



IAIS

INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Public

Compiled Comments on *Consultation on ICP 8*

17-Jun-15 to 19-Aug-15

Organisation	Jurisdiction	Comments
- General Comment on ICP 8:		
CLHIA	Canada	<ul style="list-style-type: none"> - The Canadian Life and Health Insurance Association Inc. ("CLHIA") is a voluntary trade association whose member companies account for 99 percent of Canada's life and health insurance business. Our industry provides a wide range of financial security products such as life insurance, annuities and supplementary health insurance to about 26 million Canadians. The CLHIA is also an active participant in the Global Federation of Insurance Associations ("GFIA"). Our comments in this submission add to the comments in the GFIA submission on this ICP. - We welcome the IAIS updating its ICPs to reflect emerging best practices. - As is the case generally with regulatory pronouncements, we encourage the IAIS to remain principles based and to avoid unnecessary prescriptiveness. - We note the instances of the proposed removal of the proportionality principle (i.e. requirements are dependent on the nature, scale and complexity of the insurer) in sections 8.0.2 and 8.1.2. We encourage the IAIS to emphasize the applicability of this principle throughout the document by stating it at the outset, in the introductory portion of the ICP. - We are of the view that the ICP portrays an emphasis of risk avoidance over risk management (i.e. use of the word "mitigate" as opposed to "manage"). Instead we suggest it should better reflect that risk management also includes risk opportunities. - There are multiple appearances of the word "adequate". We are of the view that this implies a lower than otherwise standard. We suggest the better word is "effective".
Insurance Europe	Europe	The added distinction between 'risk management system' and 'internal control system' should be better clarified. Also there are instances later where only the latter is referred to when clearly the former is required as well.
GFIA	international	<p>Many of the requirements in this section are borrowed from FSB and/or banking regulation. We are not sure that the insurance sector should be subject to the same mandates.</p> <p>Since not all risks can or should be mitigated, the words "mitigate", "mitigating" and "mitigation" should be replaced with "manage", "managing" and "management" in 8.1.1., 8.1.2 (fifth bullet), 8.1.9, and 8.4 (first bullet).</p> <p>In order to appropriately clarify a Board's role, the word "should" should be replaced with "may" in 8.3.5, 8.3.7 and 8.3.17.</p>
International Actuarial Association	International	<p>The IAA is pleased to provide comments on the June 2015 draft revisions to ICP 8.</p> <p>Overall, the IAA is supportive of the changes made to ICP 8 and believes the draft represents a noticeable improvement over the current version of this ICP.</p> <p>The IAA has gathered a number of specific comments from its members, which we hope will be of assistance in improving the draft revisions for consultation:</p>

		<p>General Comments: - The nature and application of risk management will continue to evolve as new and more appropriate controls and measures are developed. Thus, there may be a value to both the market and the regulators in introducing a review process that addresses the risk tools and processes used by many/most of the industry. This would encourage the use of emerging best practices for the functions of identifying risks, measuring them and reporting on them (essentially the tools used by the second line of defense). This should not be done in a prescriptive manner, but as a means to accelerate the understanding and risk management capacity of both supervisors and company practitioners [Footnote: There are two shortcomings of the three lines of defence model: (1) It may create a lack of ownership if any or all of the functions believe other functions are the "true" owners of the risk(s) and (2) it may lead to the expectation that there is one right way to organize the three lines and may create the conclusion that deviations from the one approved way are shortcomings and/or weaknesses. Corporations can be organized effectively in various ways, as long as there are no conflicts of interest or road blocks to effective conversations and dialogue]. While this may not be intrinsic to the focus of this specific ICP, there should be an appropriate way for Supervisors (regulators) and leading practitioners to conduct and/or asses this review to bring in the supervisory insights of firms and their cross market perspective.</p> <p>A key issue to be considered is the insurer's approach to independence of its controls, separation of duties, and its balancing effectiveness, objectivity and practical implementation. We would recommend to, instead of the detailed discussion of the roles of the various control functions, have a separate specific section "Independence, Objectivity and Effectiveness" that discusses the need for an appropriate overall level of "independence" and conflict management within the control structure adopted to ensure the overall effective operation of the framework adopted. It would be appropriate to state that Internal Audit should be independent of all other functions, but the mix of independence of other control functions from each other and from the business units themselves needs to be realistic and commercial (and have regard for nature, scale and complexity of the firm).</p> <p>Also, ICP 8 contains 5 uses of the term "mitigation" and 3 uses of the verb "mitigate". Some might argue that the words "management" and "manage" are preferable, as they convey a broader range of possibilities than do mitigation/mitigate that convey solely the concept of lessen or reduce. We suggest some definitions for these words should be provided. Management can imply simply monitoring and/or focusing on a process. Mitigate refers to a specific technique usually meant to reduce risk in many cases, but at times may eliminate it entirely.</p>
National Association of Mutual Insurance Companies	United States	The requirement to apply risk management at the legal entity level can inadvertently lead to redundant and excessive processes etc. There needs to be some statement that the requirement at the legal entity level is consistent with the nature and scale of the legal entity's business in relation to the group. Many companies apply ERM at the group level if that is appropriate for their enterprise risk management program. For some, a legal entity approach makes sense. For more complex groups, certain components of ERM are relevant within individual legal entities, but it should not be a requirement that every group level component of ERM be replicated at the legal entity level. There also should be an allowance made for groups that pool risks under

		<p>the legal entity requirements.</p> <p>In the U.S. supervisors do not dictate how companies design their ERM programs. There is a strong belief that an insurer's ERM program must be designed to fit the needs of the organization. If this is not the case then ERM will become nothing more than a check-the-box function required by the supervisor instead of a valuable tool that is uniquely designed by the insurer to address their unique needs and operations. It is commonly believed that ERM that has been developed by the insurer is much more likely to become part of the corporate culture and will be much more likely to meet any "use test" that is applied.</p>
American International Group	USA	<p>American International Group Inc. (AIG) welcomes the opportunity to share its views with the International Association of Insurance Supervisors (IAIS) on the consultation issued for "Insurance Core Principle (ICP) 8 on Risk Management and Internal Controls".</p> <p>AIG is a leading global insurance organization serving customers in more than 100 countries and jurisdictions. AIG companies serve commercial, institutional, and individual customers through one of the most extensive worldwide property-casualty networks of any insurer. In addition, AIG companies are leading providers of life insurance and retirement services in the United States.</p> <p>We support efforts by the IAIS to ensure that ICP principles, standards and guidance are applied consistently across jurisdictions. We therefore appreciate the efforts of the IAIS in conducting a systematic review of the ICPs and issuing its proposed revisions for public consultation.</p> <p>The principles, standards and guidance set out in this revised ICP are thorough and well laid out. Nevertheless, we would ask that you give due consideration to the following proposed changes:</p>
IG 8.0.1 - Comment on Introductory Guidance 8.0.1:		
CLHIA	Canada	- Also as appearing in other sections of the Draft, we are concerned about the insertion of the word "ensuring" as it implies absolute certainty. In the same spirit as the IAIS's proposed wording in Section 8.3.1 ("necessary assurance"), we suggest inserting the word "reasonably", i.e. "...the Board is ultimately responsible for reasonably ensuring that the insurer has in place effective systems..."
GFIA	international	While we agree that protection of policyholders is an important objective, raising it in the context of corporate governance may create unintended legal and other consequences.
Zurich Insurance Company Ltd.	Switzerland	Zurich suggests to keep the original language in regard of the board's responsibilities: "(...) the Board is responsible for <i>overseeing</i> that (...)" in §8.0.1 as it better aligns with the language used in the rest of the guidance, reflects the core role of the board and takes into account that not all boards have equivalent statutory responsibility across the jurisdictions. The original language also

