, according to the

			IPAC's study, the ICS does not reflect market and product specificities in all jurisdictions and, in addition, inconsistently measures assets and liabilities which can lead to inappropriate solvency signals, especially in times of crisis . The study specifies that the ICS standard is too conservative for long-term risks, which would lead US insurers to shift their positions towards less risky investments and less capital-intensive products. Thus, according to the IPAC, the ICS as currently defined does not represent a relevant measure of the solvency assessment of insurers in the US . This report therefore concludes that the US supervisory regime is not comparable to the ICS and should not change to converge towards the ICS as it is deemed to be better suited for the needs of the US market. Instead, the report suggests modifying the ICS to make it potentially comparable to the US framework. The conclusions of external reputable bodies such as the IPAC should be included in the comparability assessment and genuinely encouraged and looked for. Based on those conclusions, France Assureurs considers that it already appears unlikely that the ICS and the AM in their current designs would be able to produce comparable results in terms of level of protection of policyholders and trigger of supervisory actions. Therefore, the need to clearly define and specify robust, objective, and quantitative criteria to assess the comparability between those two standards is more than ever paramount. France Assureurs stresses that the merit of the ICS is not grounded in a supposedly superiority over local supervisory regimes. Indeed, the ICS cannot be as tailored to the specificities of each market as local regimes but should remain a high-level principle to which local regimes should aspire to. Yet, the "criteria" seems to fall short of providing a clear answer on the simple question of comparability. The justification and added value of the ICS must be questioned if no true comparability is achieved. Finally, transparency of the comparability assessment is critical to the credibility of the process and the outcome. Therefore, the specifications for the AM and the ICS used for the comparison exercise need to be made public. For the AM, this includes the scalars used, the aggregation/consolidation methodology to reach a group PCR and any triggers for supervisor intervention. In the same vein, the quantitative results of the comparability assessment need to be made public at appropriate level of aggregation, while maintaining confidentiality.
702. French Treasury	France	No	**Answer:** From the onset, France has followed the IAIS work of an international standard on capital requirements (ICS), which could lower regulatory barriers, and foster the international expansion of insurance groups. We share this goal to avoid competition distortions, while achieving an ambitious level of policyholder protection and financial stability. Nevertheless, to succeed in ensuring an international level playing field, the ICS needs to be a single standard. In other words, whatever the jurisdiction, the ICS must produce substantially similar outcomes. The Aggregation method is grounded on a very different approach than the ICS. Moreover, its governance escapes from the hands of IAIS and its members. As a result, it can be deemed comparable only if it provides for the same level of policyholder protection and triggers identical supervisory actions at the same point in time, especially in stressed situations.

			France is particularly cautious on the comparability assessment between both methods, and has reservations on the possibility to even consider comparability as achievable, given the fundamental differences in approaching insurance risks. This assessment should be based on a robust and quantitatively substantiated analysis. A conclusion on comparability that would not be based on a rigorous methodology would undoubtedly be detrimental to fair competition among insurance groups from different jurisdictions, as it would create a double standard. Despite the unquestioned difficulty to get an agreement on technicalities that would satisfy all stakeholders, France considers that material improvements will be needed. The sub-criteria proposed are far from meeting what can be expected to achieve a real comparability exercise. In their current form, the comparability assessment is bound to result in a flawed outcome. These detailed criteria use undefined terms, are not quantitatively substantiated, and provide little precisions compared to the high level principles that were previously developed. Some qualitative terms such as "quantum of change", "business cycle" and "material" changes should be much more detailed. In brief, some complementary work will be necessary to end up with a methodology that can be deemed satisfactory. Otherwise, we are wary that precisions will be added in the course of the implementation of the comparability assessment, on the basis of discretionary choices that will be made with less scrutiny power from the IAIS.
703. Groupama	France	No	**Answer:** We consider that for the Insurance Capital Standard (ICS) project to be a success and achieve its prime objective, as laid out by the IAIS, it must lead to a single, high-quality, and robust global insurance standard that promotes a sound, global regulatory level playing field. This can only be achieved if the ICS is based on a common methodology through which it achieves comparable (ie, substantially similar) outcomes across jurisdictions. we therefore consider that the Aggregation Method (AM), should produce the same targeted level of policyholder protection and trigger similar supervisory actions over the reporting period (annually and quarterly where appropriate) by the group supervisor and at the same point in time under stressed conditions in order to preserve the objective of a single standard. Consequently, it is vital that the comparability assessment exercise is sufficiently robust, objective, and quantitatively substantiated to ensure the same level of policyholder protection and not to undermine the key objective of a global standard for prudential supervision. Additionally, we believe that it is key that the criteria constitute a comprehensive set, which means that all the criteria must be met in full for the AM to be considered comparable. In that regard, only a subset of it would not be sufficient to ensure the robustness, the transparency, and the objectivity of the comparability assessment. Truly, the ICS can only be considered global if all major jurisdictions commit to implementing it as a PCR. Thus, assessing comparability of methods will, if not done properly, fundamentally change the nature of the project and weaken the objective and ability of promoting a sound global level playing field, and would actually contribute to the opposite. A rigorous, quantitative, and robust assessment is essential as those jurisdictions that implement the ICS will

			have to abide by the standard developed by the IAIS will not be under the governance or control of the IAIS and its members. In that sense, a double standard in supervision is potentially already created simply by considering the AM comparability. It may have significant consequences for example on any future FSAP assessments with the jurisdictions that ultimately implement the ICS being under a much more strenuous set-up and held to much higher standards than those implementing the AM. The risk of having a de facto double standard in the implementation phase needs to be averted by a robust, quantitatively substantiated comparability assessment. We appreciate the work of the IAIS in setting common standards and establishing a common language in order to facilitate supervisory coordination across jurisdictions and constructive engagement with stakeholders. This important work will ultimately avoid duplicative or contradictory standards between jurisdictions and enhance a sound level playing field at global level. As previously stressed, we believe that, to this extent, the ICS is of crucial importance for global competitiveness and supports the development of a single and robust standard, based on common rules and applied across all jurisdictions. We strongly believe that such a step would be pivotal towards a sound level playing field at the global level, but only if done correctly. We provided detailed feedback on the high-level principles (HLPs) during the HLP consultation phase, outlining our fundamental concerns with those HLPs. As the IAIS committed to address this feedback through the criteria, we are commenting here both on the HLP and the criteria. Therefore, we are not endorsing those HLPs in this response. In addition, the elements put forward by the IAIS do not provide precise and reliable decision "criteria" but rather a short explanatory text of the principles. These proposals are therefore substantially lacking in their current form and should be significantly improved in order to provide a robust quantitative framework for the comparability assessment. The detailed, in both design and calibration, and prescriptive nature of the ICS as a PCR currently put forward by the IAIS, necessitates an equally detailed and quantitative type of comparability assessment on the AM that establishes unequivocally that this different approach does indeed provide substantially the same outcomes. This needs to be established, side by side in the ICS and AM, covering a range of insurers and types of business using a wide range of economic scenarios that can occur on a reporting date. This needs to be done without removing data points or recrafting outcomes to reflect vague concepts such as the business cycle or short-term fluctuations, since such concepts are not specifically accounted for in the ICS, which moves with the economic situation as it presents itself. In that perspective, we welcome the fact the IAIS is willing to provide further clarification on how the assessment should be performed from a quantitative perspective. However, there are still some significant elements which are unclear or not defined, such as how the comparability assessment will be performed. We understand that in parallel to its work on the draft criteria, the IAIS has been advancing discussions on how the comparability assessment will be conducted, focusing on the methodology, process, and governance. However, we regret that those elements have not been included in this consultation document, as they

			remain key in ensuring that the comparability assessment remains meaningful, robust, and objective. We appreciate the efforts made by the IAIS to provide further guidance on the specification of the assessment, the introduction of sensitivity analysis over different points in time, which will indeed provide clarity on how the AM and the ICS will react in different points in time and different contexts. Nevertheless, we consider that the consultation fails to provide clarity on the actual comparability assessment. Indeed, the consultation is leaving considerable room for interpretation, whether on the definition of elements to be produced, on specific treatments that could be realised on provided data. While we understand how the data that will enable the comparison will be produced, the paramount question on how the assessment is going to be performed remains unanswered. As it stands, no quantitative or clear criteria have been proposed to decide to what extent the results to be produced will be qualified as comparable or incomparable. In that regard, we believe that the consultation fails to provide sufficient assurance on the objectivity and robustness of the comparability assessment. Lacking a solid anchor, the IAIS will unwittingly be drawn into political bargains when deciding on the comparability of the AM, unless the "criteria" are significantly strengthened after this consultation. We would also like to suggest that additional research and third-party views are added into the assessment of comparability. we read with great care the Insurance Policy Advisory Committee's report to the Federal Reserve Board of Governors (June 2022). In this study, the IPAC shows that the ICS is not suitable for the specificities of the US market(3). Indeed, according to the IPAC's study, the ICS does not reflect market and product specificities in all jurisdictions and, in addition, inconsistently measures assets and liabilities which can lead to inappropriate solvency signals, especially in times of crisis(4). The study specifies that the ICS standard is too conservative for long-term risks, which would lead US insurers to shift their positions towards less risky investments and less capital-intensive products. Thus, according to the IPAC, the ICS as currently defined does not represent a relevant measure of the solvency assessment of insurers in the US(5). This report therefore concludes that the US supervisory regime is not comparable to the ICS and should not change to converge towards the ICS as it is deemed to be better suited for the needs of the US market. Instead, the report suggests modifying the ICS to make it potentially comparable to the US framework. The conclusions of external reputable bodies such as the IPAC should be included in the comparability assessment and genuinely encouraged and looked for. Based on those conclusions, we consider that it already appears unlikely that the ICS and the AM in their current designs would be able to produce comparable results in terms of level of protection of policyholders and trigger of supervisory actions. Therefore, the need to clearly define and specify robust, objective, and quantitative criteria to assess the comparability between those two standards is more than ever paramount.

			We stress that the merit of the ICS is not grounded in a supposedly superiority over local supervisory regimes. Indeed, the ICS cannot be as tailored to the specificities of each market as local regimes but should remain a high-level principle to which local regimes should aspire to. Yet, the "criteria" seems to fall short of providing a clear answer on the simple question of comparability. The justification and added value of the ICS must be questioned if no true comparability is achieved. Finally, transparency of the comparability assessment is critical to the credibility of the process and the outcome. Therefore, the specifications for the AM and the ICS used for the comparison exercise need to be made public. For the AM, this includes the scalars used, the aggregation/consolidation methodology to reach a group PCR and any triggers for supervisor intervention. In the same vein, the quantitative results of the comparability assessment need to be made public at appropriate level of aggregation, while maintaining confidentiality. (3) « However, the IPAC has concluded that the ICS in its current form does not adequately reflect important features of US long-duration life insurance and retirement products. », page 2 of the IPAC study. (4) « Results from implementation of a global standard must be comparable to facilitate assessments of solvency that are agnostic as to where an insurance group is headquartered. The current iteration of the ICS falls short in this regard as it fails to reflect markets, existing products, and product features in all jurisdictions; and it inconsistently measures assets and liabilities in a way that can lead to inappropriate solvency signalling particularly during times of stress. », page 2 of the IPAC study. (5) « The paper concludes that the ICS as currently constructed is not appropriate for use with US-based IAIGs as a prescribed capital requirement (PCR). », page 2 of the IPAC study.
704. SCOR	France	No	**Answer:** SCOR supports the Reinsurance Advisory Board's comments to this criterion set out below. Insurance Europe's Reinsurance Advisory Board (RAB) welcomes the opportunity to provide comments to the International Association of Insurance Supervisors (IAIS) on the draft criteria that will be used to assess whether the Aggregation Method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS). The ICS project is of particular relevance to and has impact for the European industry, given that a significant number of internationally active insurance groups (IAIGs) are European and that European insurers are active globally.

