INTERNATIONAL ASSOCIATION OF
INSURANCE SUPERVISORS

Public

Compiled Comments on *Basic Capital Requirements (BCR) for Global Systemically Important Insurers (G-SIIs)*

20-Dec-13 to 03-Feb-14

Organisation	Jurisdiction	Comments
2. - General Comments on Executive Summary		
Actuaries Institute Australia	Australia	We have no general comments on this section
Insurance Council of Australia	Australia	The Insurance Council endorses the submission being made on this matter by the Global Federation of Insurance Associates (GFIA), of which it is a member organisation. As well as its support for the arguments put in the GFIA submission, the Insurance Council would like to make a point concerning the nature of the BCR. The joint commitment made by the IAIS and Financial Stability Board (FSB) on 18 July 2013 referred to the development of "straightforward, backstop capital requirements" as a foundation for HLA requirements for G-SIIs. While understanding the IAIS's reasons for using the term "basic" rather than "backstop" capital requirements, current usage has the potential to obscure the original intention that the measure was to be developed quickly for a specific purpose - the further regulation of G-SIIs. In this context, the Insurance Council welcomes the statement in the IAIS's BCR Proposal Paper that "A backstop measure for all IAIGs might include some, all or none of the elements of BCR as initially developed for G-SIIs". However a preceding statement in the Proposals paper is "decide in 2014 whether the BCR will also apply to Internationally Active Insurance Groups (IAIGs) and, if so, when". The Insurance Council would strongly encourage the IAIS to develop the BCR while completely focusing on its role in strengthening the co-ordinated regulation of G-SIIs. Whether the BCR has a role in influencing the backstop measures to be applied to IAIGs should be a separate exercise once the ICR is complete and a decision has been taken that backstop measures are in fact necessary. Development of the BCR will be difficult, with possibly a badly designed outcome if two different purposes are trying to be addressed.
Insurance Europe	Belgium	Insurance Europe welcomes the opportunity to take part in this public consultation on the Basic Capital Requirement (BCR) and contribute constructively to its design. In our analysis of the current proposal we assume that the BCR is a temporary measure, until the ICS is developed. According to the policy measures put forward by the IAIS and the FSB in July 2013, "G-SIIs will be subject to an increased loss absorption capacity requirement based on the NTNI activities that those G-SIIs undertake". We therefore understand that, in the absence of a global capital standard, the BCR is meant to represent a measure based on which capital add-ons would apply to G-SIIs. We expect the BCR to be calibrated as a "minimum" level, for example, significantly below the level set by the SCR under Solvency II,

		because otherwise the simpler BCR would create conflicting requirements relative to the sophisticated Solvency II requirements. The timetable that has been set for finalising the development of the BCR is very ambitious. This must not compromise achieving a system that works well enough in practice to achieve its aims. In addition, it is vital that the measurement system developed for the BCR is not overly volatile and does not create pro-cyclical behaviour, which insurance companies are naturally able to avoid. Given both the aim to keep the measurement system as simple as possible and the ambitious timetable, we support the idea of a factor based approach. While we are aware of the challenges of appropriately addressing the balance between risk sensitivity and complexity, we believe that the measure must be risk sensitive enough to work as intended and this includes recognition of key risk mitigation techniques such as re-insurance, hedging and participating products. Care should be taken regarding the implementation and the use of the BCR measure. As a general comment, we believe that principles of proportionality and materiality should be embedded in the framework. * In the current BCR consultation we agree with the following aspects of the proposal: (i) Single, consolidated group level approach. (ii) Best estimate for liabilities so that all prudence and buffers against risk are put into the BCR. (iii) The use of market values for valuation of invested assets - but only if the liability measurement is able to recognise the long-term nature of the business and therefore can, where it is an appropriate reflection of product design, ALM or other risk management activities, reduce or eliminate the own funds' exposure to market value movements. (iv) The exclusion of non-material items. However, although not explicitly addressed in the consultation, challenges remain on a range of valuation and capital related issues, such as: the definition of discount rates for measuring liabilities best estimates, contract boundaries and qualifying capital resources - on which we have already expressed significant concerns in the context of the ComFrame-Module 2 consultation. As qualifying capital resources and the definition of discount rates represent important elements in the BCR calculation, concerns should be addressed in time before the BCR implementation becomes effective. We believe that the BCR and associated valuation basis should leverage the extensive set of methodologies and work developed for Solvency II such as data granularity, calculations and reporting requirement that European companies will be required to produce under Solvency II. We believe this can help speed up the development of a workable and suitable BCR and also the ICS measures that may follow.
Association of Bermuda Insurers and Reinsurers	Bermuda	ABIR would like to thank the IAIS for the opportunity to comment on the IAIS Consultation Paper on developing Basic Capital Requirements (BCR) for Global Systemically Important Issues (G-SIIs). We acknowledge that currently none of the ABIR member companies are designated as G-SIIs but as noted in paragraph 2 the development of the BCR is only the first step of three, the third being the development of a risk-based group-wide global insurance capital standard (ICS) to be applied to designated internationally active insurance groups (IAIGs) from 2019 and that the development of the ICS will be informed by the work of the BCR.