		aligns with other guidance, e.g. §8.1.11.
IG 8.0.2 - Comment on Introductory Guidance 8.0.2:		
CLHIA	Canada	- "Nature, scale and complexity" is removed and instead the qualifier is now "adequate". We are of the view that this word implies a relatively lower than otherwise standard. We suggest the better word is "effective" and it is better to leave in the proportionality principle.
Insurance Europe	Europe	In this paragraph the proportionality principle has been addressed differently, having been redrafted to no longer refer to the nature, scale and complexity of the insurer. While these could arguably be covered under "risk profile" , we would be more comfortable if the original language was retained.
German Insurance Association (GDV)	Germany	We don't see a reason to delete the principle of proportionality. As it is an important principle, in particular for small and medium insurers, it should be reinserted.
GFIA	international	We encourage the IAIS to maintain the explicit reference to dimensions that determine proportionality, such as nature, scale and complexity of the insurer or its risks.
International Actuarial Association	International	Paragraph 8.0.2 should either mention that 1) the principle of proportionality mentioned elsewhere in the ICP's would also apply to this ICP or 2)the application of ICP 8 should have regard to the specific "nature, scale and complexity" of the entity in question. It would also be good to address whether this ICP is meant to apply to all insurers no matter their size and complexity or only to those considered to have significant market impacts.
Zurich Insurance Company Ltd.	Switzerland	Suggestion to redraft the last sentence as follows: "They should be adapted as the insurer's business <i>nature, scale and complexity as well as</i> internal and external circumstances change." to better define the nature of the changes that are relevant and reinforce proportionality.
National Association of Mutual Insurance Companies	United States	This is a very important section for the smaller companies that make up much of our membership. The removal here of the reference to proportionality of ERM is concerning. We definitely need to have a better explanation of the intentions of the IAIS regarding application of the ICPs to the very small insurers of the world. The removal of the qualifiers related to the "nature, scale and complexity" raise a multitude of issues. Will jurisdictions that have already enacted laws that include proportionality be out of compliance with the ICPs with the removal of this language? Or will there be flexibility throughout the ICPs allowing jurisdictions to apply the requirements as they feel best works for their markets? We need to understand the change and request that a discussion of proportionality at the next stakeholder meeting would be valuable. Small insurers and their representatives seek a clear

		explanation of how the changes in the treatment of proportionality will carry forward in the implementation of the ICPs.
American International Group	USA	The term "systems" is not used on a consistent basis throughout the ICP; it is sometimes used in reference to Risk Management Systems. In this paragraph (as well as 8.0.3) it may be preferable to use the term "processes" instead of "systems".
IG 8.0.3 - Comment on Introductory Guidance 8.0.3:		
Zurich Insurance Company Ltd.	Switzerland	Two points. In the first bullet point: qualify "strategies" as being " <i>risk</i> strategies" to avoid confusion with other strategies namely business strategies. Proposal for a new entry in the glossary on the term policies. Policy/policies is/are used as a generic term for an approved written document setting out standards, procedures and other requirements. The insurer will establish a policy framework that may introduce a hierarchy among policies or similar documents. In practice, it is essential for an insurer to be able to articulate how policies and related documents (e.g. guidelines, procedures, standards, or good-practice) complement each other within a well- established framework.
National Association of Mutual Insurance Companies	United States	
IG 8.0.4 - Comment on Introductory Guidance 8.0.4:		
German Insurance Association (GDV)	Germany	We don't see a reason to delete the principle of proportionality. As it is an important principle, in particular for small and medium insurers, it should be reinserted.
GFIA	international	Insurers in the EU are concerned about the use and definition of the term "functions". In Solvency II, "functions" are defined as "an administrative capacity to undertake particular governance tasks". We think that the explanation "whether in the form of a person, unit or department" is too narrow, restricts choice and does not take into account the possibility to outsource functions.

Autorité des marchés financiers	Québec	Since the Risk management should be implemented throughout all business activities and legal entities, we suggest to review the concept of "proper authorisation". As drafted, it could be interpreted as leaving that function under the exclusive responsibility of a person, unit or department, which in our view should not be the case.
Zurich Insurance Company Ltd.	Switzerland	Proposal to specify who has authority by adding: "An insurer's functions (whether in the form of a person, unit or department) should be properly authorized <i>by the Board or Senior Management</i> to (...)".
IG 8.0.5 - Comment on Introductory Guidance 8.0.5:		
CLHIA	Canada	<ul style="list-style-type: none"> - We are of the view that the word "adequate" implies a relatively lower than otherwise standard. We suggest the better word is "effective". - We suggest it would be helpful to add commentary to recognize that there could be some differences in practices among the various local entities and at the group level. It is management's collective judgment among all the entities and at the group level on how to best balance group and local risk management practices.
International Actuarial Association	International	Paragraphs 8.0.5 to 8.0.7 are clear that risk management and internal controls at the group level are keys to the effective control and proper management of an insurance group. These sections are, however, less clear on the need for the specified control functions (i.e., risk management, compliance, actuarial matters and internal audit) to also exist at the group level. The need for such functions at the group level is implied (but not directly stated) in the second sentence of Section 8.0.6. Since the later specific sections of this ICP relating to control functions refer only to "insurers", supervisors may interpret differently the requirement for these functions at the group level. For the segments of the group involved in insurance, there does need to be a group actuarial function. We recognize that there is a separate and unresolved question as to the inclusion/exclusion of non-insurance entities and the methods of needed supervisory oversight that may be needed. Thus, it would be helpful to have more specific guidance on these requirements given the wide diversity of legal and governance structures that are in place. Perhaps a reference to ICP 23 would be helpful here.
Zurich Insurance Company Ltd.	Switzerland	Proposal to delete: "Moreover, insurance groups (...) applicable to groups." as largely a redundant statement (with the previous sentence) and potentially raising unnecessary confusion: requirements applicable to groups are anchored in local laws and regulation.
National Association of Mutual Insurance Companies	United States	The requirement to apply risk management at the legal entity level can inadvertently lead to redundant and excessive processes etc. There needs to be some statement that the requirement at the legal entity level is consistent with the nature and scale of the legal entity's business in relation to the group. This affects groups of all sizes, as legal entities can be very small even in a very large group. Many companies apply ERM at the group level if that is appropriate for their enterprise risk management program. For some, a legal entity approach makes sense. For more complex groups, certain components of ERM are relevant within individual

		legal entities, but it should not be a requirement that every group level component of ERM be replicated at the legal entity level. There also should be an allowance made for groups that pool risks under the legal entity requirements.
IG 8.0.6 - Comment on Introductory Guidance 8.0.6:		
CLHIA	Canada	<ul style="list-style-type: none"> - In first sentence, we question why "establishment" is used instead of "effectiveness" Establishment implies a one-time initiative, whereas we assume supervisors are interested in group governance on an ongoing basis. - We suggest it should be clearer that the other involved supervisors assess only for their respective legal entities in their own jurisdiction. - In the second paragraph we suggest "assessing the effectiveness" instead of only "assessing". - In relation to the sentence: "Appropriate supervisory cooperation and coordination is necessary to have a group wide view and to enhance the assessment of the legal entities", does there need to be some deference to the Group Wide Supervisor to avoid conflicting requirements between a Group Wide Supervisor and a legal entity supervisor?
International Actuarial Association	International	8.06 and 8.07 could be combined as parts of each seem to be duplicated in the other.
Zurich Insurance Company Ltd.	Switzerland	<p>Proposal to delete: "and assess the establishment", bring in supervisory colleges and simplify the language re: group/local perspectives so that §8.0.6 could read:</p> <p>"Supervisors should require insurance groups to establish a comprehensive and consistent group governance. Effective control functions within a group are a core concern for supervisors. Assessing the effectiveness of the internal controls and risk management of the group as a whole should be done by the group-wide supervisor. The supervisors of local entities of a group undertake such assessments on a local legal entity basis. Appropriate supervisory cooperation and coordination is necessary, possibly in the form of college of supervisors."</p> <p>It is critical to highlight the operational responsibility of Senior Management in the establishment of the group governance under oversight of the Board and the supervisor. Supervisors should assess the comprehensives and consistency of group governance once established.</p>
National Association of Mutual Insurance	United States	In this section it seems the ICP takes both the view that there should duplicative ERM processes at the group and legal entity levels as well as the view that the group should be able to adopt the types of organizational structure that works best for their management structure. It is not clear how this will work in practice. We agree with a flexible regulatory approach as that is the

Companies		system for assessing ERM that has been adopted in the U.S. We strongly believe that a group should be allowed to adopt either a system of ERM at the group level or at the legal entity level and that the choice should reside with the insurer.
IG 8.0.7 - Comment on Introductory Guidance 8.0.7:		
International Actuarial Association	International	8.06 and 8.07 could be combined as parts of each seem to be duplicated in the other.
S 8.1 - Comment on Standard 8.1:		
International Actuarial Association	International	<p>Risk management is a process that typically involves many people in an insurer. ICP 8.1 does not adequately distinguish the different roles played by an insurer's staff in risk management. A frequently used concept may help in this delineation of roles by referring to the need for "three lines of defense". A description of these is as follows:</p> <ul style="list-style-type: none"> a. Functions that own, manage and report on risks (e.g., operational management); b. Functions (and processes) that determine and assess the appropriateness of the controls used in the first line (e.g., control functions for risk management, compliance and actuarial matters); and c. Functions that provide independent assurance that the control procedures required by the second line are actually being done (e.g., internal and/or external audit). <p>These three items are a slight reformulation of footnote 7 for ICP 8.2.3. They may more appropriately be directly stated in the body of the ICP rather than in a footnote. The IAA believes that, although the ICP 8.1 requirement for an effective risk management system involves the staff involved in all three lines of the defense functions, this is not clearly stated in ICP 8.1. We do note though that the ICP 8.4 requirement for an effective risk management [control] function focused solely on the second line of defense. The IAA fully supports the need for a second line of defense that is clearly separate from operational management (as supported by paragraph 8.3.9). The ICP 8.7 requirement for an effective internal audit [control] function seems focused on the third line of defense.</p> <p>Lastly, a risk management system for insurers needs to also take into account both quality of capital (e.g., fungibility/liquidity) and its future availability in the context of the risk exposure (e.g., duration in relation to the liabilities). Neither concept is given adequate mention in this draft, even though having a suitable capital policy (including, for example, a suitable dividend policy) is seen as important in many regimes (e.g., Solvency II). The paper might also benefit from emphasising in c. 8.1.1 - 8.1.4 the need for the risk management system to be forward looking, rather than delaying mentioning this idea until 8.4.4 and 8.6.4 in the detailed lists of the tasks of the risk management and actuarial functions.</p>