			This response is focused on the comparability assessment. Other aspects of the ICS project remain under development and consideration by the IAIS and other stakeholders but are also very important. The RAB supports Insurance Europe's key high-level views on these aspects, that can be found on Insurance Europe website (here). In particular, the RAB supports the recognition and inclusion of internal models in the ICS framework. Internal models are a well-established risk management and capital measurement tool, which can be instrumental for recognising reinsurers' global and diversified portfolios. They are, and must continue to be, subject to initial and ongoing company and supervisor validation and approval requirements. Using an internal model provides an appropriate understanding, measurement and management of risk for those undertakings, calibrated to the same confidence level as the standard formula and subject to extensive supervisory oversight. The reference ICS will not be able to provide an appropriate estimate of the ICS target risk measure for all the European IAIGs including RAB companies. Internal models must therefore be a permanent and integral part of the ICS framework. The RAB supports the objective of the ICS project to create a high-quality and robust global insurance standard that promotes a sound and level global regulatory playing field. The RAB recognises that the IAIS is developing the ICS with the aim of "creating a common language for supervisory discussions" with the "ultimate goal of a single ICS that includes a common methodology by which one ICS achieves comparable - ie similar but not identical - outcomes across jurisdictions" and that its objective is "to enhance global convergence among group capital standards" . The RAB supports the aim of the proposed High-Level Principles and associated draft assessment criteria to take a quantitative approach to the comparability assessment. A rigorous, quantitative and robust assessment is essential, and the RAB believes that the following key elements need be changed/clarified before the criteria are finalised and the comparability assessment begins: 1. The AM can only be considered as producing comparable outcomes if any group's prescribed capital requirement (PCR) under the AM would be breached at similar points in time as its PCR under the ICS, leading to much the same supervisory outcomes.

			Therefore, analysis that would provide evidence of this must be included explicitly in the comparability assessment and be part of the required criteria. It is not sufficient to base the comparability assessment on the correlation of movements in the ICS versus those in the AM because it is absolute levels of PCR that will trigger supervisory action. Criterion 1.3e goes some way towards addressing this, but a greater focus on comparing PCR breach points is necessary. It is also noted that one of the challenges for an appropriate comparability assessment that is based on comparing points of PCR breach is that, at present, the method and calibration of scalars to generate a group PCR based on the AM has not yet been developed. In fact, the comparability exercise appears to be used to develop the aggregation approach. This appears circular and problematic. 2. All criteria are considered to be essential and all should be sufficiently met to achieve comparability. High-level principles should not be considered to be achieved when only a subset of the criteria is met. This should be clearly stated as a prerequisite of achieving comparability. 3. Short-term market fluctuations cannot be excluded from the assessment. Short-term market fluctuations are a reality and if they lead to volatility of the PCR they can result in supervisory intervention and therefore need to be included in the comparability assessment. 4. It is vital to compare outcomes under a suitable range of scenarios. The additional scenarios mentioned in criterion 1.3 must include the wide range of market and other scenarios, in particular those that have been experienced, including the very high spreads (eg, those during the financial crisis) and the high and low (negative) interest rates. 5. A suitable sample of real company data should be included in the study. In addition, it may be necessary to also apply scenarios to model companies. In this respect, the IAIS may want to consider the approach taken and work done for the June 2022 Insurance Policy Advisory Committee's report to the Federal Reserve Board of Governors (IPAC report). 6. It is essential to clarify in advance what will guide the IAIS when drawing a final conclusion, for example: - How will the terms "similar(ly)" and "quantum of change" be defined? What are acceptable ranges for variation in the "quantum of change"? - How will

			the term "business cycle" be defined and applied when calculating the correlations? What time intervals will be used for data points within the business cycle? - How will the required level of correlation be decided. What will it be? What correlation metric will be used? How does this relate to the key point of triggering supervisor action (ie, PCR breaches)? - How will prudence be defined and measured? What metrics will be used to assess "offsetting" of prudence between valuation, capital requirements and capital resources? - How will the different elements of the assessment be combined into a final decision? - How will the results from different companies be aggregated, eg, if the AM and ICS appear comparable for some companies but not all, or comparable under some scenarios but not all? 7. The ICS 2.0 is not final. The standard must evolve after the monitoring period ends in 2024, and in particular in response to the shortfalls identified and raised by Insurance Europe and those highlighted in the recent IPAC report. Therefore, the comparability assessment will need to be updated using the improved ICS. It should be made clear how this will be achieved in the comparability assessment process and timetable. 7. Finally, if the AM is found to be comparable following this assessment, the RAB believes that the assessment would need to be updated on a regular basis to provide assurance over time (model drift) and capture evolutions in the ICS and the AM frameworks. Therefore, the high-level principle should be strengthened to ensure that the two standards remain comparable in the long term or, if not, to enable the IAIS to take appropriate measures. To this end, it is proposed to include the following governance principle: "In the event of change in the global ICS and/or the regimes on which the aggregation method is based, clear and transparent governance and processes are put in place to reconsider the comparability of the outcome. Such processes shall include dialogue with stakeholders." If the principle is not updated, The RAB asks the IAIS to elaborate on how assurance over time will be provided. Ultimately, the credibility of the IAIS will be impacted by the suitability of the ICS framework and the quality of the comparability assessment. Therefore, it is very important that an ICS is finalised that is suited to the long-term nature of insurance and any comparability process is rigorous, quantitative and evidence-based.
705. SOGECAP	FRANCE	No	**Answer:** We consider that for the Insurance Capital Standard (ICS) project to be a success and achieve its prime objective, as laid out by the IAIS, it must lead to a single, high-quality, and robust global insurance standard that promotes a sound, global regulatory level playing field. This can only be achieved if the ICS is based on a common methodology through which it achieves comparable (ie, substantially similar) outcomes across jurisdictions. we

			therefore consider that the Aggregation Method (AM), should produce the same targeted level of policyholder protection and trigger similar supervisory actions over the reporting period (annually and quarterly where appropriate) by the group supervisor and at the same point in time under stressed conditions in order to preserve the objective of a single standard. Consequently, it is vital that the comparability assessment exercise is sufficiently robust, objective, and quantitatively substantiated to ensure the same level of policyholder protection and not to undermine the key objective of a global standard for prudential supervision. Additionally, we believe that it is key that the criteria constitute a comprehensive set, which means that all the criteria must be met in full for the AM to be considered comparable. In that regard, only a subset of it would not be sufficient to ensure the robustness, the transparency, and the objectivity of the comparability assessment. Truly, the ICS can only be considered global if all major jurisdictions commit to implementing it as a PCR. Thus, assessing comparability of methods will, if not done properly, fundamentally change the nature of the project and weaken the objective and ability of promoting a sound global level playing field, and would actually contribute to the opposite. A rigorous, quantitative, and robust assessment is essential as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS will not be under the governance or control of the IAIS and its members. In that sense, a double standard in supervision is potentially already created simply by considering the AM comparability. It may have significant consequences for example on any future FSAP assessments with the jurisdictions that ultimately implement the ICS being under a much more strenuous set-up and held to much higher standards than those implementing the AM. The risk of having a de facto double standard in the implementation phase needs to be averted by a robust, quantitatively substantiated comparability assessment. We appreciate the work of the IAIS in setting common standards and establishing a common language in order to facilitate supervisory coordination across jurisdictions and constructive engagement with stakeholders. This important work will ultimately avoid duplicative or contradictory standards between jurisdictions and enhance a sound level playing field at global level. As previously stressed, we believe that, to this extent, the ICS is of crucial importance for global competitiveness and supports the development of a single and robust standard, based on common rules and applied across all jurisdictions. We strongly believe that such a step would be pivotal towards a sound level playing field at the global level, but only if done correctly. We provided detailed feedback on the high-level principles (HLPs) during the HLP consultation phase, outlining our fundamental concerns with those HLPs. As the IAIS committed to address this feedback through the criteria, we are commenting here both on the HLP and the criteria. Therefore, we are not endorsing those HLPs in this response. In addition, the elements put forward by the IAIS do not provide precise and reliable decision "criteria" but rather a short explanatory text of the principles. These proposals are therefore substantially lacking in their current form and should be significantly improved in order to provide a robust quantitative framework for the comparability assessment. The detailed, in both design and calibration, and prescriptive nature of the ICS as a PCR currently put forward by the IAIS, necessitates an equally detailed and quantitative type of comparability assessment on the AM that establishes unequivocally that this different approach does indeed provide substantially the same outcomes. This needs to be

			established, side by side in the ICS and AM, covering a range of insurers and types of business using a wide range of economic scenarios that can occur on a reporting date. This needs to be done without removing data points or recrafting outcomes to reflect vague concepts such as the business cycle or short-term fluctuations, since such concepts are not specifically accounted for in the ICS, which moves with the economic situation as it presents itself. In that perspective, we welcome the fact the IAIS is willing to provide further clarification on how the assessment should be performed from a quantitative perspective. However, there are still some significant elements which are unclear or not defined, such as how the comparability assessment will be performed. We understand that in parallel to its work on the draft criteria, the IAIS has been advancing discussions on how the comparability assessment will be conducted, focusing on the methodology, process, and governance. However, we regret that those elements have not been included in this consultation document, as they remain key in ensuring that the comparability assessment remains meaningful, robust, and objective. We appreciate the efforts made by the IAIS to provide further guidance on the specification of the assessment, the introduction of sensitivity analysis over different points in time, which will indeed provide clarity on how the AM and the ICS will react in different points in time and different contexts. Nevertheless, we consider that the consultation fails to provide clarity on the actual comparability assessment. Indeed, the consultation is leaving considerable room for interpretation, whether on the definition of elements to be produced, on specific treatments that could be realised on provided data. While we understand how the data that will enable the comparison will be produced, the paramount question on how the assessment is going to be performed remains unanswered. As it stands, no quantitative or clear criteria have been proposed to decide to what extent the results to be produced will be qualified as comparable or incomparable. In that regard, we believe that the consultation fails to provide sufficient assurance on the objectivity and robustness of the comparability assessment. Lacking a solid anchor, the IAIS will unwittingly be drawn into political bargains when deciding on the comparability of the AM, unless the "criteria" are significantly strengthened after this consultation. we would also like to suggest that additional research and third-party views are added into the assessment of comparability. we read with great care the Insurance Policy Advisory Committee's report to the Federal Reserve Board of Governors (June 2022). In this study, the IPAC shows that the ICS is not suitable for the specificities of the US market . Indeed, according to the IPAC's study, the ICS does not reflect market and product specificities in all jurisdictions and, in addition, inconsistently measures assets and liabilities which can lead to inappropriate solvency signals, especially in times of crisis . The study specifies that the ICS standard is too conservative for long-term risks, which would lead US insurers to shift their positions towards less risky investments and less capital-intensive products. Thus, according to the IPAC, the ICS as

			currently defined does not represent a relevant measure of the solvency assessment of insurers in the US . This report therefore concludes that the US supervisory regime is not comparable to the ICS and should not change to converge towards the ICS as it is deemed to be better suited for the needs of the US market. Instead, the report suggests modifying the ICS to make it potentially comparable to the US framework. The conclusions of external reputable bodies such as the IPAC should be included in the comparability assessment and genuinely encouraged and looked for. Based on those conclusions, we consider that it already appears unlikely that the ICS and the AM in their current designs would be able to produce comparable results in terms of level of protection of policyholders and trigger of supervisory actions. Therefore, the need to clearly define and specify robust, objective, and quantitative criteria to assess the comparability between those two standards is more than ever paramount. We stress that the merit of the ICS is not grounded in a supposedly superiority over local supervisory regimes. Indeed, the ICS cannot be as tailored to the specificities of each market as local regimes but should remain a high-level principle to which local regimes should aspire to. Yet, the "criteria" seems to fall short of providing a clear answer on the simple question of comparability. The justification and added value of the ICS must be questioned if no true comparability is achieved. Finally, transparency of the comparability assessment is critical to the credibility of the process and the outcome. Therefore, the specifications for the AM and the ICS used for the comparison exercise need to be made public. For the AM, this includes the scalars used, the aggregation/consolidation methodology to reach a group PCR and any triggers for supervisor intervention. In the same vein, the quantitative results of the comparability assessment need to be made public at appropriate level of aggregation, while maintaining confidentiality.
706. Allianz SE	Germany	No	**Answer:** Allianz Group welcomes the opportunity to provide comments on the International Association of Insurance Supervisors' (IAIS) draft criteria that will be used to assess whether the Aggregation Method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS). Allianz Group recognises that the IAIS is conducting the ICS with the aim of creating a common language for supervisory discussions, with the ultimate goal of a single ICS that includes a common methodology by which one ICS achieves comparable - i.e., substantially the same - outcomes across jurisdictions and that its objective is to enhance global convergence among group capital standards. We support the respective responses to this consultation made by Insurance Europe and the German "Gesamtverband der Versicherer". In the specific sections we highlight specific points of particular importance.
707. German Insurance Association	Germany	No	**Answer:** GDV welcomes the opportunity to provide comments on the International Association of Insurance Supervisors' (IAIS) draft criteria that will be used to assess whether the Aggregation Method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS). The ICS project is of particular relevance and has impact for the