		ABIR understands the IAIS and the Financial Stability Board's interest in developing a global ICS and we note that the Bermuda Monetary Authority (BMA) already has in place a group risk based capital standard for the insurers which it supervises as a group supervisor. In the development of a group capital assessment we would support a simple, minimum, base-line risk based capital measurement that can provide an illustration of a group's regulatory capital needs, affords a basis of comparison amongst international groups and focuses on a minimum or floor capital requirement that if breached would be the basis for regulatory discussion. Around the world there are sophisticated solvency regimes in place and under development. For these jurisdictions it is vital that the BCR sets principles for balance sheet valuation and capital requirements that allow for the various approaches taken by these regimes without duplication where they meet the BCR principles. It is vital that the principles of proportionality and materiality are embedded in the framework. Group capital requirements are an assessment of capital held by the insurance group and should not be used to compel that the group hold all or part of group capital at an ultimate parent or designated insurer level; rather it is a measure of capital held in the current group structure and does not imply a reallocation or repositioning of regulatory capital. Requirements should not be imposed on the control of capital in excess of the regulatory requirements. Group capital measurements need to respect existing jurisdictional legal entity regulatory requirements and existing group affiliate contracts, parental guarantees or other such measures that continue to guide capital flows and support within the group. ABIR would not support development of an additional capital standard that requires capital in addition to existing group capital requirements, such as those imposed by the BMA. Duplicative or redundant group capital standards would be inefficient and counterproductive to the functioning of consumer insurance markets. Any new capital standards would have to be instituted via jurisdictional law. At such time the interplay of the IAIS capital standards with existing jurisdictional group capital requirements would have to be assessed and understood; and then may likely lead to amendments in the existing jurisdictional capital standards. ABIR notes that the lack of an agreed public accounting model by the FASB and the IASB for insurance accounting complicates regulatory accounting and thus complicates the development of a group capital measure, since different accounting systems are currently in use. Until such time as an agreed public accounting model is instituted, regulations should respect the use of the public accounting models most widely in use and regulatory prudential deviations from those models should be sparingly created. For the BCR project, supervisors should be cautious in taking actions that compel creation of substantially modified insurance accounting. The application, scope and regulatory intervention of group capital standards should be well defined, universally understood and transparent. The focus on the level of capital must be one that looks to sufficiency to run off policyholder obligations and not a "going concern" model since the role of the regulator is to honor the contractual obligations to the policyholders. Additionally, any group capital requirements that are created should not negate the impact of regulatory approved economic capital models for the calculation of group capital in jurisdictions where models are allowed. ABIR represents for the most part Property and Casualty (P and C) market participants writing significant portions of catastrophe risks.