Autorité des marchés financiers	Québec	To be consistent with ICP 7, should we rather use the following wording: The supervisor requires the insurer to establish and implement an effective risk management system.
Zurich Insurance Company Ltd.	Switzerland	The separate treatment of risk management (in §8.1) and internal controls (§8.2) has advantages and disadvantages. An effective risk management system has to integrate internal controls, and vice-versa. Both elements are intrinsically related, and while insurers may implement them as different activities, it appears essential to promote a sound risk culture in which they are closely interrelated. To the extent that the IAIS prefers the separate discussion of both in §§8.1 and 8.2, either the section on "Systems for risk management and internal controls" or the introductory guidance §8.0.x would benefit from and provide an opportunity for an paragraph stressing the close interrelationship.
American International Group	USA	The introductory statement on "reporting" (on page 7 above Standard 8.1.10) as written and if interpreted literally, implies that all of a company's risks should be reported to the Board. This could lead to very broad and diverse interpretations across regulatory jurisdictions. We would prefer this guidance consistently use the term "material" when referencing firm-wide risks so that a company can identify, report and justify what it considers to be its top risks. The paragraph should therefore read as follows: "Material Risks and the overall assessment of material risks should be reported to the Board and/or Senior Management, as appropriate, using qualitative and quantitative indicators and effective action plans." This section also requires that "action plans" for mitigating risks be included in Board reporting. However, the firm may already be effectively mitigating some or all of the identified risks which would nullify the need for an action plan. This section should be reworded to include that possibility.
G 8.1.1 - Comment on Guidance 8.1.1:		
CLHIA	Canada	- We believe the word "mitigate" is too prescriptive and portrays an emphasis of risk avoidance over risk management. The existing word "manage" is more suitable as it reflects that risk management also includes risk opportunities. Also we believe "mitigate" is a subset of "manage".
International Actuarial Association	International	Paragraph 8.1.1 refers to the "probability, potential impact and time horizon of risks". This may suggest to supervisors that each risk can be assigned a single probability and severity pair. Preferable wording might instead be to refer to "likelihood of various levels, their potential impact and the time horizon of risks".
Zurich Insurance	Switzerland	Proposal to redraft the first sentence of §8.1.1 as: "The risk management system is designed and operated to identify, assess, monitor, <i>manage</i> and report on all material risks of the insurer in a timely manner."

Company Ltd.		The risk management system is designed to support the insurer in its risk taking activities within a given risk strategy and appetite. In that context, addressing material risks does not necessarily mean mitigating them. A broad range of material risk will be accepted as such, as long as they meet the defined limits. The proposed language also aligns with other revised guidance e.g. 8.1.12.
G 8.1.2 - Comment on Guidance 8.1.2:		
CLHIA	Canada	<ul style="list-style-type: none"> - Related to our response to Question 91, we note that "nature, scale and complexity" is removed, but we recommend it should be retained, through articulating it in the introductory portion of the ICP as a principle that is applicable throughout the ICP. - In first bullet, we suggest "risk appetite" be expanded to "risk appetite framework". - In the fourth bullet, "reasonably foreseeable and relevant" is deleted. We suggest it not be deleted. Also in that bullet, there is the requirement for determining levels of acceptable risk limits for each "risk"; instead we suggest it should be restricted to "material risk". Mention should be made that limits are determined in the context of diversification and concentration of risk. Also, policies are limited to "risk mitigation" and should instead be expanded to include risk opportunities. - In reference to the fifth bullet, we believe the word "mitigate" is too prescriptive and portrays an emphasis of risk avoidance over risk management. The existing word "manage" is more suitable as it also reflects that risk management also includes risk opportunities. Also we believe "mitigate" is a subset of "manage"
Insurance Europe	Europe	As not all risks can quantified precisely, we propose to amend the wording referring to "limits" here as follows: "... appropriate written policies that include a definition and categorisation of material risks (by type) to which the insurer is exposed, and the acceptable levels of risk for each type."
International Actuarial Association	International	<p>As stated under general comments, ICP 8 contains 5 uses of the term "mitigation" and 3 uses of the verb "mitigate". Some might argue that the words "management" and "manage" are preferable, as they convey a broader range of possibilities than do mitigation/mitigate that convey solely the concept of lessen or reduce. We suggest some definitions for these words should be provided. Management can imply simply monitoring and/or focusing on a process. Mitigate refers to a specific technique usually meant to reduce risk in many cases, but at times may eliminate it entirely.</p> <p>Paragraph 8.1.2, the 4th bullet item, should end with the word "tools" after risk mitigation (or "management" if the above change is made).</p>
Autorité des marchés financiers	Québec	<ul style="list-style-type: none"> - On second bullet, instead of using the term "dealing with", we suggest "managing risk across the business areas". This change implies the participation of several instances (lines of defense) on the risk management system. - On third bullet, we suggest the following modifications: deviations from the risk appetite and for [...]. According to the proposed definition of the risk appetite in the Glossary, the strategic objectives are already considered, though the risk strategy doesn't need

		<p>to be introduced in this sentence.</p> <ul style="list-style-type: none"> - On fifth bullet, we suggest the following modification: (including stress testing and models, where appropriate), given that not all risk categories make use of that tool. - We do not see the pertinence of the last bullet.
Zurich Insurance Company Ltd.	Switzerland	<p>Proposal to redraft the last sentence of the 4th bullet point as: "(...) These policies describe the risk standards and specific obligations of employees and the businesses in dealing with risk, including risk escalation and risk <i>management</i>." to be consistent with the proposal on §8.1.1.</p> <p>Proposal to retain "business continuity and crisis management" instead of "contingency planning" in the 5th bullet point as they are more concrete.</p>
G 8.1.3 - Comment on Guidance 8.1.3:		
CLHIA	Canada	- As the list is prescriptive, it is important to make it clear that the proportionality principle applies here.
GFIA	international	The sentence in 8.1.6 may not be necessary, given the enumeration in 8.1.2.
International Actuarial Association	International	<p>Paragraph 8.1.3 has a list of minimum things to include in the risk management system - some items are risk categories (e.g., underwriting, reserve, investments, operational, liquidity and concentration risk), while others are management techniques (e.g., ALM and reinsurance). We suggest that the two lists be separated. In addition, we note that insurance uses risk pooling as an important management technique for the risks it assumes.</p> <p>Paragraphs 8.1.3 to 8.1.6 would read more logically if they were grouped together without the "identification" sub-heading and with paragraph 8.1.5 moved to the front of the other three paragraphs.</p>
Autorité des marchés financiers	Québec	This paragraph seems a bit confusing, as it combines risk categories, risk management techniques and business activities. In our view, 8.1.4 is clear enough to illustrate the risk management system. If still considered necessary, we suggest moving it after 8.1.4.
G 8.1.4 - Comment on Guidance 8.1.4:		
International Actuarial Association	International	Paragraphs 8.1.3 to 8.1.6 would read more logically if they were grouped together without the "identification" sub-heading and with paragraph 8.1.5 moved to the front of the other three paragraphs.