			German industry, given that a significant number of the IAIGs are German. GDV recognises that the IAIS is conducting the ICS with the aim of creating a common language for supervisory discussions, with the ultimate goal of a single ICS that includes a common methodology by which one ICS achieves comparable - ie substantially the same - outcomes across jurisdictions and that its objective is to enhance global convergence among group capital standards . GDV supports the objective of the ICS project for a high-quality and robust global insurance standard, which promotes a sound, global regulatory level playing field. GDV supports the aim of the proposed High-Level Principles and associated draft assessment criteria to take a quantitative approach to the comparability assessment. However, the following key elements need changing/clarifying before the criteria are finalised and the comparability assessment begins: 1. The ICS 2.0 needs improving to better capture insurers business model and real risks, for example, to avoid excessive capital requirements and over-sensitivity to short-term market volatility. These concerns, which can have unnecessary adverse impact on insurers ability to write long-term products, to invest and to avoid procyclicality, have been raised by both the insurance industry and a number of supervisors and are also highlighted in the June 2022 Insurance Policy Advisory Committee's report to the Federal Reserve Board of Governors (IPAC report). Therefore, any comparability assessment needs to be updated using the improved ICS. It should be made clear how this will be achieved in the comparability assessment process and timetable. 2. The specifications for the AM and the ICS used for the comparison exercise need to be made public. For the AM, this includes the scalars used, the aggregation/consolidation methodology to reach a group PCR and any triggers for supervisor intervention. 3. The AM can only be considered as producing comparable outcomes if any group's PCR under the AM would be breached at similar points in time as its PCR under the ICS. Therefore, analysis which would provide evidence of this must be included explicitly in the comparability assessment and criteria. It is not sufficient to base the comparability assessment on the correlation of movements in ICS vs AM because it is absolute levels of PCR which will trigger supervisory action. Criterion 1.3e goes some way towards addressing this but a greater focus on comparing PCR breach points is necessary. 4. Short-term market fluctuations cannot be excluded from the assessment. Short-term market fluctuations are a reality and if they lead to volatility of the PCR, they can result in supervisory intervention and therefore need to be included into the comparability assessment. Draft criterion 1.2 notes that short-term market fluctuations could lead to false indications. This is true and this must be avoided by correcting solvency measure (either ICS or AM) to avoid false indications and not by excluding market fluctuations from the assessment.

			5. It is vital to compare outcomes under a range of scenarios. The additional scenarios mentioned in criterion 1.3 must include the wide range of market and other scenarios, in particular those that have been experienced, including the very high spreads and the high and low (negative) interest rates. 6. It is essential to clarify in advance what will guide the IAIS when drawing a final conclusion, for example: - How will the term "similar" be defined? - How will the term "business cycle" be defined and what impact will that have? - How will the required level of correlation be decided and how does this relate to the key point of triggering supervisor action (ie, PCR breaches)? - How will the different elements of the assessment be combined into a final decision? - How will the results across different companies be aggregated - eg, if the AM and ICS appear comparable for some companies but not all, or comparable under some scenarios but not all? 7. In order to assess comparability of the PCR (ie, at what point the ICS PCR vs AM PCR would be breached) and to compare the ICS PCR vs AM PCR under a suitable range of different economic and other scenarios (ie during financial crisis spread movements), it may be necessary/beneficial to apply scenarios to model companies rather than to only rely on simulations run by volunteer companies. In this respect the IAIS may want to consider the approach taken and work done for the recent IPAC report. 8. Finally, if the AM is found to be comparable following this assessment process, GDV highlights that the assessment would need to be updated on a regular basis, in case that the global ICS and the AM frameworks evolve over time. Therefore, the high-level principle should be strengthened to ensure that the two standards remain comparable in the long term and if not, to enable the IAIS to take appropriate measures. To this end, it is proposed to include the following governance principle: "In the event of change in the global ICS and/or the regimes on which the aggregation method is based, clear and transparent governance and processes are put in place to reconsider the comparability of the outcome. Procedures are put in place to resolve disputes raised by stakeholders in relation to the comparability of the outcome."
708. Global Federation of Insurance Association	Global	No	**Answer:** Dear IAIS secretariat, GFIA notes the 15 June publication of the IAIS Public Consultation on the draft criteria that will be used to assess whether the Aggregation Method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS). It welcomes the opportunity to comment and considers the strong emphasis the IAIS has placed on stakeholder input encouraging and critical in achieving a meaningful outcome. However, after much deliberation, GFIA members have concluded that it would not be possible to submit a response to the detailed questions in the consultation. Principally,

			this is due to jurisdictional differences of opinion that remain, relating to the exercise itself and the wider ICS. GFIA outlines below its view of the challenges this exercise presents and the factors it deems critical for the IAIS to consider as it conducts this assessment. 1. The ICS version 2.0 is not final. GFIA expects the standard to have evolved after the monitoring period ends in 2024 in response to any identified current and future shortfalls. As the ICS itself is still subject to change, GFIA questions the appropriateness of conducting a comparability assessment using an unfinished standard as a benchmark or reference. 2. GFIA would highlight that some of the wording used in the draft criteria could be deemed open to wide-ranging interpretation. Terms such as "prudence", "short term" and "business cycle", amongst others, are subjective and could be defined in different ways. Providing the required clarity on these terms is necessary. 3. From a purely practical perspective, GFIA members have struggled to adequately consider and compile various views and ultimately to submit a response to this consultation given the short timeframes. It also notes that a request for an extension to the timelines by a GFIA member was declined by the IAIS. Members consider responding to this complex exercise a significant undertaking and would have welcomed extra time to engage meaningfully with their member companies, other stakeholders and ultimately with the consultation itself. 4. Furthermore, GFIA has concerns about the comparability assessment timeline scheduled to run from Q3 2023 to Q2 2024 and during the ICS monitoring period as outlined in the IAIS Explanatory Note. Firstly, this may not give enough time to complete the exercise and, secondly, the timeline does not appropriately account for the planned consultation and economic impact assessment of the ICS expected to be launched in mid-2023. GFIA hopes that, given the challenges highlighted above, you find its comments constructive. It would welcome the opportunity to discuss any of the points raised in greater detail. Yours sincerely, Charlotte Clark Chair, GFIA Capital Working Group
709. AIA and Prudential plc	Hong Kong	No	**Answer:** Under the Hong Kong group-wide supervisory regime we are subject to a range of group-wide supervisory requirements, including Pillar 1 capital requirements based on the Local Capital Summation Method (LCSM). The LCSM aggregates local PCR's (and MCR's) without modification. We are also required to perform a Group Internal Economic Capital Assessment (GIECA), which is a group-defined internal model based on a market-adjusted valuation

			approach. The GIECA is approved by the group's Board of Directors and submitted for review to our group-wide supervisor, the Hong Kong Insurance Authority (HKIA). The HKIA may impose a capital add-on to the Pillar 1 requirements based on a variety of considerations, including whether the GIECA indicates a deficit at the group level. Our comments are made from this perspective. There is a presumption throughout this consultation document that "the" Aggregation Method as defined by the NAIC, is the only method to be assessed against the ICS for comparability. We strongly disagree with this presumption. Whatever criteria are eventually agreed for assessing comparability of the AM as defined by the US should be applied to similar approaches, such as the Hong Kong LCSM. The LCSM should be tested along with the NAIC-defined Final AM for comparability using the same criteria. If, in fact the LCSM is found to be more prudent than the ICS, while exhibiting a high degree of correlation with the ICS and satisfying the other comparability criteria then it should be deemed to produce comparable outcomes. This is true whether or not the NAIC-defined AM does the same. We would be happy to provide more detail on the LCSM if that would be helpful. Finally, as a general matter we wish to emphasize two points. First, criteria that specify methodologies that are impossible as a practical matter for companies to comply with could doom the entire exercise, i.e., preclude the AM from the outset. While we understand the IAIS's desire for a very robust assessment, this must be balanced against the practicalities of what is feasible. Second, compliance with the criteria must be evaluated using the principle of proportionality. We suggest that the IAIS should make this clear in any introductory remarks to the criteria. For example, there may not be a one-to-one correspondence between the risks captured by the AM and the ICS. An overly strict reading of the first sentence of criterion 2.2 could likewise preclude the AM from the outset.
710. The Actuarial Society of Hong Kong	Hong Kong	No	**Answer:** Under the recently introduced Hong Kong group-wide supervisory (GWS) regime large multinational insurance groups headquartered in Hong Kong (including IAIG's) are subject to a range of group-wide supervisory requirements, including Pillar 1 capital requirements based on the Local Capital Summation Method (LCSM). The LCSM aggregates local PCR's (and MCR's) without modification. Groups subject to the GWS regime are also required to perform a Group Internal Economic Capital Assessment (GIECA), which is a group-defined internal model based on a market-adjusted valuation approach. The GIECA is approved by the group's Board of Directors and submitted for review to the HKIA. The HKIA may impose a capital add-on to the Pillar 1 requirements based on a variety of considerations, including whether the GIECA indicates a deficit at the group level. Our comments are made from this perspective. The ASHK believes this system is sound from a financial actuarial point of view. There is a presumption throughout this consultation document that "the" Aggregation Method as defined by the NAIC, is the only method to be assessed against the ICS for comparability. We strongly disagree with this presumption. Whatever criteria are eventually agreed for assessing comparability of the AM as defined by the US should be applied to similar approaches, such as the Hong Kong LCSM. The LCSM should be tested along with the NAIC-defined Final

			AM for comparability using the same criteria. If, in fact the LCSM is found to be more prudent than the ICS, while exhibiting a high degree of correlation with the ICS and satisfying the other comparability criteria then it should be deemed to produce comparable outcomes. This is true whether or not the NAIC defined AM does the same.
711. International Actuarial Association	International	No	**Answer:** The AM and ICS are metrics. These metrics or measures need to be viewed separately from how they are used by supervisors or regulators based on implementing legislation or regulation. The IAA questions whether the concept of a "representative sample" can be applied where the universe of possible candidates for the sample is very small. For example, there is only one IAIG domiciled in the U.S. with a business model focused on life reinsurance.
712. General Insurance Association of Japan	Japan	No	**Answer:** We welcome the progress of the IAIS's work on comparability criteria between the AM and ICS. 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.
714. DGSFP	SPAIN	No	**Answer:** The Aggregation method is grounded on a very different approach than the ICS. In order to be admissible, it must provide at least the same level of prudence and protection to policyholders as the ICS, for all the relevant elements thereof. It has also to trigger identical supervisory actions at the same point in time, especially in stressed situations. We are particularly cautious on the comparability assessment between both methods, and have reservations on the possibility to even consider comparability as achievable, given the fundamental differences in approaching insurance risks. The draft criteria laid down in the consultation to compare the AM and the ICS is clearly insufficient to ensure that the AM comparability assessment delivers robust and credible outputs. Therefore the criteria will not enable the IAIS to draw useful conclusions on whether the AM meets the aforementioned objective. In any case, the assessment must be performed for a longer period than the one proposed in the Consultation, in order to assess the comparability over time, including periods of financial crisis. Finally, it must be highlighted that the use of the AM shall not give rise to unfair competitive advantage
716. Fubon Life Insurance Co., Ltd.	Taiwan	No	**Answer:** 1. AM results are totally dependent on the local capital requirements, which are different significantly from country to country. Hence, the comparison between ICS and AM may be distort from samples. More specific, suppose the local capital requirements are similar to ICS (e.g. Europe, Japan, Singapore, Korea, Hong Kong), the AM results will