		We believe that it is critical that the development of the BCR acknowledge that there are characteristics that distinguish how risks are managed by P and C companies and Life companies. In particular we would like to draw your attention to the following issues: 1. Volume measure is backward looking and does not capture one of P&C's most material risks - future underwriting risk 2. Segmentation does not currently consider distinguishing key P&C risks such as Catastrophe risk and therefore again, will be unlikely to reasonably distinguish between companies with a high / low exposure to this risk. ABIR would support segmentation that includes catastrophe risks. 3. A factor applied to any "mean" volume measure (be it reserves or premiums) is unlikely to capture key tail protection measures such as excess of loss catastrophe reinsurance for underwriting risks and adverse development cover for reserve risks. 4. Non-proportional reinsurance should also be split between short tail and long tail. Not appropriately reflecting these core P&C risks could potentially lead to distorted risk management decisions. Other important points include: - The G-SII and ComFrame work streams must continue to remain separate - separate requirements for G-SIIs are only appropriate because of the systemic risk they may present and are not appropriate for IAIGs that do not pose that risk. - Strong confidentiality protections should apply to the company-specific data that will be produced during the field testing process. There should also be greater transparency by regulators as to the process they will follow when receiving an IAIG's confidential information whether a MMOU or MOU does or doesn't exist. There needs to be transparency on how confidential information is treated and with whom it is shared and under what conditions/circumstances and the process for determining how much of the confidential information is shared.
Catlin Group Limited	Bermuda	Where risk-based regulatory systems already exist, efforts should be made to assess whether such regimes are already in line with BCR objectives and principles. If this is deemed true, then existing measures should be deemed equivalent to fulfil BCR needs and no additional work should be required from insurance companies. Similar considerations should apply to ComFrame. Further we feel that it is important to note that the risks arise if the BCR is used as a blunt tool. If it is used alongside a range of measures and if it provoke discussions with a company rather than rigid responses then it may be useful. If it is used as a blunt tool then it may be dangerous.
Canadian Institute of Actuaries	Canada	The following items are in response to the IAIS public consultation document entitled Basic Capital Requirements for Global Systemically Important Insurers (G-SIIs): Proposal. They have requested that we categorize our responses by the sections within their document. Our responses will be submitted through an online form.
Canadian Life & Health Insurance Association	Canada	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

Inc.		life insurance, annuities and supplementary health insurance to about 26 million Canadians. The CLHIA is an Observer of the IAIS and an active participant in making submissions to the IAIS. We have made submissions on a number of important IAIS initiatives on capital including multiple submissions on ComFrame, and with respect to G-SIIs, submissions in July 2012 and December 2012 on, respectively, the Assessment Methodology, and Policy Measures. The CLHIA is also an active participant in the Global Federation of Insurance Associations ("GFIA"). The CLHIA is submitting comments to provide a perspective of our member companies operating in Canada. CLHIA KEY MESSAGES The IAIS document "Basic Capital Requirements for Global Systemically Important Insurers (G-SIIs): Proposal" provides a solid framework for developing a methodology for a basic capital metric. The document is comprehensive and thoughtful. The Canadian insurance industry appreciates the IAIS work and solid progress on this challenging topic in light of the high fragmentation of the accounting and solvency regimes for insurers across jurisdictions. We also appreciate the opportunity to provide comments to further enhance the framework. Our key messages are as follows: 1. Striving for simplicity should not compromise risk-sensitivity and comparability of the outcomes While we understand and applaud the need for simplicity when designing the basic capital requirements (BCR), we believe that the principles of reasonable risk sensitivity and comparability should supersede the strive for simplicity. An appropriate reflection of risks, even at a rudimentary level, should be at the very foundation of any solvency measure, as otherwise capital management and risk management considerations would be misaligned. A reasonable comparability of outcomes reflective of appropriate risk measurements is as important given the desire for comparability that motivates the development of global capital metrics. As such, the objective of simplicity stated in terms of limitations on the number of identified risk categories and their corresponding factors should be subject to the objectives of risk sensitivity and comparability that may require a higher degree of granularity in the BCR design. We believe that the BCR framework should explicitly recognize the simplicity objective as being subordinate to the objectives of risk-sensitivity and comparability. 2. Use of market information should not undermine the long-term nature of insurance business Based on our experience and analytical work, including work on the proposed IFRS standard on the valuation of insurance liabilities, we view it as paramount that the use of current market information does not obscure the recognition of the long-term nature of insurance business. This long term nature allows insurers to take orderly and gradual, as opposed to immediate, management action in response