Autorité des marchés financiers	Québec	<p>We suggest the following redrafting of the second paragraph: "Prior to Board and Senior Management approvals, an appropriate risk review should determine whether new or changed activities and products results in increasing an existing risk or creating a new type of exposure".</p> <p>This way, we make sure that all new activities or products are subject to a systematic risk review and only the "material" ones need to go through the approval process.</p>
American International Group	USA	Please refer to our comment in regards to Standard 8.7
G 8.1.5 - Comment on Guidance 8.1.5:		
International Actuarial Association	International	Paragraphs 8.1.3 to 8.1.6 would read more logically if they were grouped together without the "identification" sub-heading and with paragraph 8.1.5 moved to the front of the other three paragraphs.
Autorité des marchés financiers	Québec	<p>We suggest the following redrafting of the second paragraph: "Prior to Board and Senior Management approvals, an appropriate risk review should determine whether new or changed activities and products results in increasing an existing risk or creating a new type of exposure".</p> <p>This way, we make sure that all new activities or products are subject to a systematic risk review and only the "material" ones need to go through the approval process.</p>
G 8.1.6 - Comment on Guidance 8.1.6:		
Financial Market Authority (FMA); Member	Austria	<p>We would suggest to rephrase the paragraph to be in line with the EIOPA Guidelines on the System of Governance, eg with respect to the assessment of non-routine investment activities, as follows:</p> <p>New or changed activities and products should be subject to appropriate risk reviews.</p> <p>Changes activities and products that may increase an existing risk significantly or create a new type of exposure should be approved by the Board and Senior Management.</p>
International Actuarial Association	International	Paragraphs 8.1.3 to 8.1.6 would read more logically if they were grouped together without the "identification" sub-heading and with paragraph 8.1.5 moved to the front of the other three paragraphs.
G 8.1.7 - Comment on Guidance 8.1.7:		

CLHIA	Canada	- In reference to the sentence "Appropriate consideration should be given to a sufficiently wide range of outcomes, as well as to the appropriate tools and techniques to be used", we recommend: (i) stating "appropriate and practicable", (ii) limiting the requirement to consider "a sufficiently wide range of outcomes" to "plausible outcomes".
Insurance Europe	Europe	Suggest reference to 'appropriate tools and techniques' be replaced with 'method of assessment' to be clear that this is what is being referred to.
G 8.1.8 - Comment on Guidance 8.1.8:		
Insurance Europe	Europe	The new guidance 8.1.8 includes a reference to early warning. The concept of "early warning" is however not defined in the revised IAIS Glossary definition, ie the scope of this concept is not specified. Accordingly, we suggest to extend the IAIS Glossary to explicitly note that "early warning" does not automatically result in supervisory interventions as it is part of internal risk management.
GFIA	international	The concept of "early warning" is new and therefore not defined in the IAIS glossary. A definition would be welcome, alongside a clarification that these do not automatically trigger supervisory intervention.
General Insurance Association of Japan	Japan	Subject to types of risks, it may be impossible to include specific indicators or events corresponding to early warnings or triggers in the risk management system. Therefore we suggest revising this paragraph as follows: "Where necessary, the risk management system should include elements such as early warnings or triggers that allow timely consideration of, and adequate response to, material risks."
Swiss Re	Switzerland	The new guidance 8.1.8 on a monitoring activity of systems of risk management includes a reference to early warning. The concept of "early warning" is not defined in the revised IAIS Glossary definition (see our response to the Glossary). We suggest to add in 8.1.8 that early warning should be considered as part of internal risk management supporting supervisory scrutiny but not necessarily resulting in supervisory interventions.
American International Group	USA	We find the requirements to have "early warnings" or "triggers" as part of the risk management system to be overly prescriptive. The statement is sufficiently robust without these references. As such, our preference would be for the paragraph to read as follows: "The risk management system should allow for the timely consideration of, and adequate response to, material risks."
G 8.1.9 - Comment on Guidance 8.1.9:		
Financial Market	Austria	We would suggest to rephrase to be more in line with Article 44 Solvency II-Directive as follows: Management

Authority (FMA);Member		8.1.9 The risk management system should include strategies and tools to manage risks, including mitigation.
CLHIA	Canada	- We believe the word "mitigate" is too prescriptive and portrays an emphasis of risk avoidance over risk management. The existing word "manage" is more suitable as it also reflects that risk management also includes risk opportunities. Also we believe "mitigate" is a subset of "manage"
Insurance Europe	Europe	We suggest to amend the drafting as follows "Risks, their overall assessment of risks and related action plans should be reported to the Board and/or to Senior Management, as appropriate, using relevant qualitative and quantitative indicators."
International Actuarial Association	International	Paragraph 8.1.9 says that "the risk management system should include strategies and tools to mitigate against material risks". The word "against" is redundant, but more importantly, there seems to be an implication that all risks must be mitigated. This is not how insurance companies are run. An insurer's risks are managed within the risk appetite and/or tolerance of the firm. The risks are not eliminated (as some might infer is meant by mitigated). Paragraph 8.1.9 could be re-worded to say "the risk management system should include strategies and tools to recognize and address all material risks".
Zurich Insurance Company Ltd.	Switzerland	Proposal to add: "(...) material risks, <i>when they accumulate beyond the insurer's risk tolerance</i> " as a risk management system is designed to support the insurer in its risk taking activities within a given risk strategy and appetite, which, in that context, does not automatically translate into risk mitigation.
G 8.1.10 - Comment on Guidance 8.1.10:		
American International Group	USA	In our view, it should not be a requirement that each risk escalation be documented. The word "documented" should be removed.
G 8.1.11 - Comment on Guidance 8.1.11:		
Autorité des marchés financiers	Québec	Reporting to the Board by the control functions is in our view too restrictive. Urgent situations might require risk reporting being more flexible, so that Board gets the information they need faster in order to make appropriate decisions. Considering this, we would suggest the following redrafting: "While the risk management policy should cover the content, form and frequency of expected reporting on risk from Senior Management and each of the control functions, that policy should also be flexible enough to allow effective and timely response."
G 8.1.12 - Comment on Guidance 8.1.12:		

CLHIA	Canada	- We note the appropriate use of "manage" and hence our comments in other Questions about the use of "mitigate" instead of "manage".
Autorité des marchés financiers	Québec	Risk policies should allow not only employees but also all other stakeholders to understand their risk responsibilities, including Board, Senior management, control functions and even third parties responsible for outsourced activities/services.
National Association of Mutual Insurance Companies	United States	This guidance contains very prescriptive requirements about an insurer's "risk policies." In the U.S. supervisors do not dictate how companies design their ERM programs. There is a strong belief that an insurer's ERM program must be designed to fit the needs of the organization. If this is not the case then ERM will become nothing more than a check-the-box function required by the supervisor instead of a valuable tool that is uniquely designed by the insurer to address their unique needs and operations. It is commonly believed that ERM that has been developed by the insurer is much more likely to become part of the corporate culture and will be much more likely to meet any "use test" that is applied. For example, the requirement for a singular underwriting risk policy is not appropriate for many diversified insurance groups. The ICP should allow for underwriting policies to be split by core business segments / business units. As an example, personal lines underwriting risk policies and controls will be very different from those for large commercial or commercial excess and surplus lines entities. Also asset-liability matching policies may be very different for a life insurance entity than a property-casualty entity.
Prudential Financial, Inc.	United States of America	We believe the following inserted edits should be made to the guidance (items in quotations highlight areas we have suggested changes): The insurer's risk policies should be written in a way to help employees understand their risk responsibilities. They should also help explain the relationship of the risk management system to the insurer's overall governance framework and to its corporate culture. The overall risk management policy", or sub-policies," of the insurer should outline how relevant and material risks are managed. Related policies should be established, either as elements of the risk management policy, or as separate sub-policies" and may" include policies related to the risk appetite framework, an asset liability management policy, an investment policy, and an underwriting risk policy.
G 8.1.13 - Comment on Guidance 8.1.13:		
G 8.1.14 - Comment on Guidance 8.1.14:		
G 8.1.15 - Comment on Guidance 8.1.15:		
S 8.2 - Comment on Standard 8.2:		

Autorité des marchés financiers	Québec	Pursuant to our comment in 8.1: The supervisor requires the insurer to establish and implement effective internal controls.
Zurich Insurance Company Ltd.	Switzerland	The separate treatment of risk management (in §8.1) and internal controls (§8.2) has advantages and disadvantages. An effective risk management system has to integrate internal controls, and vice-versa. Both elements are intrinsically related, and while insurers may implement them as different activities, it appears essential to promote a sound risk culture in which they are closely interrelated. To the extent that the IAIS prefers the separate discussion of both in §§8.1 and 8.2, either the section on "Systems for risk management and internal controls" or the introductory guidance §8.0.x would benefit from and provide an opportunity for an paragraph stressing the close interrelationship.
G 8.2.1 - Comment on Guidance 8.2.1:		
CLHIA	Canada	- In reference to the sentence "The internal controls system should ensure effective and efficient operations, adequate control of risks, prudent conduct of business, reliability of financial and non-financial information reported, both internally and externally, and compliance with laws, regulations, supervisory requirements and the insurer's internal rules and decisions.", we suggest changing the reference of "ensure" to "reasonably ensure".
German Insurance Association (GDV)	Germany	The text describes the basic components for an internal control system. As this text regards insurer, the basis for any internal controls is the particular law created for insurers specifically. This should be clarified here.
Zurich Insurance Company Ltd.	Switzerland	Proposal to redraft as follows: "The internal controls system should <i>contribute</i> to effective and efficient operations, adequate control of risks, prudent conduct of business, reliability of (...)" as an internal control system participates to effective and efficient operations, adequate controls, etc., but is not the only lever to ensure the effectiveness and efficiency for all the elements covered in the guideline.
G 8.2.2 - Comment on Guidance 8.2.2:		
CLHIA	Canada	- We suggest that "all units and activities" should be limited to material ones
Insurance Europe	Europe	We suggest to amend the drafting as follows: "The internal controls system, covering all units and activities of the insurer, following a risk-based approach, should be an integral part of the daily activities of an insurer. The controls should form a coherent system, which should be regularly assessed and improved as necessary."