			be consistent with ICS. Therefore, we suggest the sample and comparison process should considering the distorted condition. 2. Considering many countries, including our country, are developing new capital requirements based on ICS, the new capital requirements change may affect assessment results in 2023Q3~2024Q2.
717. Nan Shan Life Insurance Co., Ltd.	Taiwan	No	**Answer:** According to AM's methodology and its development purpose, with the adoption of ICS in 2025, AM may become alternative solvency index to evaluate the international active insurance group. Since many countries are still planning to implement the new regulatory solvency regime in the next few years, the solvency ratio which would be used after 2025 should be collected as a basis for subsequent evaluation when assessing whether AM and ICS have comparable outcomes. Considering that the new solvency regime of Taiwan would be implemented in 2026, it is suggested that the AM data collection from Taiwan should be changed from the current RBC regime to the ICS quantitative impact study (QIS) in order to meet the purpose of AM data collection. (However, the results of each year QIS may been volatile due to the adjustment of the transition measures, so the problem of inconsistent calculation basis may be encountered when collecting data from different years.)
718. NN Group	The Netherlands	No	**Answer:** NN Group welcomes the opportunity to provide comments to the International Association of Insurance Supervisors (IAIS) on the draft criteria that will be used to assess whether the Aggregation Method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS). The ICS project is of particular relevance to and has impact for the European industry, given that a significant number of internationally active insurance groups (IAIGs) are European and that European insurers are active globally. This response is focused on the comparability assessment. Other aspects of the ICS project remain under development and consideration by the IAIS and other stakeholders but are also very important. NN Group supports the objective of the ICS project to create a high-quality and robust global insurance standard that promotes a sound and level global regulatory playing field. NN Group recognises that the IAIS is developing the ICS with the aim of "creating a common language for supervisory discussions" with the "ultimate goal of a single ICS that includes a common methodology by which one ICS achieves comparable - ie similar but not identical - outcomes across jurisdictions" and that its objective is "to enhance global convergence among group capital standards" . NN Group supports the aim of the proposed High-Level Principles and associated draft assessment criteria to take a quantitative approach to the comparability assessment. A rigorous, quantitative and robust assessment is essential, as those jurisdictions that implement the ICS will have to abide by the standard developed by the IAIS, while the outcome of the AM will be dependent on the underlying solvency regimes, which may not be under the governance or direct control of the IAIS and its members. So, a double standard in supervision is potentially already created simply by considering the AM comparability. It may have significant consequences on, for example, any future assessments

			under the financial sector assessment program (FSAP) with the jurisdictions that ultimately implement the ICS being under a much more strenuous set-up and held to much higher standards than those implementing the AM. The risk of having a de facto double standard in the implementation phase needs to be averted by a robust, quantitatively substantiated comparability assessment. For this to be achieved, the following key elements need be changed/clarified before the criteria are finalised and the comparability assessment begins: 1. The AM can only be considered as producing comparable outcomes if any group's prescribed capital requirement (PCR) under the AM would be breached at similar points in time as its PCR under the ICS, leading to much the same supervisory outcomes. Therefore, analysis that would provide evidence of this must be included explicitly in the comparability assessment and be part of the required criteria. It is not sufficient to base the comparability assessment on the correlation of movements in the ICS versus those in the AM because it is absolute levels of PCR that will trigger supervisory action. Criterion 1.3e goes some way towards addressing this, but a greater focus on comparing PCR breach points is necessary. It is also noted that one of the challenges for an appropriate comparability assessment that is based on comparing points of PCR breach is that, at present, the method and calibration of scalars to generate a group PCR based on the AM has not yet been developed. In fact, the comparability exercise appears to be used to develop the aggregation approach. This appears circular and problematic. 2. All criteria are considered to be essential and all should be sufficiently met to achieve comparability. High-level principles should not be considered to be achieved when only a subset of the criteria is met. This should be clearly stated as a prerequisite of achieving comparability. 3. Short-term market fluctuations cannot be excluded from the assessment. Short-term market fluctuations are a reality and if they lead to volatility of the PCR they can result in supervisory intervention and therefore need to be included in the comparability assessment. 4. It is vital to compare outcomes under a suitable range of scenarios. The additional scenarios mentioned in criterion 1.3 must include the wide range of market and other scenarios, in particular those that have been experienced, including the very high spreads (eg, those during the financial crisis) and the high and low (negative) interest rates. 5. A suitable sample of real company data should be included in the study. In addition, it may be necessary to also apply scenarios to model companies. In this respect, the IAIS may want to consider the approach taken and work done for the June 2022 Insurance Policy Advisory Committee's report to the Federal Reserve Board of Governors (IPAC

			report). 6. It is essential to clarify in advance what will guide the IAIS when drawing a final conclusion, for example: - How will the terms "similar(ly)" and "quantum of change" be defined? What are acceptable ranges for variation in the "quantum of change"? - How will the term "business cycle" be defined and applied when calculating the correlations? What time intervals will be used for data points within the business cycle? - How will the required level of correlation be decided. What will it be? What correlation metric will be used? How does this relate to the key point of triggering supervisor action (ie, PCR breaches)? - How will prudence be defined and measured? What metrics will be used to assess "offsetting" of prudence between valuation, capital requirements and capital resources? - How will the different elements of the assessment be combined into a final decision? - How will the results from different companies be aggregated, eg, if the AM and ICS appear comparable for some companies but not all, or comparable under some scenarios but not all? 7. The ICS 2.0 is not final. The standard must evolve after the monitoring period ends in 2024, and in particular in response to the shortfalls identified and raised by NN Group and those highlighted in the recent IPAC report. Therefore, the comparability assessment will need to be updated using the improved ICS. It should be made clear how this will be achieved in the comparability assessment process and timetable. 8. Finally, if the AM is found to be comparable following this assessment, NN Group believes that the assessment would need to be updated on a regular basis to provide assurance over time (model drift) and capture evolutions oin the ICS and the AM frameworks. Therefore, the high-level principle should be strengthened to ensure that the two standards remain comparable in the long term or, if not, to enable the IAIS to take appropriate measures. To this end, it is proposed to include the following governance principle: "In the event of change in the global ICS and/or the regimes on which the aggregation method is based, clear and transparent governance and processes are put in place to reconsider the comparability of the outcome. Such processes shall include dialogue with stakeholders." If the principle is not updated, NN Group asks the IAIS to elaborate on how assurance over time will be provided. Ultimately, the credibility of the IAIS will be impacted by the suitability of the ICS framework and the quality of the comparability assessment. Therefore, it is very important that an ICS is finalised that is suited to the long-term nature of insurance and any comparability process is rigorous, quantitative and evidence-based. Comments on criteria for High-Level Principle 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.
719. acli	U.S.A.	No	**Answer:** We recognize the considerable effort, thought, and consideration that the IAIS has brought to bear in developing a multi-faceted and meaningful comparability assessment process. This important milestone is of significant interest not only to ACLI members headquartered in the US, but also to several members whose groups are based in jurisdictions that are either planning to adopt - or keenly interested in - the AM as an outcome-equivalent implementation of the ICS. For example, we are aware that in 2021 the Hong Kong Insurance Authority adopted a form of the AM as the Pillar 1 group capital standard for large insurance groups, including internationally active insurance groups (IAIG) headquartered there. Indeed, ACLI members from a range of jurisdictions view the alignment of the AM with local capital standards as an important source of prudential consistency and transparency, particularly when compared with the ICS. We share the IAIS commitment to a process that is credible, as embodied by the principle that "the AM is neither precluded at the outset as an outcome equivalent approach to the ICS for measuring group capital nor given a free pass." We also support the IAIS objective of focusing on outcomes, which in practice should assess: - The utility of AM and ICS, respectively, in informing similar supervisory actions under comparable stress scenarios. - The practical merits and proven experience of each construct in enabling and reflecting prudent capital management within and across insurance jurisdictions globally (notably, many IAIGs globally already manage group capital on a jurisdictionally based approach that forms the underpinning of the AM). - The extent to which either construct might be prone to either "false positives" (over-reacting to transitory volatility) or "false negatives" (failing to appropriately indicate solvency weakness) in response to different market environments. The comparability assessment should be outcome driven rather than process driven. For example, the exact details of the implementation of the AM may be different as applied by US-based regulators to US-based IAIG's and as applied by the Hong Kong regulator to Hong Kong-based IAIG's, but the supervisory outcomes may well be comparable. These important foundations of the IAIS proposal - namely, the multi-faceted nature of the assessment criteria, the IAIS commitment to not preclude AM from the outset, and the emphasis on supervisory outcomes -- necessarily mean that the IAIS assessment must apply a holistic consideration of the criteria in totality, rather than merely a reductive quantitative comparison of AM and ICS ratios. Moreover, from a broader prudential standpoint, although AM and ICS apply distinct methodologies, each is a risk-based construct developed with the objective of promoting the core supervisory outcomes of policyholder protection and financial stability. To this end, we believe that a holistic implementation of the criteria is one that:

			- Applies a necessary degree of judgment and recognizes that a holistic evidence-based approach to determining comparability should be primarily based on qualitative analysis supported by quantitative analysis that recognizes the structural differences between ICS and AM and avoids unnecessary operational issues; - Prioritizes the criteria most relevant to the comparability assessment (e.g., the assessment of regulatory intervention in situations where available capital falls below required capital; comparisons of risk coverage; assessing the elements of prudence in their totality across the criteria) and, at the same time, de-emphasizes criteria that have less substantive meaning or uncertain relevance, particularly if involving considerable operational challenges (e.g., the reliance on volunteer scenario analysis of ICS, which as noted in this letter poses both analytical and operational challenges; the number of volunteer participants submitting ICS data); - Rejects an ingoing "anchoring bias" of presuming that ICS is the optimal standard relative to AM, by considering the validity of the signaling each framework (i.e., AM vs MAV) delivers rather than continuing to emphasize that the AM should mirror MAV; - Aims to understand the potential sources of difference between an appropriately scaled AM ratio relative to the ICS ratio, with attribution for differences to enable regulators to compare and understand the respective measures; and - Avoids potentially arbitrary "pass/fail" determinations for individual criteria. In ensuring that the finalization and implementation of the assessment criteria do not preclude AM at the outset, we believe it is essential to consider two dimensions: analytical and operational. From an analytical standpoint, we believe that certain criteria, as currently designed, would likely preclude a determination that AM and ICS are comparable, particularly if the principle of proportionality were to be ignored. For example, as noted in our comments on draft criterion 2.2, there may be a very limited number of risks captured by the AM that are not captured by the ICS (and vice versa). A strict application of this criterion without proper consideration of proportionality and the impact on supervisory outcomes could preclude the AM from the outset. Similarly, criteria that imply identical quantitative results or that presume similar underlying methodologies - rather than focusing on supervisory outcomes and practical utility - are less likely to yield a conclusive comparability determination for AM. For example, we are concerned that an overemphasis on the "correlation" between AM and ICS in the absence of proportionality and consideration of supervisory outcomes presumes that different methodologies must behave in the same fashion - even in cases where the ICS is potentially reacting in a distortive manner during episodic market volatility. Moreover, the heavy dependence on volunteer data collection poses interpretive challenges, in that such data can reflect significant noise stemming from management actions and differences in business profiles, calculation assumptions, and "best efforts" processing. Of equal importance, certain criteria could pose operational challenges, meaning that the performance or