		to ongoing market fluctuations. The BCR, as any capital metrics for insurance, should not artificially introduce pressure to take such immediate action to offset the impact of markets vagaries on BCR. In this context, an appropriate choice of discount rates in the determination of current estimates of liabilities is particularly important. The objective of risk sensitivity needs to be similarly considered in the context of the long-term horizon of the business in order to mitigate excessive volatility and potential procyclicality of BCR. Finally, the definition of capital resources also needs to take into account this long-term horizon. We believe that the BCR framework should explicitly recognize the need to consider market information within the business horizon of insurance activities. 3. BCR should reflect risk mitigating features inherent in insurance products and their management including asset-liability management and natural offsets of certain risks as well as risk diversification Many insurance products allow for policyholder participation in risks inherent in these products through the levels of dividends credited to the policyholders (in the Canadian context, these are known as "participating products") or by other means that mitigate the impact on the company of adverse developments by passing some portion of the risk to policyholders, including through premium increases motivated by product-related losses ("adjustable products"). The factor-based BCR methodology should differentiate between products that have such features and those where risks are entirely borne by the company. Insurers also actively engage in asset-liability management to mitigate financial market risks. Insurers establish asset portfolios that reflect the characteristics of the liabilities they support, and manage asset class allocation and tenors so that asset and liability current values move in close synchrony. The BCR should reflect the risk mitigating effects of such asset-liability management. Similarly, BCR should avoid excessive conservatism and recognize natural offsets of certain risks. In this context, we strongly believe that the incorporation of any off balance sheet risks must take into account both the contingent asset and liability side of such exposures and net them appropriately. Depending on the determination of BCR factors, there may be a need for an explicit reduction of some factor-based capital charges through the application of a simple diversification matrix. We will gladly provide timely input on these items as the IAIS work progresses. We believe that the BCR framework should be explicit about the recognition of the risk-mitigating features in insurance products when they exist. 4. For the time being BCR should only inform comparability between jurisdictions and the design of HLA while national regimes remain the primary drivers of capital adequacy assessments We believe it is important to outline the relationship between BCR and national requirements at the onset in order to reduce uncertainty