Autorité des marchés financiers	Québec	We would suggest the following addition: "The controls should form a coherent system, which should be regularly assessed, improved or replaced as necessary to ensure its effectiveness". We also consider that the last sentence might be deleted since our suggestion of "coherent system" mentioned above covers both individual and cumulative controls.
Zurich Insurance Company Ltd.	Switzerland	Proposal to qualify the activities as follows: "The internal controls system should cover all units and <i>critical and important</i> activities of the insurer and should be an integral part of the daily activities (...)" as a risk-based approach is essential to the effectiveness of the internal controls system.
G 8.2.3 - Comment on Guidance 8.2.3:		
CLHIA	Canada	- Regarding "Controls at every business level...", we suggest instead it be restricted to "material" business level.
International Actuarial Association	International	8.2.3 rightly refers to business units being primarily responsible and accountable for establishing and maintaining adequate internal control policies and procedures. However, the description and requirements for Risk, Compliance and Actuarial seem to require these to be responsible for these things also, for example "8.4.3 The risk management function should establish, implement and maintain appropriate mechanisms and activities to:" This seems to imply either duplication of business unit controls etc., or a single model of risk management being imposed by ICP8 (and or both). At the very least the wording should refer to risk management establishing or ensuring such activities and mechanisms exist in the business (not necessarily being the "owner").
G 8.2.4 - Comment on Guidance 8.2.4:		
CLHIA	Canada	- Even though it is stated in the context of "some" insurers, the mention of a designated person could create the expectation for every insurer to strive to have one. We therefore suggest; "Some insurers may conclude they need to have a designated..." - In the 2nd bullet under Information and communication: "adequate and comprehensive internal financial, operational and compliance data, as well as external market information about events and conditions that are relevant to decision making." we suggest changing the reference of "comprehensive" to "reasonably comprehensive".
Insurance Europe	Europe	We suggest to delete the following sentence as it is redundant: It also includes appropriate distance between those who design a control or operate a control and those who check if such a control is effective in design and operation;" In the second bullet point, we suggest to delete this sentence: "Such policies should foresee a role for control functions, for example by requiring for major matters the review and sign-off by Risk Management or Compliance, and/or approval by a Board level committee;" In the paragraph "Policies and processes", we propose to use the plural "centralised written inventories" to allow for different tools to be used. In the paragraph "Information and Communication", we suggest to delete "policies regarding escalation procedures", as escalation

		processes are specific to each area and policy, and are already included in the requirement to formalise roles and responsibilities, as well as reporting processes.
Allianz	German	Regarding sub-section on "policies and processes": While the requirement of a centralized key process, policies and control inventory is acknowledged, it is however important to note that this should not be interpreted to require maintenance of a detailed documentation centrally. This is not a prerequisite of effective risk management. Rather the completeness of the internal control system can alternatively be ensured by considering the entirety of risk assessments and controls performed by each individual department.
German Insurance Association (GDV)	Germany	In subsection "policies and processes" a centralised written inventory of insurance-wide processes and policies and implemented controls is required. Controls are usually part of the process-manuals/ policies. An additional centralised inventory for controls that need to be amended if a relevant process changed means a huge bureaucratic burden. The requirement regarding controls should be deleted.
International Actuarial Association	International	8.2.4, 3rd bullet under "Policies and processes" (page 8) has the requirement for a "written centralised inventory". We think this ignores other possible appropriate structures or approaches, future innovations. The key requirement is the ability to effectively assess overall group control effectiveness, gaps etc. This may or may not require a central inventory. Definitely the maintenance of an inventory to only meet a regulatory requirement is a significant cost imposition. The focus should be on what is needed, not how an organisation necessarily meets the requirement. Likewise, under "Information and communication", 2nd bullet (page 8), there are unnecessary instructions about "formatting" - the requirement should be for clarity and understandability.
General Insurance Association of Japan	Japan	We suggest revising the third bullet point of "Information and communication" as follows, to make it easier to understand: "reliable information systems that cover all significant activities of the insurer. These systems, including those that hold and use data in an electronic form, are supported by adequate contingency arrangements."
Autorité des marchés financiers	Québec	Segregation of duties and prevention of conflicts of interest section - First bullet on the status that the persons or functions accountable for a process, and those who check related controls, should have sufficient distance. Instead, it seems more appropriate to talk about independence between those two parties. - Second bullet : we consider that the first portion of the paragraph could be deleted as it is too detailed: "up-to-date policies regarding who can sign for or commit the insurer, and for what amounts, with corresponding controls, such as the practice that key decisions should be taken at least by two persons and the practice of double or multiple signatures". The rest of the paragraph is more "high-level" and corresponds to the idea expressed in the first part.

		<p>Policies and processes section</p> <p>- First bullet talks about critical IT functionalities, access to databases and IT systems by employees. All of this could rather be referred to as access to critical IT infrastructure by employees and related third parties (IT consultants, IT providers, outsourcing staff).</p> <p>Monitoring and review section</p> <p>- First bullet mentions that gap improvement opportunities on individual controls should be analysed with Senior Management. We suggest to also mention the necessary involvement of business lines managers in the process of optimising such controls (1st line of defense).</p>
Zurich Insurance Company Ltd.	Switzerland	<p>Proposal to delete the introductory paragraph before the section on "segregation of duties and prevention of conflicts of interest" and solely retain: "An effective internal controls system typically includes:". The purpose of the introductory sentences are unclear and appear not immediately related to the listing of elements making an internal controls system. This is possibly a consequence of various text blocks having been moved.</p> <p>First bullet point in the section on "policies and processes": proposal to qualify key business processes and policies as follows: "appropriate controls for <i>critical and important</i> key business processes and policies, (...)" as a risk-based approach is essential for the effectiveness of the internal controls system.</p> <p>Second bullet point in the section on "policies and processes": delete "policies on" to retain "training in respect of controls (...)" as supervisory focus may benefit from concentrating on the performance of training, rather than on the existence of a policy that prescribes the performance of training.</p>
National Association of Mutual Insurance Companies	United States	<p>This seems to be another section where the guidance is not directed to the small insurer. The description of effective controls system would require more extensive staff, money and technological resources than many small insurers have available to run their entire business. The loss of the concept of proportionality will create major challenges affecting the continued existence of small companies around the world if it is not addressed.</p>
G 8.2.5 - Comment on Guidance 8.2.5:		
G 8.2.6 - Comment on Guidance 8.2.6:		

CLHIA	Canada	- In reference to "In addition, the Board should ensure there is clear allocation of responsibilities within the insurer, with appropriate segregation, including in respect of the design, documentation, operation, monitoring and testing of internal controls.", we suggest changing the reference of "ensure" to "reasonably ensure".
G 8.2.7 - Comment on Guidance 8.2.7:		
G 8.2.8 - Comment on Guidance 8.2.8:		
CLHIA	Canada	- Re the second bullet, we suggest adding a reference to gaps should be filled in a timely manner.
German Insurance Association (GDV)	Germany	We don't see a reason to delete the principle of proportionality. As it is an important principle, in particular for small and medium insurers, it should be reinserted.
Autorité des marchés financiers	Québec	On second bullet, instead of asking insurers to report on control system goals being pursued, they should present how controls have been adapted to changes in insurers' processes and business activities, over the last period.
S 8.3 - Comment on Standard 8.3:		
G 8.3.1 - Comment on Guidance 8.3.1:		
CLHIA	Canada	- In reference to "Control functions add to the governance checks and balances of the insurer and are a provide the necessary assurance to the Board in the fulfilment of its oversight duties." We suggest removing the words "are a".
G 8.3.2 - Comment on Guidance 8.3.2:		
G 8.3.3 - Comment on Guidance 8.3.3:		
Autorité des marchés financiers	Québec	Suggest the following redrafting: "Internal audit function should periodically review performance of risk management, compliance and actuarial functions."
G 8.3.4 - Comment on Guidance 8.3.4:		
CLHIA	Canada	- The requirement of Board approval should only apply to material outsourcing.