			implementation of the criteria would be highly difficult or even impossible to carry out, particularly given the relatively short window remaining in the Monitoring Period. For example, any criteria that hinge on volunteer data collection would involve operational challenges from multiple sources, including: - Data needed to identify and calibrate sensitivities; - Requirements to project ICS (and AM) over an extended period of time (e.g., the business cycle), which adds significant computational complexity relative to a point in time ICS estimate, given that many insurers are unlikely to currently have systems in place to project ICS forward under varying economic scenarios; and - The relatively short remaining Monitoring Period window. Unless companies have ICS implemented into their ERM frameworks, then volunteers would have to devise workarounds, extrapolations, and "best efforts" processes to satisfy the scenario-related criteria. Moreover, this over-emphasis on quantitative analysis is vulnerable to false precision in deriving results. With this context, we therefore offer the following targeted feedback on the proposed IAIS criteria, including support for those criteria we believe to be useful; critiques in cases where we believe the criteria are problematic - particularly if precluding AM from the outset; and constructive suggestions where we believe that refinements could improve the utility of certain criteria. We remain supportive and hopeful that, with a holistic assessment approach and several (in some cases, significant) modifications to the proposed criteria, the IAIS comparability effort can, where appropriate, lead to a conclusion that the Aggregation Method achieves comparable outcomes to the ICS.
720. Allstate Insurance Company	United States	No	**Answer:** We appreciate the opportunity to comment on the "Draft criteria that will be used to assess whether the Aggregation Method provides comparable outcomes to the Insurance Capital Standard." We continue to support the use of the Aggregation Method (AM) as an efficient and effective tool to monitor capital requirements of an insurance group. The AM builds on existing jurisdictional frameworks, including the robust risk-based capital (RBC) framework in the U.S. that has been in place and functioning effectively for decades. By using the AM, results from existing jurisdictional frameworks can be aggregated together in an efficient process to produce a relevant group-wide view of capital. As our comments reflect, the comparability assessment of AM to ICS should not be a strict quantitative comparison of AM and ICS. Rather, the assessment needs to have a significant qualitative component that focuses on the components of the underlying jurisdictional frameworks and the outcomes produced by application of the AM, while also taking into account other jurisdictional tools that mitigate risks faced by insurance groups. The AM should not be viewed

			in a silo without consideration of other tools, as a holistic view of the AM and other tools is critical to understanding how the AM produces comparable outcomes to the ICS. In short, over reliance on quantitative comparisons including narrowly constructed correlation assessments will likely lead to a conclusion that the AM and ICS are not sufficiently comparable even though both produce equivalent outcomes. More specifically, because of their different construction and different use of market and book values it is unlikely they would produce results that are sufficiently correlated at all observations points from the perspective of the IAIS, notwithstanding that over longer periods they would produce equivalent outcomes. By way of analogy, we believe a bus and automobile can produce outcome equivalence when determining travel between point A and B if one is determining if passengers are safely delivered from point A to B within a similar time period. However, if one were to judge outcome equivalence not on the passengers being safely delivered from point A to B in a similar time frame but on the consistency of the route taken or the amount of fuel consumed by the transportation vehicle then the bus and the automobile could be inappropriately judged not to be outcome equivalent even though they clearly produce equivalent outcomes. We believe the unnecessary quantitative tests would have the same impact in that they would likely conclude that the AM and ICS are not outcome equivalent despite reaching the same destination in the same time frame, simply because they did not take the same route and did use the same mode of transportation. If you have any questions, do not hesitate to contact us.
721. Center for Capital Markets Competitiveness, U.S. Chamber of Commerce	United States	No	**Answer:** The U.S. Chamber of Commerce submits the comments below as a response to the draft criteria: August 15, 2022 International Association of Insurance Supervisors c/o Bank for International Settlements CH-4002 Basel Switzerland To Whom It May Concern: The U.S. Chamber of Commerce Center for Capital Markets Competitiveness ("CCMC") is pleased to respond to the International Association of Insurance Supervisors ("IAIS") on the draft criteria that will be used to assess whether the aggregation method ("AM") provides comparable outcomes to the insurance capital standard ("ICS"). The Chamber has a diverse membership including purely domestic, as well as internationally active insurance companies headquartered both inside and outside of the United States. In addition, we have member companies that

			rely on insurance products and the larger role insurers play as investors in our global economy–providing security for policyholders and creating stability in the capital markets. As such, we are broadly supportive of the goal of safeguarding our financial system. The Chamber issued a report in March 2019 describing how the insurance sector invests in the U.S. economy. Insurance companies invest in a unique set of assets as a direct result of their business models, and they invest for different purposes than other institutional investors. Insurers are primarily concerned with matching long-term liabilities and, as a result, hold appropriate assets to achieve this goal. The unique investment strategy of insurance companies results in tangible, long-term projects being financed by these firms and, indirectly, by policyholders. Insurers make up a sizable share of asset classes such as corporate bonds (21%) and municipal bonds (20%), investing enough in education projects through municipal bond purchases to build about 1,000 elementary schools every year. At the end of 2020, insurers licensed in the United States held approximately $10.9 trillion in total assets. Because the insurance sector is such an integral provider of capital to the U.S. and global economy, the Chamber strongly believes that inappropriately structured insurance regulation, including local implementation of the ICS, could have a significant impact on the ability of the sector to continue to serve as a source of stable capital to many public and private entities. As such, we offer the comments below on the IAIS's draft criteria. The Insurance Capital Standard is Not Ideal for All Jurisdictions The Chamber's overarching concern with the comparability assessment is the IAIS's continued anchoring bias to the ICS, which presumes that the ICS provides the appropriate signaling of solvency strength–an assumption that has yet to be confirmed. Any comparability assessment should not assume the ICS is a baseline for alternatives to be measured against. The ICS has been deemed the ideal when it is not the best prudential model to apply to the U.S. insurance market. It seems that the IAIS itself is increasingly recognizing the framework does not work for all markets - the U.S. in particular - and is seeking data this year that may lead to design changes. A comparability assessment should instead focus on whether the approaches (i.e., the MAV ICS and AM) can accomplish the stated policy objectives while accepting that achievement of such may be accomplished in different manners. In particular, it would be appropriate for the assessment to focus on whether the AM can serve as a meaningful tool for facilitating supervisory discussions on group level risk and provide adequate signaling about potential areas of concern within an internationally active insurance group (IAIG). The continued emphasis on quantitative comparability is also a concern. The ICS and AM frameworks are fundamentally different, which will make demonstrating quantitative alignment difficult. The Chamber believes that the comparability assessment should be both qualitative and quantitative in its construction and execution and should

			assess key elements of the ICS and AM and how they respectively fulfill the objectives of the IAIS on an outcome equivalent basis. Relying exclusively on a quantitative assessment would ignore the important broader elements at an insurance supervisor's disposal in achieving prudential objectives. A comparison of only one metric, such as group capital, would be flawed and impractical as it would unduly emphasize one aspect of regulation versus numerous others that are equally, if not more, important. A framework that varies from existing jurisdictional solvency regimes and related impacts to risk management practices, product pricing and availability, and other aspects that could be detrimental to consumers and financial markets would also raise additional costs. As explained by the National Association of Insurance Commissioners (NAIC) in the U.S., "[T]he adoption of a market adjusted valuation (MAV) approach would result in significant incremental costs. The MAV approach is different than U.S. Generally Accepted Accounting Principles (GAAP) and significantly different than state-based statutory accounting practices. As a result, there would be considerable effort and burdens … to implement a MAV basis of reporting (such as system changes, process changes, staff training, etc.)." The Chamber Strongly Supports Aggregation Method Comparability The Chamber is a strong supporter of the AM and believes it should be deemed comparable to the ICS. We believe it serves as an effective tool for accomplishing the supervisory objective the IAIS has for the ICS and feel that the AM has several strengths from a supervisory and market perspective that make it more appropriate than the MAV approach. First, the AM leverages existing jurisdictional solvency frameworks and capital requirements (e.g., risk-based capital in the U.S., Solvency II for the EU, etc.) that are already the primary basis for ensuring policyholder protection and are tailored to market specificities (e.g., risks, consumer needs, public policy frameworks/goals, etc.) in each jurisdiction, thus avoiding disrupting stable markets. As a result, the framework would present lower incremental costs and avoid introducing volatility and pro-cyclicality that would inhibit the ability of insurers to provide long duration liabilities and could adversely impact financial stability. We anticipate that the ICS, due to structural design flaws including its approach to valuing insurance liabilities and risk exposures, would decrease product availability, especially for long-term guaranteed coverages that consumers–particularly in the U.S.–desire. Second, insurance entities in the U.S. are regulated by authorities within their local jurisdictions, thus the AM is naturally aligned with the scope of regulatory authority and triggers. In contrast, a consolidated approach and metric may be of limited use to local regulators given their narrow scope of authority and focus. Third, the AM provides supervisors with information at the entity level within broader insurance groups. This provides supervisors visibility into the capital position of specific entities in various jurisdictions within an insurer–allowing a more granular perspective of solvency than a "consolidated" approach that has a more limited view of component parts of the

			aggregated group and, by permitting substantial recognition of risk diversification across legal entities, would implicitly assume fungibility of capital across a group when it may not be available in practice during a stress scenario. Additionally, scalars can be employed to enable comparison of entities within the group. One point of contention we have with the draft criteria is that there is a clear requirement that success in a comparability assessment is predicated on submission of data both in baseline and across a range of scenarios. This work is problematic because there is limited analytical utility of this exercise, given that the IAIS's reliance on "best effort" company submissions is subject to several sources of "noise" in the results and is based on an unproven and still evolving ICS methodology. To wit, the IAIS has not been able to reach any meaningful conclusions to date in the comparability process, despite having conducted several iterations of company testing of the ICS. Moreover, the amount of effort involved is so extensive, and relies on sensitivity analysis of an ICS construct that is not the basis for how companies assess and manage their capital levels. Running such analysis for the ICS would be a major undertaking for firms, and the analysis may not be useful given the inherent complexity in generating an assumption-laden projection on an opaque and convoluted construct like the ICS. The criteria around sample size are also problematic. Given that many firms globally have found limited value in participating in ICS reporting to date, it seems unlikely that the IAIS will get much traction in getting firms to participate in a more cumbersome exercise. It is unlikely the universe of participants or the scope of information they provide will meaningfully change at this stage. The Chamber is also concerned about the regulatory and business challenges that could result from a delayed determination of outcome equivalency for the AM. The determination should be made well before the end of the monitoring period so individual jurisdictions have the appropriate guidance for the development of their approaches for implementing the AM. Furthermore, a delay in the determination could leave IAIGs in limbo, including uncertainty regarding market access, operational changes, and management of the balance sheet. Uncertainty about outcome equivalency of the AM will create compounding issues as we move closer and closer to the end of the monitoring period. Thank you for the opportunity to provide these comments. We stand ready to engage constructively with you on this issue going forward. Sincerely, Bill Hulse Vice President

			Center for Capital Markets Competitiveness U.S. Chamber of Commerce
722. Liberty Mutual Insurance Group	United States	No	**Answer:** To reiterate its opening remarks, Liberty Mutual believes that the ICS is neither relevant nor appropriate as a proposed international standard and events have overtaken the comparability process rendering it moot. Therefore, Liberty Mutual respectfully requests the IAIS move expeditiously to abandon these efforts, and/or find the AM comparable, and acknowledge that multiple jurisdictions have already implemented capital regimes that achieve the goal of providing baseline solvency protections. Thank you for the opportunity to comment.
723. National Association of Mutual Insurance Companies	United States	No	**Answer:** The National Association of Mutual Insurance Companies (NAMIC) appreciates the opportunity to provide comments on the consultation document on the draft criteria that will be used to assess whether the Aggregation Method provides comparable outcomes to the Insurance Capital Standard (hereinafter "Comparability Criteria"). NAMIC is the largest property/casualty insurance trade group with a diverse membership of more than 1,500 local, regional, and national member companies, including seven of the top 10 property/casualty insurers in the United States. NAMIC members lead the personal lines sector representing 66 percent of the homeowner's insurance market and 53 percent of the auto market. Through our advocacy programs NAMIC promotes public policy solutions that benefit NAMIC member companies and the policyholders they serve and foster greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies. Introductory Comments While NAMIC appreciates the IAIS' efforts to establish a method to compare jurisdictional approaches to group capital, we have significant reservations with performing a comparability assessment that sets one framework and methodology (AM) in opposition against the other (ICS) and deems the ICS as the gold standard for which the AM must strive to emulate. The IAIS assessment process should instead be focused on the practical aspects that the AM affords to supervisors, such as gaining an appreciation for the jurisdictional differences, supporting the exchange of information between supervisors, and providing regulators with a better understanding of the risk management framework and solvency situation of the insurers in an insurance group. The proposed criteria and methodology for evaluating comparability are incompatible with the U.S. approach to solvency regulation and have limited to no basis in understanding of the outcomes achieved. Any capital approach and its' quantitative results must be considered in conjunction with other group supervision prudential tools within the specific prudential regulatory system, rather than inflexibly looking at just a set of quantitative factors produced by a predetermined reference method and comparing them.

