

Explanatory note: Operationalising amendments to ComFrame as a result of the adoption of the ICS

The purpose of this document is to inform Members and stakeholders of the operationalising amendments to be made to the Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) as a result of the planned adoption of the Insurance Capital Standard (ICS) at the IAIS Annual General Meeting (AGM) that will take place on 5 December 2024 in Cape Town, South Africa.

These operationalising amendments will be proposed for adoption together with the ICS.

1 The ICS and ComFrame

ComFrame builds upon the Insurance Core Principles (ICPs) and establishes supervisory standards and guidance specifically focused on the effective group-wide supervision of internationally active insurance groups (IAIGs).

The ICS forms the quantitative element of ComFrame and has been developed as a consolidated group-wide capital standard for IAIGs. The purpose of the ICS is to create a common language for supervisory discussions of group solvency of IAIGs to enhance global convergence among group capital standards. Once adopted, the ICS will be the group-wide Prescribed Capital Requirement (PCR) for IAIGs.

The ICS has gone through numerous public consultations since 2014.

While part of ComFrame, the specifics of the ICS will be adopted as two standalone documents (the Level 1 document, setting out the overarching principles and concepts of the ICS, and the Level 2 document providing detailed specifications). The contents of the Level 1 and Level 2 documents will need to be read alongside ComFrame.

2 The operationalising amendments

In 2019, certain amendments were made to ComFrame, as well as the ICPs' history and introduction, to reflect the use of ICS Version 2.0 ("the reference ICS") in a five-year monitoring period, for confidential reporting to the group-wide supervisor (GWS), discussion in supervisory colleges and further analysis by the IAIS.

Updates to these amendments and some additional amendments to ComFrame are now necessary to reflect the conclusion of the monitoring period and to create a link with ComFrame and the final ICS Level 1 and Level 2 documents.

The amendments build on what has been communicated in the ICS consultation processes and serve to operationalise the adoption of the ICS. The amendments aim to facilitate clarity and avoid ambiguity in moving from one phase to another, but without introducing anything new in substance.

In a subsequent phase, further thought will be given to whether and how to further integrate the ICS into the ComFrame standards.

The proposed amendments are set out in the Table below.

Reference ¹	Proposed amendment [underlined text shows insertions and strikethrough text shows deletions]	Explanation and link to ICS Principles
History, page 3	<p>The Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) was adopted in November 2019 <u>and updated in December 2024</u>. ComFrame is presented in blue boxes within the ICP Introduction and Assessment Methodology as well as within the following ICPs: 5, 7, 8, 9, 10, 12, 15, 16, <u>17</u>, 23 and 25.</p> <p>The IAIS Glossary was <u>last revised in December 2024, together with the adoption of the ICS and revised ICPs 14 and 17</u>, so terms will be revised together with the revision of ICPs 14 and 17, which will commence after the agreement of the ICS Version 2.0 for the monitoring period.</p>	To record amendments made since November 2019.
ComFrame Introduction, paragraph 22, page 9	<p><u>The Insurance Capital Standard (ICS) is the quantitative element of ComFrame. The ICS is the group-wide Prescribed Capital Requirement (PCR) for IAIGs. The ICS is presented in two documents: the Level 1 document (sets out the overarching principles and concepts of the ICS); and the Level 2 document (provides detailed specifications), which can be accessed here². As part of ComFrame, the IAIS is developing an insurance capital standard (ICS), which aims to provide a globally comparable risk-based measure of capital adequacy of IAIGs. ICS Version 2.0 is presented in a stand-alone document and is being used during a five-year monitoring period for confidential reporting to group-wide supervisors and discussion in supervisory colleges. The ICS is not used as a groupwide Prescribed Capital Requirement (PCR) during</u></p>	<p>Restatement of current text.</p> <p>Clarifying that the ICS monitoring period has been concluded and that the ICS is now the PCR for IAIGs.</p> <p>As the “Introduction and Assessment Methodology” section to the ICP and CF makes it clear that all standards are quantitative and qualitative supervisory minimum requirements, and in the case of CF, tailored to the international activity and size of IAIGs, there is no need to repeat this in the proposed operationalising amendments.</p>

¹ Insurance Core Principles and Common Framework for the Supervision of Internationally Active Insurance Groups, updated November 2019.

² Link to be added once the ICS is adopted and published on the IAIS website.

Reference ¹	Proposed amendment [underlined text shows insertions and strikethrough text shows deletions]	Explanation and link to ICS Principles
	the monitoring period. In the second phase of implementation of ICS Version 2.0, the ICS will be implemented as a group-wide PCR.	
CF 9.4.a	The group-wide supervisor requires the Head of the IAIG to report <u>the reference</u> its ICS results and, at the option of the group-wide supervisor, any additional reporting related to the ICS.	<p>Clarifying, linking and giving effect to the following ICS Principles:</p> <p>1: The ICS is a consolidated group-wide standard with a globally comparable risk-based measure of capital adequacy for IAIGs.</p> <p>5: The ICS aims at comparability of outcomes across jurisdictions and therefore provides increased mutual understanding and greater confidence in cross-border analysis of IAIGs among group-wide and host supervisors.</p> <p>9: The ICS is transparent, particularly with regard to the disclosure of final results.</p>
Add CF17.4.a	<u>The group-wide supervisor establishes the ICS as the PCR for IAIGs.</u>	<p>Clarifying that the ICS monitoring period has been concluded and that the ICS is now the PCR for IAIGs. Linking the ICPs and ComFrame standards to the ICS as these must be read and applied concurrently in respect of IAIGs.</p> <p>Builds on the revised text of ICP 17 and related ComFrame text also planned for adoption in December 2024.</p>
CF 25.6.c	The members of the IAIG’s supervisory college discuss and assess a summary of <u>the reference</u> its ICS results prepared by the group-wide supervisor, as well as a summary of any additional reporting related to the ICS that has been reported at the option of the group-wide supervisor.	Clarifying, linking and giving effect to ICS Principles 1, 5 and 9 (see explanation at CF 9.4.a).
CF 25.6.c.1	The assessment of the reference ICS and, if applicable, any additional reporting should include:	No longer required. Redundant / superfluous.

Reference ¹	Proposed amendment [underlined text shows insertions and strikethrough text shows deletions]	Explanation and link to ICS Principles
	<ul style="list-style-type: none"> • a comparison with existing group capital standards or calculations that are in development; • the extent to which material risks of the IAIG are captured; • the appropriateness and practicality of the calculations required; and any difficulties in implementing the measure by the IAIG.	
CF 25.6.c.2	The purpose of the supervisory college discussing and assessing the summary of the reference ICS, and of any additional reporting, is to help refine the ICS.	No longer required. Redundant / superfluous.