		- We suggest leaving in "periodically" in relation to reviews.
Autorité des marchés financiers	Québec	Suggest deleting the following sentence: "in such cases, the Board should satisfy itself that this does not interfere with the function independence, objectivity of effectiveness". In fact, that same statement would also be true for all control functions while it is only mentioned in this paragraph. Could it be captured more generally earlier in the guidance?
National Association of Mutual Insurance Companies	United States	The changes to this guidance imply that there are certain circumstances where a supervisor, as well as the Board, would need to approve combining or outsourcing certain control functions. This language is not consistent with general practice and should be eliminated. Instead of trying to address this through a parenthetical reference, the language about the supervisor approving these decisions should be removed. Jurisdictions with such an approval requirement would not be out of compliance if the language was removed. The ICPs do not have to address every eventuality.
G 8.3.5 - Comment on Guidance 8.3.5:		
CLHIA	Canada	- Regarding "For the head of the internal audit function, the appointment, performance assessment, remuneration, discipline and dismissal should be done solely by the Board (or its Chair or the Audit Committee", this should be changed as management should be able to have input into this decision.
Insurance Europe	Europe	We suggest to delete the words "with the approval of", as this goes beyond the usual responsibility of the Board.
Autorité des marchés financiers	Québec	We suggest to start the paragraph with the requirements for the appointment, assessment, remuneration and dismissal of the head of the internal audit function, followed by same criteria for the heads of all other control functions.
National Association of Mutual Insurance Companies	United States	This guidance provides that any change, discipline, performance assessment, or remuneration affecting the head of a control function should only occur with the approval of, or consultation with, the Board. In many organizations this level of engagement by the board would not be customary. This does not seem to be a necessary board function.
G 8.3.6 - Comment on Guidance 8.3.6:		
Autorité des marchés financiers	Québec	Would it be worth mentioning that some jurisdictions allow supervisors to directly dismiss certain heads of control functions, as a last resort?

G 8.3.7 - Comment on Guidance 8.3.7:		
G 8.3.8 - Comment on Guidance 8.3.8:		
G 8.3.9 - Comment on Guidance 8.3.9:		
Insurance Europe	Europe	Suggest insert "usually' before "have operational business line responsibilities' to take account of practicalities for small insurers.
GFIA	international	We have serious concerns about the implementation of this guidance for small and medium sized insurers (where probably no person has no "direct business line responsibilities"). The proportionality principle should be applied here to recognize the reality faced by small and medium sized insurers.
Zurich Insurance Company Ltd.	Switzerland	Proposal to delete: "The head of the control function should not have operational business line responsibilities.". The main requirements set out in §8.3.9 are captured in the following paragraphs e.g. in regard of independence. Also, even in a second line or third line of defense set-up, the control function heads retain their responsibility for managing their own risk.
American International Group	USA	Inclusion of the word "operational" is superfluous and should be deleted so that the sentence simply reads: "The head of the control function should not have business line responsibilities."
G 8.3.10 - Comment on Guidance 8.3.10:		
Autorité des marchés financiers	Québec	Shouldn't the control functions report directly to the Board which, in turn, should ask Senior Management to address report findings.
G 8.3.11 - Comment on Guidance 8.3.11:		
Autorité des marchés financiers	Québec	On third bullet, it should be pointed out that staff from a control functions only oversees implementation of corrective measures where necessary. In turn, Senior Management remains entirely responsible for implementing such measures.
G 8.3.12 - Comment on Guidance 8.3.12:		
G 8.3.13 - Comment on Guidance 8.3.13:		

CLHIA	Canada	- This should be limited to "material" possible breaches/irregularities
German Insurance Association (GDV)	Germany	<p>It is not appropriate, that each control function should have the authority to communicate on its own initiative with any employee and to have unrestricted access to information in any business unit that it needs to carry out its responsibilities. This contradicts a well-arranged organisation. The needed information access should be ensured through associated reporting lines and an adequate standing of the function within the organisation.</p> <p>The possibility for each control function to contract external resources contradicts the legal constitution of legal entities. Besides this option could cause excessive external contracting of specialists. The board is authorized to contract with third parties. The requirement should be deleted.</p>
Autorité des marchés financiers	Québec	Refer to the first comment on 8.2.4
G 8.3.14 - Comment on Guidance 8.3.14:		
G 8.3.15 - Comment on Guidance 8.3.15:		
Prudential Financial, Inc.	United States of America	<p>The guidance appears to mandate that the heads of control functions should report to the Board if there is a difference of opinion with Senior Management over resources. We believe this should be one of many options and have suggested edits to the guidance to reflect this (items in quotations highlight areas we have suggested changes).</p> <p>The head of each control function should review regularly the adequacy of the function's resources and request adjustments from the Senior Management as necessary. Where the head of a control function has a major difference of opinion with Senior Management on the resources needed, the head of the control function should "have the ability, if necessary," to "discuss" the issue with "" the Board or relevant Board Committee for resolution.</p>
G 8.3.16 - Comment on Guidance 8.3.16:		
G 8.3.17 - Comment on Guidance 8.3.17:		
Insurance Europe	Europe	To avoid systematically requiring overly detailed reporting to the board, we propose to delete "... including an analysis on the adequacy of these resources".

National Association of Mutual Insurance Companies	United States	The requirements contained in this guidance could be problematic if applied too broadly. Large companies have many control functions and the requirement results in a significant time commitment by the Board. This requirement should be limited to specific heads of control functions like the chief compliance officer, head of internal audit, chief risk officer.
G 8.3.18 - Comment on Guidance 8.3.18:		
S 8.4 - Comment on Standard 8.4		
CLHIA	Canada	- In relation to the first bullet point, we believe the word "mitigate" is too prescriptive and portrays an emphasis of risk avoidance over risk management. The existing word "manage" is more suitable as it also reflects that risk management also includes risk opportunities. Also we believe "mitigate" is a subset of "manage"
Swiss Re	Switzerland	The added distinction in 8.4 between 'risk management system' and 'internal control system' should be better clarified. Also there are instances in 8.4 where only the latter is referred to when clearly the former is required as well.
G 8.4.1 - Comment on Guidance 8.4.1:		
G 8.4.2 - Comment on Guidance 8.4.2:		
CLHIA	Canada	- Re second bullet point, the written report to the Board on changes in the insurer's risk profile relative to risk appetite should only be for "material" changes (similar to the "material" criteria in 8.4.3)
International Actuarial Association	International	Paragraph 8.4.2 has added in the second bullet "relative to risk appetite", but the assessment of changes to the risk profile referred to is very important in and of itself, so this needs to say both changes to risk profile and changes relative to the risk appetite. This leads to the larger question of whether the risks expected to be covered here are just financial (or actuarial) in nature or expand to include model risk, distribution risk, compliance risk and operational risks. If the latter, then it would be appropriate to suggest that the CRO role, while maintaining oversight of all risks, may rely on or delegate the more detailed oversight of those risks to other corporate positions.
Autorité des marchés financiers	Québec	Suggested redrafting for the fourth bullet (consistency with previous bullets): "an assessment of potential impact to the insurers risk profile, resulting from corporate initiatives such as mergers and acquisitions, and major projects and investments."
G 8.4.3 - Comment on Guidance 8.4.3:		

G 8.4.4 - Comment on Guidance 8.4.4:		
CLHIA	Canada	<ul style="list-style-type: none"> - We note the appropriate use of "manage" and hence our comments in other Questions about the use of "mitigate" instead of "manage". - Re the second bullet, we suggest that "potential" risks are limited to those to be judged as "reasonably plausible" as we don't believe the requirement should be to address all possible potential risks no matter how remote they are deemed to be.
German Insurance Association (GDV)	Germany	<p>Bullet point 4: It should be distinguished between the legal entity level and a group-wide level regarding the tasks of the risk management function. The risk management function on legal entity level should mainly have a legal entity view and the group function a group-wide focus. Both should work together.</p> <p>Last bullet point: An assessment of the risk management function and the risk management system by the risk management function itself is not adequate. At least an additional independent assessment should be done (e.g. by the internal audit function). Apart from that each control function should be free to conduct an additional selfassessment.</p>
GFIA	international	In the second bullet, the words "actual, emerging, and potential" should be replaced with "current and emerging" which is more accurate.
International Actuarial Association	International	In paragraph 8.4.4, the third bullet includes the expected mandate that the CRO function manage identified risks. In the title for ICP 8.4 the word "mitigate" is used instead of "manage". One concern is the nuance that "mitigate" implies the reduction of the risk. Another is the implication that the CRO role is in the first line of defense involved in the operational aspects of risk management, rather than as a second line of defense control function. Also in that same bullet it asks the CRO role to consider risk in regard to the "nature, probability, duration, correlation and potential severity of risks". Since the probabilities and correlations are always unknown and are in themselves just estimates, a broader view might be to restate this as the "potential range of probabilities and correlations" Lastly, the fifth bullet recommends a "forward looking assessment of the risk profile". We are uncertain as to what is meant here? Does it mean to include new business plans and/or changes in the external environment? On what basis should they be assessed? The three bullets that follow should perhaps be sub-bullets under this item, along with some additional framing of what is expected.
Autorité des marchés financiers	Québec	<ul style="list-style-type: none"> - Suggested redrafting for the third bullet: "validate whether business units effectively identify, assess, aggregate and monitor their risks, and then provides them with recommendations to optimise risk treatment; ..." - On fifth bullet, we could briefly explain what issues should be covered on the forward-looking assessment, such as