			Problem The ICS/AM Comparability Criteria will not work as currently being undertaken, because there are too many fundamental differences between the two approaches. If the goal of the ICS is to maintain solvency, pinning one approach against the other highlights a fundamental difference of how supervisors will act; the question of whether the supervisor looks to the group or the individual legal entity to maintain solvency is at odds between approaches. The comparability criteria have not been designed to recognize jurisdictional flexibility in the context of existing national and sub-national standards or tools. The comparability criteria don't respect jurisdictional deference to how group capital is assessed or how individual regulated insurers' solvency is regulated in an insurance group. In the U.S., regulators focus is on individual carriers to maintain solvency under the "windows and walls" approach, and the requirements - for example, legal, accounting, and capital - are directed at the individual carrier to maintain solvency. Further, there are provisions included in state law like prior-notice-of-transaction or (dis)approval of dividends that ensure that companies are not pulling money out of one legal entity to the benefit of another. Before the advent of all the solvency tools in place today, rating laws were first developed to ensure companies maintain solvency by requiring rates to be adequate, but the laws have been expanded to prohibit inadequate, excessive, or unfairly discriminatory rates. This expansion improves the system for consumers and companies alike, enabling regulators to determine wholistically that rates are fairly tested, enabling stronger markets. Furthermore, even if a company has been declared insolvent, the needs of the insurance policyholders are top-of-mind for regulators. In the U.S. the state guaranty funds provide basic coverage to policyholders if their insurance company goes insolvent, and companies writing insurance in each state are assessed for the claims payment of those policyholders. These are just a few examples of the overall solvency regulatory scheme already in place in the U.S. which include many different components that are not found in other countries. The unique nature of the insurance regulatory system in the U.S. is a strength that focuses on consumer protection and solvency regulation to cultivate and maintain robust markets. If the goal of the ICS is to maintain solvency of insurance entities, the way the ICS has been designed looks to the group to do something if there is a solvency issue. The financial health of the group is important but understanding the financial health of the individual insurance entity issuing the insurance contract is essential. In the U.S., regulators cannot compel other entities in the group or the group parent to do something about an individual insurance company's financial solvency. Rather the regulator's responsibility at the entity level ensures that all policyholder obligations are met. These legal and contractual limitations on the fungibility of capital with an insurance group are fundamental differences between the ICS and AM.

			There is a presumption that exists throughout the criteria that the ICS will calculate the "correct' amount of capital for the insurance group in every jurisdiction and that it will be comparable. This is a flawed assumption. The application of the same capital standard to unique insurance groups that come from very different regulatory environments with very different economic and political goals will not produce comparable conclusions about capital and solvency. Even if all countries used the same valuation model, qualifying capital, target level and specific capital formula, the ICS and AM will not produce useful outcomes. Every country has a unique regulatory system with unique features that influence the solvency of the individual insurance companies in an insurance group doing business in that regulatory environment. While the methods of supervision differ, each have found effective ways to supervise their insurance industry despite having unique political and rule-making environments. Digging deeper into the differences, in the U.S. each insurer in the group is subject to quarterly and annual financial statement filings and annual risk-based capital submissions, as well as an overall risk assessment. State regulators have the authority to inquire through financial analysis additional information about reserve and loss costs trends, among other inquires. State regulators can request insurers provide a plan about how they intend to improve their solvency position before any RBC regulatory actions are triggered. These plans can result in the individual entity; for example, seeking regulatory approval for a rate increase, reducing exposure, and/or requesting a surplus note or a reinsurance contract from the parent. Any effort to designate a single capital standard should be principle-based, outcomes-focused and fluid enough to recognize the major differences in the jurisdictions. The proposed criteria are too rigid and completely miss the mark in accepting these differences. The criteria have been established in such a way that would make the assessment overly dependent on specific numeric outcomes to prove outcomes comparability. Moreover, the comparability criteria have been narrowed down and limited through the introduction of concepts like "significantly correlated," "business cycle," and "short term market fluctuations" which by itself could preclude the AM from being considered an outcome-equivalent approach to the ICS. A principles-based, outcomes-focused approach accommodates existing local capital requirements, and it does not assume all risks are the same or that all legal environments and regulatory systems be modified to reflect these same risks. Critically missing in the attempt to create a global capital standard that strives for comparability is the acknowledgment that companies supervised in different countries don't start from the same basic position. Unfortunately, the proposed criteria do not reflect this reality. Because the overall goal of the ICS is to protect policyholders and contribute to financial stability, shouldn't the comparison be more about the overall results of how these tools work given the jurisdictional differences instead of how

			supervisors can contemplate ways to ensure solvency? Now that we have demonstrated why setting one approach against the other and anchoring comparability analysis to an untested reference ICS is a problem, the IAIS should consider pivoting away from the comparability assessment towards providing a platform for the exchange of information to gain a better understanding on various approaches. Solution The comparability criteria analysis should be abandoned and instead supervisors should focus their energy on how the AM provides regulators with valuable insight into the overall health of groups and, given the differences in regulatory structures where the AM is employed, the comparability of its overall value. The AM is a method that will achieve the goal of providing regulators with an understanding of group capital valuations and potential entities that are weak in a group. It is built off existing capital frameworks and has been around in some form for decades. Gaining a better understanding of how the various approaches work for the U.S. and other similar jurisdictions - based on the intended goal and purpose of giving supervisors insight on the health of a group - is a good path forward. The U.S. approach to insurance company supervision has always been focused on the individual legal entities from legal, accounting, and capital standpoints. Since insurance contracts are written by insurance legal entities and not insurance groups, and since the focus of U.S. regulation is the protection of policyholders, the U.S. has always believed that the capital must be held at the level of the company that is writing the insurance policy. U.S. state insurance regulators are highly focused both on solvency and market regulation. They must balance the two to ensure the insurance industry they regulate continues to be strong, secure, and stable while delivering the products and services to consumers in compliance with the laws. To meet these objectives, state insurance regulators rely on a solvency supervisory system that is more hands-on compared to the systems in other countries. Some of those tools that provide regulators with a better understanding of group solvency other than capital include group financial analysis, holding company reporting, the Own Risk and Solvency Assessment (ORSA), as well as entity specific tools like hazardous financial condition laws, independent audits, financial examinations, (dis)approval of dividends, IRIS ratios, and many more. Therefore, in addition to the Group Capital Calculation - the U.S. version of the AM - there are many other tools regulators rely on to support the AM and solvency regulation in general. The IAIS should be considering the outcomes more broadly than focusing on quantitative capital levels. For example, a review of the outcomes should include the rate of insolvencies, back-up protections of policyholders in the event of insolvencies, market conduct regulation, and financial analysis and examinations to detect hazardous financial conditions. These features of the U.S. legal/regulatory system are missing from the comparability criteria and should be

			part of the analysis in determining whether changes to capital levels are warranted. Ultimately, the criteria is impractical and the approach is incompatible with the regulatory framework in many jurisdictions outside the EU. The IAIS has not taken a holistic approach that considers all of the prudential tools available to a group supervisor nor limitations of the fungibility of capital among the entities in an insurance group. The IAIS has failed to develop a comparison of each of the regulatory environments, a critical task which would have facilitated a better understanding of each regulatory philosophy and how the checks and balances work in different jurisdictions. This is a missed opportunity to enhance understanding; however, it is not too late to pivot in this direction. As the AM has already proven itself as a capable measurement of group capital, the comparability assessment should be focused on how those tools work given the jurisdictional differences. Any capital approach and its' quantitative results must be considered in conjunction with other group supervision prudential tools. There is still time for the IAIS to change course, and if willing, there are many benefits for supervisors and the industry to realize. By facilitating supervisors understanding of the practical utility that the AM affords supervisors and helping to educate stakeholders about the jurisdictional differences in approach to group capital, insurers will benefit from the certainty of what future regulatory and solvency reporting will entail. Supervisors would benefit from a greater appreciation for the differences in legal, accounting, and capital regimes. There would also be enhanced understanding of what is contributing to group capital valuations, while retaining jurisdictional flexibility and without presuming that the ICS is any more accurate than the AM. Avoiding a one-size-fits-all capital requirement is beneficial, because it is not possible to create an international requirement that calculates the "correct' amount of capital in every jurisdiction and that it will be comparable. Promoting heterogeneity allows individual jurisdictions to continue to address any inadequacies in capital through local regulation without superimposing an unworkable global standard. Conclusion NAMIC appreciates the opportunity to share our perspectives on the problems with performing a comparability assessment that sets the AM in opposition to the ICS and asserts the ICS as the barometer for which the AM must strive to emulate. We believe there is merit in the IAIS changing course and abandoning the comparability assessment in favor of establishing an initiative to assist regulators in understanding the tools that the AM relies on, so they can gain the valuable insight they seek regarding the overall solvency of insurers in an insurance group and the relative health of insurance groups. There are many benefits of pursuing this alternative.

			If the alternative method we suggest is agreeable, supervisors and insurers will be able to operationalize and manage what is already well understood while allowing supervisors to continue using the tools put in place to address solvency.
724. Northwestern Mutual	United States	No	**Answer:** Northwestern Mutual appreciates the opportunity to provide comments on the criteria that will be used to assess whether the Aggregation Method (AM) provides comparable outcomes to the ICS. We believe that setting the right comparability criteria (and principles) is a critical step and hope that stakeholder feedback will help the IAIS in the process for determining whether the AM provides comparable outcomes to the ICS. While Northwestern Mutual does not maintain an international insurance business, we have long recognized the significance of the development of international insurance group capital and valuation standards. As one of the largest life insurers in the United States and having maintained the highest available financial strength ratings throughout the company's modern history, we have a strong interest in the development of appropriate and effective measures of insurer financial strength. We continue to believe that the AM, when fully developed, can meet our criteria for a credible group-level regulatory capital framework, i.e., that it can: (1) accurately reflect the financial strength of the insurance group over time through varied economic conditions, including by providing insight into fungibility constraints within the group while at the same time avoiding spurious volatility; (2) address all material risks; (3) be applied uniformly to institutions subject to the framework; and (4) be based on information that is standardized and verified. In regards to the comparability assessment, we understand and appreciate the IAIS' intent to have a meaningful assessment of whether the AM provides comparable outcomes to the ICS. At the same time, we strongly believe that the principles and criteria should not impose a significant operational burden that could inhibit the ability to perform that meaningful assessment. Otherwise, it will not be possible to fulfil the commitment to an assessment that neither precludes AM as outcome equivalent nor gives it a free pass. Thus, our comments on particular items in this consultation regard practical steps that can be taken or areas where emphasis should be re-directed in order for the IAIS to fulfil this commitment.
725. RAA	United States and many other jurisdicitons	No	**Answer:** The RAA appreciates the opportunity to comment on the proposed criteria for assessing whether the Aggregation Method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS). We also appreciate the considerable effort the IAIS has expended in fleshing out criteria for the comparability assessment process. Unfortunately, we continue to believe, as we believed when the K-L agreement was reached in November 2019, that the definition of comparable outcomes focuses too much on quantitative comparisons of two fundamentally different capital models, based on different accounting and valuation models, and supported by vastly different underlying

			supervisory approaches. Such an approach is doomed from the beginning and as a result, the AM is precluded at the outset as an outcome equivalent approach for measuring group capital. We believe instead, that this process should be focused in a much more general way on real and observed supervisory outcomes. With this perspective, the RAA has no doubt that the well-established, proven and constantly upgraded U.S. system of solvency regulation and policyholder protection will deliver similar, but not necessarily identical results over time that trigger supervisory action on group capital adequacy grounds. Comparable supervisory outcomes should focus on supervisory outcomes rather than quantitative measures like high correlation between two different group capital models. That is, that the AM would trigger supervisory intervention only when necessary and at roughly the same time. Differences between the ICS and the AM, as well as differences in the underlying solvency supervision of legal entities can be discussed and understood in the supervisory college process and over time, supervisors will become comfortable and gain confidence in different approaches that ultimately achieve the same result. After all, both the ICS and the AM are risk-based and factor-based capital requirements derived from different but proven approaches to the solvency regulation of the insurance industry.
726. Chubb	US	No	**Answer:** Chubb appreciates the opportunity to comment on the public consultation on the draft criteria to assess whether the Aggregation Method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS). As a general matter, an appropriate, realistic comparability assessment should be outcome-focused rather than narrowly quantitative, taking into account the full range of regulatory and supervisory activity that has successfully pursued the key policy goals of insurer solvency and consumer protection in the face of stressful economic and political developments. Indeed, in light of this success, it is questionable whether the underlying premise driving the development of an ICS - as essential to protect against insolvency - remains valid. The regulatory landscape has evolved significantly since the inception of the ICS, which itself is not yet finalized. There have been material regulatory/supervisory developments within the industry, including, for example, group supervision, supervisory colleges, and Own Risk and Solvency Assessments (ORSA), that provide additional oversight and insights to protect solvency and policyholder interests. Additionally, the US, EU, and UK, three of the largest global insurance markets, have entered into covered agreements that recognize their respective group capital regimes, suggesting that the reality is that comparability has already been effectively achieved. Finally, the events of the past decade - Covid-19, the low interest rate environment, and, more recently, high inflation and higher interest rates - have provided real-life stress tests for global insurance markets, tests

			that have proved the robustness of the current regulatory regimes. Moreover, if implemented, the ICS would apply to approximately 60 Internationally Active Insurance Groups (IAIGs), a fraction of the global insurance industry, and all of those insurers are subject to close supervision by experienced, sophisticated regulators capable of setting solvency and consumer protection standards taking into account the individual companies under their supervision. Any ICS should provide the flexibility to recognize different jurisdictional regimes overseeing a diverse set of insurers. With respect to the consultation paper, our views are aligned with US trade associations with respect to both the general comments and the substantive criteria-specific comments. In addition to the substantive input on the criteria by the US trade associations, Chubb would like to highlight the following: - Several of the key terms (i.e. Business Cycle, Significantly Correlated, Short Term Market Fluctuations, etc.) lack specificity. We understand that this may be intentional, but these concepts are so central to the criteria that the lack of any common understanding makes it impossible to render objective judgment. - The criteria assume that the ICS, although still under development, is the base case to which all other capital measures are held. For example, the criteria state "that the AM could be more but not less prudent than the ICS", "the AM captures the same underlying risks as the ICS", and "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." As the ICS remain a work in progress, it is premature to accept the ICS as a benchmark standard. Moreover, we believe that capital standards should be judged against objective criteria intended to ensure solvency, rather than a single standard. - Scenario analysis will cause an additional undue burden on the technical resources required to facilitate the analysis, with little benefit to the companies as the groups vary with respect to business lines, models, and geographies in which they operate. In addition, the standardization of scenarios would not allow companies to leverage work that is already done as part of the risk governance and assessment. - Fundamental differences between the ICS (market-adjusted valuation) and the jurisdictional-based valuations that underly the AM, particularly for regimes like the one used in the US (primarily reported on book value), may preclude the comparability of the methods from the outset. - The principles are too focused on capital and do not provide for consideration of the other regulatory tools and processes that jurisdictions may apply. In the US, for example, this includes investment limitations, regulation of dividends and affiliate transactions, hazardous financial condition triggers, and guaranty funds. As indicated above, three of the largest insurance markets, US, EU, and UK, have entered into covered agreements that recognize their respective regulatory group capital regimes. We believe the IAIS assessment of the comparability between the AM and ICS should follow suit by allowing for jurisdictional differences and focus on outcomes. Ultimately, the goal should be to have standards that result in solvent insurance markets and that protect policyholders. Whether

			the standards look or operate the same is not relevant. Thank you for consideration of our comments.
727. American Property Casualty Insurance Association	USA	No	**Answer:** Generally speaking, we believe that the draft criterion improperly preclude the AM at the outset from being found to be an outcome-equivalent approach to the ICS - The criteria are too focused, if not exclusively focused, on a quantitative assessment of changes in the AM/ICS capital ratios. Using a purely quantitative assessment to disqualify the AM from comparability would be inconsistent with the agreement the IAIS reached in Abu Dhabi, which said "the IAIS will develop high-level principles and criterion in such a manner that the AM is [not] precluded at the outset". Rather than using a predominately quantitative assessment at a given point in time, the comparability assessment should focus more broadly on regulatory outcomes achieved over the course of a business cycle (not at any particular point in time). Using an outcomes-focused approach over the course of the business cycle would also more closely align the criterion with the definition of "comparable outcomes", which specifically references "similar, but not necessarily identical, results over time that trigger supervisory action". This is particularly important given the inherent assumption underlying the ICS, i.e., that capital is fungible across jurisdictions when financial weakness occurs. - While the criteria do call for an assessment of how the ICS and the AM compare in terms of solvency protection, the criteria consider capital ratio results in a vacuum without any evaluation of how a scenario would actually play out, how other aspects of the supervisory regime would come into play, and when. It is that very context - where capital is held within the group, within what entities and jurisdictions, and barriers to fungibility that are presented - that is as impactful in terms of contributing to swift regulatory action and solvency protection as the ending capital measure itself. That context should not be ignored as part of a comparability analysis that seeks to evaluate levels of solvency protection; quite the opposite, it reflects a strength of the AM with respect to solvency protection and the nature and timing of supervisory action that may ensue which should be explicitly considered in the comparability analysis. - The criteria are too focused on scenarios - which have yet to be agreed upon, another matter for future negotiations among IAIS members - with too little reference to the data that the IAIS already has in its possession and what has already been learned in the data analysis exercises of field testing and of the monitoring period to date. For example, while AM reporting only began with the monitoring period, for U.S. companies participating in field testing, a "proxy baseline" has been reported prior to that during earlier field testing, and still continues to be reported during the monitoring period. The proxy baseline for U.S. groups is quite similar to the AM. There should be valuable insights that can be gained from that existing data and to use it to more narrowly focus the need for, and scope of, any additional data calls. The insights from that data can also reduce the additional burden of producing scenario results across the ICS and across an IAIG, which requires processes that groups would not have in place currently. Most importantly, the

			proxy baseline combined with the AM and ICS data that have already been reported over a number of years can be used to assess if tit is even plausible that the AM could be found to be comparable to the ICS on a quantitative basis. And, if not, to inform a decision to avoid an unnecessary and burdensome exercise. - The criteria are too restrictive and will very likely preclude the AM from being assessed as comparable to the ICS at the outset, for example, by expecting fundamentally different constructs - the AM and the ICS - to be "significantly correlated." - The criteria are also too restrictive in determining if the sample is "representative" and takes an academic view that ignores the practical reality that (1) only a couple of jurisdictions will be participating in the AM and ICS data exercises, and that (2) across both of those jurisdictions, perhaps only 4 life groups and 2 non-life groups will be involved. The criteria regarding a representative sample thus appear to preclude the AM from being assessed as comparable to the ICS at the outset. - The criteria are too vague, with key terms as yet undefined. They would presumably be defined later but then with no further opportunity for stakeholder input. - The criteria have an improper bias in relying on the ICS as the anchor for determining comparability. The ICS is not complete yet, and changes are still likely to be made. Moreover, there is evidence (including the Federal Reserve Board Insurance Policy Advisory Committee report) that the ICS is flawed with respect to its application to long-duration life and retirement products in the U.S. The proposed comparability criteria would expect the AMs of US-domiciled life groups to be "substantially correlated" with an ICS measure that is itself flawed in respect of much of their business. - The criteria reflect too much focus on individual elements each being "comparable." For example, requirements for capital resources, covered risks, scope of group, and without an adequate sense of proportionality based on what is relevant and material to the sector or to specific groups. It is not clear to us as to what promise scaling will offer to be a factor in achieving comparability, but given that the concept is to be considered, it does not seem reasonable to give a pass/fail grade on each individual aspect before scaling is even considered. Instead, the focus should be on assessing differences between the two constructs (including the impacts of scaling) and how, in totality, they compare in protecting solvency. That said, there are criteria that seem appropriate. For example, criterion 2.4.d states that "The capital composition limits in the AM are compared to those of the ICS." It does not say that the AM's capital composition limits have to be the same as those of the ICS. Nor does it specify any required corridor that any differences must fit within. As written, it

			simply calls for them to be compared. Hopefully, that would lead to a more qualitative assessment, identification of, and rationale for, differences, and use of judgment and proportionality - but those types of assessments are not explicitly sought in the criterion, leaving the phrase "are compared" subject to significant interpretation. And lastly, an ultimate assessment could be made on a macro level later, e.g., if scaling were to be applied. Overall, there are too few criteria that are written so as to compare the AM and ICS for purposes of learning and understanding. Overall, the criteria appear aimed to score the results against a purely quantitative backdrop, and ignore other context that is both available, as well as necessary, to adequately understand and compare impacts on policyholder protection. Finally, a matter which the comparability criteria ignore altogether is whether the use of internal models will be allowed in the ICS. It is understood that this decision will be made by the end of the monitoring period. Because risk-based capital in the U.S. is a standard formula, and because the Group Capital Calculation that has been adopted by the NAIC is an aggregation approach, the use of internal models is not an option for U.S. groups with respect to their U.S. operations. However, internal models are a feature of other regimes such as in the EU's Solvency II, and we would expect firms that have that option to avail themselves of it, most certainly with the intended impact of lowering capital requirements. The comparability assessment would require the AM for US groups to be "significantly correlated" to the ICS' standard reference method, without regard that a subsequent decision to include internal models would most certainly result in lower capital requirements for groups in other jurisdictions. We believe that this is an important element of context that should not be overlooked in the comparability analysis and is another reason why more judgment, and less numeric comparison, should underlie the analysis. In summary, we believe the criteria as drafted will preclude the AM from being assessed as comparable to the ICS at the outset. If that outcome is somehow intended to push the U.S. into dispensing with the AM and adopting the ICS, U.S. supervisors have been quite clear that is not going to happen. This is evidenced by the NAIC's adoption of its Group Capital Calculation, and the Federal Reserve Board's proposed "Building Block Approach." We hope that the IAIS appreciates that reality, as well as the many concerns that APCIA has raised in our response. In our view, the draft criteria do not demonstrate a viable way forward.
728. Insurance Policy Advisory Committee of the Federal Reserve	USA	No	**Answer:** Dr. Victoria Saporta Chair, Executive Committee Mr. Jonathan Dixon Secretary General International Association of Insurance Supervisors (IAIS) Centralbahnplatz 2