		<p>macroeconomic conditions, emerging risks, and industry evolution.</p> <ul style="list-style-type: none"> - On ninth bullet, it would be worth mentioning that supervisors could also receive those reports, where necessary. - Last bullet suggests that the risk management function should conduct regular assessments on itself. We are of the opinion that this function should be assessed by an independent party, which ideally should be the internal audit function.
Zurich Insurance Company Ltd.	Switzerland	Proposal to qualify the nature of the risks in the second bullet as follows: "identify the individual and aggregated <i>material</i> risks (actual, emerging and potential) the insurer faces;" as it essential from an effectiveness perspective that the management apply a risk-based approach.
S 8.5 - Comment on Standard 8.5:		
Swiss Re	Switzerland	The coverage of compliance of 'internal policies' in 8.5 is very broad and should be made more precise. We do not believe that compliance should check all internal policies. Internal Audit has in general this remit but not compliance. We suggest to insert "conduct of business" before "internal policies" to ensure that the compliance function is not responsible for monitoring compliance with all internal policies.
Zurich Insurance Company Ltd.	Switzerland	<p>Two points on standard 8.5.</p> <p>Inclusion of "and supervisory". Zurich is unclear as to what is meant by supervisory obligations. If the intention is to refer to the obligation towards the external supervisors it seems redundant as this is already covered by the word regulatory. As it stands the addition seems to create more confusion in the interpretation. Accordingly the IAIS may want to retain the original language, without "and supervisory".</p> <p>Inclusion of "and internal policies". The addition significantly broadens the scope of the compliance function. Qualifying or scoping "internal policies" might be an appropriate way to clarify the intention: e.g. "and internal <i>compliance</i> policies" or "and internal <i>conduct of business</i> policies".</p>
National Association of Insurance Commissioners	USA	With the revisions to this standard, the duties of the compliance function have been expanded to include compliance with internal policies. While U.S. state insurance regulators agree that certain internal policies may be appropriately enforced through a compliance function (e.g. those related to legal/HR issues), it is generally the role of internal audit to ensure compliance with other internal policies (e.g. those related to business operations such as underwriting and investments). Therefore, it would be helpful to better distinguish between the expectations / responsibilities of a compliance function and an internal audit function related to the enforcement of internal policies.
G 8.5.1 - Comment on Guidance 8.5.1:		

Insurance Europe	Europe	It is not proportionate to demand that the compliance function has a "broader role" than a legal function. This will pre-empt how some companies decides to organise themselves. Due to proportionality reasons some companies might decide to combine compliance with the legal function and ensure management of conflicts of interest via policies and internal procedures. Suggest insert "conduct of business' before "internal policies' to ensure it is clear that the compliance function is not responsible for monitoring compliance with all internal policies.
German Insurance Association (GDV)	Germany	It is not proportionate to demand that the compliance function has a "broader role" than a legal function. Besides legal binding provisions, it is the specific decision of the insurer which tasks should be performed by the legal function and which by the compliance function.
GFIA	international	It is too inflexible to state that the compliance function has a broader role than a legal role as this might not always be the case. We would propose that the sentence be rewritten to read: "The compliance function could have a broader role than a legal role, taking into consideration the governance structure of the company, and jurisdictional law, for monitoring..."
Zurich Insurance Company Ltd.	Switzerland	The last sentence in §8.5.1 reads unnecessarily complicated. Zurich offers the following language, taking into account the comment made on standard §8.5. "The role of the compliance function goes beyond monitoring compliance with applicable laws and regulations, e.g. monitoring compliance with internal conduct of business policies and promoting a culture of compliance within the insurer [insurance group?] are equally important aspects of this control function."
Prudential Financial, Inc.	United States of America	We believe the following inserted edits should be made to the guidance (items in quotations highlight areas we have suggested changes): The compliance function is responsible for promoting and monitoring that an insurer operates with integrity and in compliance with applicable laws, regulations, and internal policies. The compliance function has a broader role than merely "" monitoring compliance with laws and regulations; monitoring compliance with internal policies and promoting and sustaining a compliance culture within the insurer are equally important aspects of this control function.
G 8.5.2 - Comment on Guidance 8.5.2:		
GFIA	international	The sentence: "The Board is ultimately responsible for establishing standards for honesty and integrity throughout the insurer and for creating an effective corporate culture that emphasizes them." should be changed to: "The Board or Senior Management is ultimately responsible for establishing standards for honesty and integrity throughout the insurer and for creating an effective corporate culture that emphasizes them."

G 8.5.3 - Comment on Guidance 8.5.3:		
G 8.5.4 - Comment on Guidance 8.5.4:		
CLHIA	Canada	- Re first bullet point, is "manage" a better word than "address"?
Allianz	German	<p>The following additions to the text are suggested:</p> <p>"8.5.4 The compliance function should have access and provide written reports to the Board [addition start] or the responsible Board member [addition end] on matters such as:..."</p> <p>Rationale: During investigations and in other situations, single board members might be conflicted. In these cases it is important, that not the full Board, but respective members in charge are informed. In addition, data privacy rules in Europe limit the scope of persons who might receive an information.</p> <p>"8.5.4 ...- any [addition start] material [addition end] compliance issues involving management or persons in positions of major responsibility within the insurer..."</p> <p>Rationale: To exclude minor issues or allegations without any proven cause.</p> <p>"8.5.5 The head of compliance ... detrimental to the insurer or its policyholders. [addition start] There should be a procedure for cases of unavailability or conflict of the Chair of the Board. [addition end]."</p>
G 8.5.5 - Comment on Guidance 8.5.5:		
CLHIA	Canada	- In reference to "The head of the compliance function should have the authority and obligation to inform promptly the Chair of the Board directly in the event of any major non-compliance by a member of management or a material non-compliance by the insurer with an external obligation if in either case he or she believes that Senior Management or other persons in authority at the insurer are not taking the necessary corrective actions and a delay would be detrimental to the insurer or its policyholders.", we recommend that this should be "or Chair of the relevant Board Committee".
G 8.5.6 - Comment on Guidance 8.5.6:		

International Actuarial Association	International	8.5.6, 2nd bullet requires what, prima facie, should likely be a first line of defence function (i.e. to conduct the legal assessment), but this conflicts with other ICP8 presumptions. Again this should be to ensure this is done effectively.
Autorité des marchés financiers	Québec	Last bullet point suggests that the compliance function should conduct regular assessments on itself. We are of the opinion that this function should be assessed by an independent party, which ideally should be the internal audit function.
G 8.5.7 - Comment on Guidance 8.5.7:		
Insurance Europe	Europe	The ICPs should not set out these specific risks as necessarily higher risk than others, or prescribe the focus of the compliance function. Instead, under 8.5.6 it could be added as a bullet points: - identify threats in the area of fraud or other financial crime, providing misleading information to customers, and conflicts of interest.
German Insurance Association (GDV)	Germany	The main activities mentioned in this section paint a false picture. As required by law, the main activities of the compliance function are related to the insurance-specific activities of the undertaking. It is the decision of the insurer which additional activities are covered by the compliance function. Moreover, there may be higher risks imposed by activities which are not mentioned in this section.
GFIA	international	We agree that this additional guidance is valuable, as it expressly includes the proportionality principle.
S 8.6 - Comment on Standard 8.6:		
German Insurance Association (GDV)	Germany	Evaluating and providing advice regarding capital adequacy should not be part of the tasks of the actuarial function. The risk management function should be in charge. See also comments on ICP8, 8.64.
International Actuarial Association	International	ICP 8.6 on the Actuarial Function should conclude the sentence with "related statutory and regulatory requirements and using applicable actuarial standards". This will allow regulators and public to obtain value from the current actuarial profession's focus on developing standards for ERM and model governance.
Zurich Insurance Company Ltd.	Switzerland	Proposal to delete "capital adequacy" as it is encompassed by statutory and regulatory requirements and may in regard of accountability conflict with the responsibility of other critical functions or the responsibility of the business.