			CH-4051 Basel Switzerland Re: Public Consultation on the draft criteria that will be used to assess whether the Aggregation Method provides comparable outcomes to the Insurance Capital Standard, June 15, 2022 Dear Dr. Saporta and Mr. Dixon: We are pleased to offer comments on the IAIS public consultation pertaining to the comparability of outcomes between the Insurance Capital Standard (ICS) and the Aggregation Method (AM). The comparability framework is of great interest to stakeholders in the US insurance marketplace given that in its current form, the ICS would pose significant challenges to the viability of long term insurance business as documented in our Report to the Board of Governors of the Federal Reserve of June 10, 2022, titled "Potential Impact of the International Association of Insurance Supervisors' Insurance Capital Standard on the Life Insurance Industry, Policyholders and Markets in the United States". In this context, the Insurance Policy Advisory Committee (IPAC) carefully evaluated the Public Consultation document to conclude whether the proposed criteria would result in a methodology that is conceptually sound and operationally feasible to assess the performance of AM relative to ICS and achieve the IAIS's stated objective that the comparability assessment neither precludes the AM from being considered equivalent at the outset nor gives it a "free pass". Our overall conclusion is that extensive data requirements that follow from the criteria under High Level Principle (HLP) 1 with respect to a range of data that are expected to be provided, and from the criteria under HLP 5 with respect to the composition of the volunteer groups who need to provide the data, undermine the operational feasibility of the comparability assessment, and would preclude the assessment of comparability. Furthermore, we would challenge the need for, and usefulness of, such onerous data requirements based on the conceptual considerations outlined below. In the course of our deliberations, we have come to appreciate the enormity of the task at hand to develop an effective comparability framework between ICS and AM. We believe that further work is needed on the criteria, in cooperation with members of the IAIS and the industry, to deliver a comparability assessment displaying conceptual integrity and practical feasibility. While we are unable to provide specific solutions within the time afforded by the comment period, we hope you will find the IPAC insights constructive for informing a path forward. We believe that our following observations need to be considered in defining the criteria under the High Level Principles: 1. ICS and AM are both in a state of flux, with AM undergoing significant transformation through profound changes to local capital regimes, and with ICS in need of amendments to mitigate the risks of inappropriate solvency signals,

			particularly with regard to long duration life and retirement benefit contracts The Aggregation Method is still evolving, in particular with respect to the development of scalars. As importantly, many local regimes, including major insurance markets of the United States, Japan, Hong Kong and China, are in the midst of unprecedented regulatory capital changes to their local capital frameworks, and these are bound to impact the overall results of AM given it is founded upon leveraging and respecting local regulatory requirements. With respect to ICS, in the IPAC Report mentioned above we demonstrated that the framework, as currently constructed, would need to be substantially amended to serve as an appropriate and credible comparative benchmark. It follows that, when drafting the criteria, it is important to keep in mind that the comparability assessment is to apply to two regimes that are - or should be - undergoing significant transformation. This recognition has two important operational implications: a. Quantitative comparisons must take into account the radical evolution of local regimes taking place now when defining the timeline for comparability assessments While it is true that regulatory capital rules are always evolving, the profoundness of changes in many jurisdictions, accompanied by accounting changes, is unprecedented. As such, the current period and foreseeable future warrant special consideration when thinking of regime comparability. In our view, this consideration applies most directly to the type of quantitative analysis that would be meaningful. For example, the timeline for conducting the comparability assessment should recognize that historic data on the behavior of an "old" regime is no longer insightful when the "new" regime is or will soon be introduced. It is also important to note that, directionally, upcoming changes in local rules are aligned with market-based methodologies, such as ICS, with the design specifics tailored as appropriate in each market to account for differences in product offerings and overall market structure. As such, using the "old" regimes currently underlying AM as a comparative basis relative to ICS is negatively prejudicial to the acceptance of AM as equivalent to ICS. b. Quantitative comparisons must take into account the need for ICS amendments when deciding on the appropriateness of its solvency signals The IPAC Report of June 2022, to which we referred above, identified several areas where amendments are necessary for ICS to be appropriately designed, based on an analysis that illustrated non-intuitive ICS movements in Q1 2020 and

			Q2 2020. The Report documented that, in its current form, ICS is overly sensitive to short-term market conditions and does not reflect several asset classes held by insurers in connection with long-duration life insurance and retirement benefit contracts. These shortcomings could lead to inappropriate solvency signals, e.g., false negatives or positives, that are prejudicial to the acceptance of AM as equivalent to ICS. It follows that it would be beneficial to assess not only whether AM would track ICS results but rather which set of results would produce more meaningful supervisory signals. 2. The use of actual company data may not lead to robust conclusions on regime comparisons Conceptually, ICS versus AM comparability centers around two different methodologies for defining a global capital regime. Since AM is constructed on "local" regimes, its behavior will depend on how local regulatory requirements compare with ICS "over the business cycle, not short-term market fluctuations". There are several conceptual implications arising from these statements: a. Comparability applies to methodologies / regimes, not individual companies Rather than using individual company data, it could be more constructive to remain at the "regime" level and assess behavior of the ICS regime versus the AM regime based on a simplified representative model, in response to various shocks and stresses. In real life, companies operate in different jurisdictions, expanding or contracting their operations in a particular market in alignment with their strategy. Companies have a mix of products with, broadly speaking, "short term" as opposed to "long term" likely to be more comparable with ICS. Additionally, companies pursue different risk management strategies based on the regimes within which they operate and own risk appetite. For example, choices of hedging approaches or asset liability management (ALM) are bound to differ between companies, affecting the correlations of responses in their individual data to various shocks under ICS versus AM. Based on these considerations, it does not seem compelling to conclude on a comparative regime behavior based on individual company data. The conclusions would be relevant for a specific company, its jurisdictional scope, products and risk approaches. There is no compelling case for extending such individual conclusions broadly to an entire regime for the purposes of analyzing comparability. Theoretically, credible insights could be gained by having a large population of volunteers. Practically, however, we question, the value of this approach given the likely noise in individual data stemming from multiple sources identified above, and further magnified by best efforts nature of ICS and AM reporting.

			b. In the case of AM, comparability outcomes depend on the underlying local regimes Comparability of local regimes and ICS would thus drive the comparability of AM to ICS. One could select therefore major insurance markets and conduct a study of how their local regimes respond to market and other shocks; identify channels through which the shocks are transmitted (e.g., reserves, capital requirements, capital resources); and, through stylized modeling, conclude on the performance of AM relative to ICS. Per our earlier comments, such assessments need to take into account any material capital, reserving, and accounting changes to take effect at the jurisdictional level. c. "Over the business cycle" requires a look through various stabilizers, dampeners, smoothing and phasing-in mechanisms that local regimes often have in place The long-term time horizon for comparability, and the resulting need to ignore a variety of stabilizing mechanisms present in local regimes to mitigate excessive sensitivity to short-lived market fluctuations, require amendments to actual company data to the extent it serves as a point of consideration for the assessment. We expect that in any given point in time the response of different regimes to shocks would differ, not only numerically but even directionally. At issue is instead their comparability over a sufficiently long time period when various built-in smoothing mechanisms, volatility adjustments, and similar elements employed in many if not all regimes, would lapse. In fact, one could argue therefore that comparisons using hard data at any given point in time are of limited, if any, value for assessing comparability over a longer term. This consideration further supports the usefulness of a stylized model that would enable insights into longer term performance of various regimes. 3. Comparability framework must consider operational feasibility Criteria that would require heroic efforts on part of companies to provide data and analysis at different points in time are by design biased against genuine efforts to ascertain the comparability between ICS and AM. As such, particular thoughtfulness is needed to make the comparability framework operationally feasible. In our assessment, data requirements under various criteria as drafted far exceed the data requirements for a field test or annual monitoring. We refer specifically to data requirements to project ICS and AM over multiple scenarios and over multiple points in time. Such projection requirements pose onerous practical challenges that were not part of previous ICS testing.

			Combined with the considerations articulated under #1 above, we believe that the use of stylized modeling and simple sensitivity analysis would be more effective and would ease the operational burdens of quantitative comparisons, making them more workable. 4. Pragmatism should inform on the necessity for additional volunteers The application of AM as opposed to ICS as a global standard appears to be of similar relevance to life insurance companies and non-life companies, but with different concerns and impacts. Within the former, it is more critical as an option for long duration, as opposed to short duration, insurance contracts. In this context it would be both unnecessary and excessive to insist on a comprehensive set of volunteers participating in quantitative studies on comparability when there are different factors impacting companies depending on products they offer. Accordingly, it is important to conduct a comparability assessment based on a representative mix of relevant exposures which may not be feasible to achieve to the extent the process relies solely upon volunteers. This consideration in its own right would support a use of stylized modelling analysis. 5. Comparability assessments should consider qualitative controls at the disposal of supervisors In practice, supervisors do not solely rely on solvency metrics and instead apply a broad range of tools, including qualitative judgements, in determining the appropriateness of capital adequacy for an insurance group or an industry, and in determining their supervisory actions. The comparability assessment should recognize the more holistic nature of supervision, which goes beyond quantitative metrics alone. Arguably such qualitative regulatory oversight and interventions are challenging to factor in and yet they significantly influence the comparative performance of regulatory capital regimes. In this regard, we suggest one should look at the actual performance of insurers in several major markets to gauge the financial health of specific insurance segments over long historic periods. Similarly, due to the expanded and expanding use of Supervisory Colleges, there has been increased communication and an enhanced flow of information among key regulators of the jurisdictions in which a company operates. This consideration also strengthens the overall merits of AM, beyond the data points, as company's operations are being overseen and discussed collectively by supervisors in full transparency and through the lenses of their applicable jurisdictional solvency frameworks. This allows supervisors to look beyond aggregate quantitative capital ratios in identifying and locating capital shortfalls within a group.

			In the appendix, we provide comments on specific criteria under the High Level Principles, not intending, however, that they are to be exhaustive. Those specific comments need to be read in context of our more general thoughts advanced above. We believe that our considerations support our overall conclusion that the onerous data requirements specified under HLP 5 (volunteer group) and HLP 1 (range of data to be provided) preclude the completion of a comparability assessment as intended on operationally feasible grounds. Moreover, from a conceptual perspective, we do not find the use of company-specific data to be a convincing approach for the purposes of a credible regime comparison. As mentioned in our opening statements, we recognize that we do not offer tangible remedies to the challenges we have identified. These challenges are significant, conceptually and operationally, and require much more time for developing alternative solutions than the comment period affords. This would be best achieved through working groups involving both the industry and the IAIS. At the same time, we hope that our comments inform revisions to the comparability criteria. Regards, IPAC…… Appendix: Select comments pertaining to the criteria under each High Level Principle (HLP) 1 HLP 1 criteria We welcome the references of comparability "over the business cycle", and excluding short term market fluctuations, as described in Criteria 1.1. However, we believe it is important to clarify the term "over the business cycle". 2 HLP 2 criteria We do not believe that the criteria capture the holistic approach to comparisons embedded in the principle. In particular,

			Criteria 2.4 focuses on capital resources solely and should be removed. Given the AM consists of many "local" regulatory regimes, more clarity will be welcome in Criteria 2.2 to articulate how it will be ascertained that the AM captures the same underlying risks as ICS. For example, if a given risk is addressed in many but not all regimes that are the foundation of the AM, how would the AM be judged under this criteria? Further, Criteria 2.2 should be amended to remove the anchoring bias that assumes that ICS captures the "correct' risks against which AM is to be compared. The assessment of risk coverage should be conducted instead based on principles and understanding of risks to which insurers in each regime are exposed. We also believe that this would not be a company-by-company comparison but rather would be conducted across regimes for consistency. For example, if regime X covers certain risks, the requirement for those risks to be covered should apply in a consistent manner to all companies operating under regime X. 3 HLP 3 criteria In view of the IPAC Report of June 2022 referenced in our letter, we believe the criteria should expand on the principle and state that AM should not be less conservative than an appropriately measured and calibrated ICS. 4 HLP 4 criteria Criteria 4.1 needs clarification regarding what entities are in scope for AM (by design, ICS includes all business being conducted on a consolidated group basis). Specifically, we believe that AM would focus on regulated subsidiaries and entities that conduct business and contract risk. It would exclude non-regulated holding companies often in place for tax or funding purposes. 5 HLP 5 criteria The specifications of Volunteer Groups are excessive as discussed in our comments in the letter. Companies keenly interested in AM must not be held hostage by those who do not wish to provide data. and vice versa. We re-iterate the point that the criteria here make the comparability assessments operationally not feasible. We concluded that the criteria under HLP 1 specify unworkable data requirements needed for each volunteer while the criteria under HLP 5 specify an unworkable number of volunteers.

			6 HLP 6 criteria Disclosure requirements for AM and ICS should give consideration to the intended application of capital metrics by the group-wide supervisor e.g., if they are intended to be applied as a prescribed capital requirement (PCR) or for information purposes only. The intended use should inform the nature and details of the disclosure. In addition, in defining disclosure requirements, consideration should be given to the presence of another "group" regime which is the case in several jurisdictions, in addition to ICS/AM. The criteria itself should therefore include the disclosure of the capital standard used by the jurisdiction. And, if the jurisdiction applies ICS, whether the jurisdiction adopted the ICS as issued by the IAIS or whether the jurisdiction prescribed or permitted deviations to the requirements issued by the IAIS. This could help mitigate an inevitable confusion between two "group" regimes as to the company's capital position and its ranking relative to peers.