American International Group	USA	It is unclear to us if these requirements are to be fulfilled by Actuarial groups. If so, the word "group" should be added to the heading.
G 8.6.1 - Comment on Guidance 8.6.1:		
G 8.6.2 - Comment on Guidance 8.6.2:		
Zurich Insurance Company Ltd.	Switzerland	Proposal to delete the 4th bullet point and to move the text to the new §8.1.12 as an element of the risk management system. The proposed new requirement is partially redundant with the responsibility given to the risk management function. Insurers should remain solely responsible for the decision on the operational execution of stress testing and capital adequacy assessment.
G 8.6.3 - Comment on Guidance 8.6.3:		
G 8.6.4 - Comment on Guidance 8.6.4:		
Insurance Europe	Europe	The updated guidance 8.6.4 includes a list of the main activities of the actuarial function. This list includes activities which are not part of the actuarial function as set out in Solvency II, such as conducting capital adequacy assessments or financial projections to be included in ORSA. Additionally, these activities are sometimes spread out across many functions within companies including capital management, underwriting and risk management for nearly all international groups. We suggest that - in line with ICP 8 - insurers could adjust the overall corporate governance framework by restricting the scope of the actuarial function in an appropriate manner.
German Insurance Association (GDV)	Germany	This list includes activities which should not be part of the actuarial function, such as conducting capital adequacy assessments, investment policy and calculation of minimum capital requirements. Generally, these activities should be allocated to different functions including capital investment, underwriting and risk management. Bullet point 12 mentions "ORSA". Under solvency II ORSA stands for "Own Risk and Solvency Assessment". In the ICP context the abbreviation ORSA is unclear and should not be used without further explanations or a reference to solvency II.
GFIA	international	In the seventh bullet, the term "consistent with policyholders' reasonable expectations" should be deleted since it is not consistent with U.S. jurisprudence, is very subjective, and can vary from individual to individual.
Swiss Re	Switzerland	The updated guidance 8.6.4 includes a list of the main activities of the actuarial function. This list includes activities which are not necessarily part of the actuarial function, such as conducting capital adequacy assessments or financial projections to be included in ORSA. Generally, these activities would be spread out across many

		functions including capital management, underwriting and risk management. We suggest that insurers could adjust the overall corporate governance framework by restricting the actuarial function in an appropriate manner.
Zurich Insurance Company Ltd.	Switzerland	Proposal to move the delete the 5th bullet point and to move the text to the new §8.1.12. See comments to §8.6 and 8.6.2.
G 8.6.5 - Comment on Guidance 8.6.5:		
G 8.6.6 - Comment on Guidance 8.6.6:		
G 8.6.7 - Comment on Guidance 8.6.7:		
G 8.6.8 - Comment on Guidance 8.6.8:		
G 8.6.9 - Comment on Guidance 8.6.9:		
G 8.6.10 - Comment on Guidance 8.6.10:		
G 8.6.11 - Comment on Guidance 8.6.11:		
International Actuarial Association	International	Paragraph 8.6.11 covers the duties of a resigning Appointed Actuary to the supervisor. If in the future similar reliances develop for an actuarial function sign off on ERM processes, Model Validation or Governance, a similar requirement should apply.
G 8.6.12 - Comment on Guidance 8.6.12:		
S 8.7 - Comment on Standard 8.7:		
German Insurance Association (GDV)	Germany	The scope of duties of the internal audit function should not be limited to assessment of the governance framework. The internal audit function should evaluate the system of governance and especially the adequacy and effectiveness of the internal control system.
Autorité des marchés financiers	Québec	For consistency (rest of ICP and Glossary), the term "corporate" should be included before "governance".

American International Group	USA	<p>Section 8.7 (as well as 8.14) both use the word "culture" in terms of supervisory guidance on firms' alignment of risks with their systems, processes and audit programs. We find the use of the term "culture" in these sections to be too open to differing interpretations across regulatory jurisdictions. To underscore this point, in the US, the Federal Reserve has acknowledged that it is difficult to effectively regulate or legislate "corporate culture" and their focus is instead on behavior.</p> <p>We would urge that the guidance use the term "profile" instead of "culture" as the former terminology enables the company to more easily demonstrate how it aligns its risk management with identified risks. A risk profile is more specific in terms of identifying internal and external risks facing a company whereas the effort a company puts into managing the risks and how well it manages the risks over time are more indicative of a firm's risk management culture.</p>
G 8.7.1 - Comment on Guidance 8.7.1:		
CLHIA	Canada	- We suggest changing "ensure" to "have reasonable assurance"
G 8.7.2 - Comment on Guidance 8.7.2:		
G 8.7.3 - Comment on Guidance 8.7.3:		
Autorité des marchés financiers	Québec	<p>Last sentence: Third party expertise can effectively supplement internal audit's own assessment, but the affirmation that their contribution allows making independent decisions might lead to wrongful interpretations.</p> <p>We suggest redrafting as follows: "If necessary, the internal audit function should consider the need to supplement its own assessment with third party expertise, granted that the internal audit function preserves its independence and remains entirely accountable to the Board."</p>
G 8.7.4 - Comment on Guidance 8.7.4:		
CLHIA	Canada	- We believe the "if necessary" relating to using third party expertise should not create an expectation to necessarily use third parties in the interests of "compliance" with ICP8.
G 8.7.5 - Comment on Guidance 8.7.5:		
Prudential Financial, Inc.	United States of America	Under the first bullet, we suggest including "budget and resources, and any significant modifications to the audit plan". We believe information on budget and resources help the Audit Committee determine if the audit function is adequately staffed. In addition, reporting modifications to the audit plan keeps the Audit Committee informed of changes in coverage of risk.

G 8.7.6 - Comment on Guidance 8.7.6:		
G 8.7.7 - Comment on Guidance 8.7.7:		
Insurance Europe	Europe	As the "three lines of defence" are not the only model in existence, we propose to replace the reference to it ("insurers' second line of defence") with "risk management and compliance". This is in line with the IAIS footnote in 8.2.3.
German Insurance Association (GDV)	Germany	<p>In the third bullet point the mentioned activity "reviewing levels of compliance" should not only be task of the internal audit function but also part of the compliance function activities.</p> <p>In the third bullet point the wording "third parties" should be deleted as the internal audit is not responsible and not able to evaluate the compliance of third parties.</p> <p>In the last bullet point the phrase "evaluating the quality of performance of the external auditor" should be deleted. The work of the independent external auditor is not part of the internal audit activities. In ICP 8, 7.8 the task is correctly assigned to the Board or the Audit Committee.</p>
Zurich Insurance Company Ltd.	Switzerland	<p>In the first bullet point replace: "(...) with their risk culture;" by "(...) with their risk management system;" so that it reads: "establishing, implementing and maintaining a risk-based audit plan to examine and evaluate alignment of the insurer's systems and processes with their with their risk management system;".</p> <p>The risk management system is the articulation of an insurer's risk culture and sets the standard that creates the necessary basis for an effective audit.</p>
Prudential Financial, Inc.	United States of America	<p>Under the fifth bullet, we suggest replacing "ensuring" with "validate". The term "ensuring" is not reflective of the role the audit function plays with regards to managing risks. Coverage of risks varies from year to year because audit plans are risk-based. Testing of controls is also risk-based, using a sampling approach in some instances, which would not allow for the function to "ensure" that risks are effectively addressed. That is the responsibility of the first line of defense (business operations - risk and control in the business).</p> <p>Under the eighth bullet, we suggest "actuarial" be included so the guidance reads "(i.e. risk management, compliance, and actuarial). We believe this is appropriate as this ICP refers to the actuarial function as a control function. As such, we suggest including it as part of this activity for the audit function.</p> <p>The last bullet of this guidance should be deleted as it only contains a period.</p>

		In addition, we believe "evaluating the soundness and effectiveness of the insurer's risk culture" should be added to the list of activities the audit function should carry out.
G 8.7.8 - Comment on Guidance 8.7.8:		
CLHIA	Canada	- We suggest "reasonably ensure" instead of "ensure".
Prudential Financial, Inc.	United States of America	Under the first bullet, we suggest including "information technology" and "information security" in the list of risks so the guidance is inclusive of all major risks.
G 8.7.9 - Comment on Guidance 8.7.9:		
International Actuarial Association	International	We think this contains an unnecessary, gratuitous reference to "careful" records.
S 8.8 - Comment on Standard 8.8:		
CLHIA	Canada	- We agree that this section is limited to "material" (activity or function)
G 8.8.1 - Comment on Guidance 8.8.1:		
G 8.8.2 - Comment on Guidance 8.8.2:		
G 8.8.3 - Comment on Guidance 8.8.3:		
G 8.8.4 - Comment on Guidance 8.8.4:		
G 8.8.5 - Comment on Guidance 8.8.5:		
Autorité des marchés financiers	Québec	First bullet, for consistency with 8.8.3 : « ...insurer's risk profile and business continuity will be affected... » Third bullet : «...service providers' service capability and financial viability... » as "capability" should be considered in its broad sense.

G 8.8.6 - Comment on Guidance 8.8.6:

G 8.8.7 - Comment on Guidance 8.8.7:

Autorité des
marchés
financiers

Québec

« ...should be made to Senior Management and the Board. »