		for companies as well as analysts and other market participants. Until sufficient experience is gained with the BCR performance, in our view BCR should serve solely as a crude measure of solvency comparisons between companies as well as the foundation of High Loss Absorbency (HLA) charges, and should not be publicly disclosed. In addition, no specific limits on the BCR level or intervention actions should be imposed, as this could create a conflict with existing other capital regime standards and could unsettle markets. As the BCR gains a track record, its relationship with the national or regional capital requirements should be revisited. For orderly implementation, the BCR document should address the parallel nature of the BCR measure and existing capital regimes and be clear that for the time being the BCR outcomes are not intended to mandate intervention by supervisors. Alternatively, the BCR document should be clear regarding the intention to prompt such action under specified circumstances; a generic referral to decisions by national authorities as per Annex A of the document is not sufficient to dissipate market uncertainties. In addition to the key messages above, in Appendix A we provide detailed comments among which the following are of particular importance: a. the need to recognize that risks in non-guaranteed components of segregated funds or separate accounts are essentially borne by the account holders. Given the relatively low impact of variations of fee income on solvency risks, segregated fund accounts and deposits should not form part of the consolidated balance sheet for BCR purposes (the risks pertaining to guarantees should be included in the BCR via a separate methodology, along with hedges that mitigate these risks); b. our suggestion to defer the identification of "non-traditional non-insurance (NTNI)" activities to the next stage of HLA discussions due to time constraints, while still covering all risks exposures in BCR, including these potentially identified later as NTNI; c. the recognition that Asset Liability Matching ("ALM") risk can be addressed indirectly through the BCR methodology and hence any explicit charges should avoid double-counting of this risk. In fact, the BCR framework should recognize benefits of asset-liability management; d. the need to keep the definition of capital resources relatively simple for BCR; hence the recommendation to focus on total resources as opposed to a complex differentiation between categories of capital. In response to the IAIS request to the industry, below is an illustrative example of the segmentation of balance sheet on the liability side as well as asset groupings and an off-balance sheet risk exposure treatment that could well serve as a foundation of BCR. We believe the proposal addresses joint objectives of risk sensitivity, comparability and simplicity. We trust the IAIS finds our comments helpful.
China Insurance	China	We support the IAIS develop a set of higher and stricter solvency capital requirements for the G-SIIs. However, the technical condition

Regulatory Commission		for implementing BCR as the foundation of systemic capital regime for C-SIIs is not quite ready yet. We still need to further study and solve some practical problems to make the plan more feasible. 1. There are pros and cons to the existing typical solvency regimes worldwide. Therefore it would be quite difficult to reach a consensus to adopt a single unified solvency regime. The IAIS has to tackle some difficulties to develop a unified global capital standard for the G-SIIs. 2. The market conditions among different jurisdictions, especially the risk features between emerging and developed markets, are very different. Even though Ping An Group was listed as one of the G-SIIs, China's insurance market is still at its primary stage with features of a fast growing market. At the same time, the capital market in China is also at its primary development stage, the products are relatively simple, and the business structure of the insurance groups is quite different from that of the developed markets. Bearing that in mind, we suggest that IAIS should take the difference between different jurisdictions, regions and markets, as well as the difference in the corresponding business practice, into full consideration in the following field testing and detailed rule-setting of BCR, so that we can push forward the development of BCR in a fair way and reflect the actual condition of emerging markets in the detailed rule setting of BCR. The basic capital models for emerging markets and developed markets should be distinguished to reflect the different risk profiles among countries.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments.
European Insurance and Occupational Pensions Authority (EIOPA)	European Union	EIOPA welcomes this opportunity to provide comments on IAIS Proposal for Basic Capital Requirements for Globally Systemically Important Insurers (G-SIIs). EIOPA is aware of the relevance of the work being developed and willing to continue providing significant support to its completion.
Institut des Actuaires	France	In the European Union, the Solvency II project is coming to an end, with level 1 directive texts adopted and level 2 mostly completed. This prudential reform defines new capital requirements, the SCR and the MCR, which can be computed either by an internal model or a standard formula. The computation with the standard formula is built on the basis of similar principles to the six principles stated for the BCR. Indeed, the comparability and the transparency of information publicly disclosed are the founding stones of Solvency II. In the same way, the standard formula consists in an arbitrage between robustness and simplicity, in order to ensure its applicability by all insurers. The computation is based on an economic valuation of the insurers' balance sheet and on a risk-based approach, whose perimeter covers the main risks insurers are exposed to. Nevertheless, the complexity of insurance business and the specificities of state members required to improve the standard formula, in order to better adjust the capital requirements to the reality of underlying risks, and thus avoid dangerous effects issued by an underestimation or an overestimation of the capital requirements, in function of the risk profiles and economic situations.

		The introduction of a new capital requirement, which may largely fluctuate over or under the Solvency II requirements, depending on insurers and financial situations, seems for us an important source of confusion on the markets. The simplicity of the proposed basic capital requirement prevents to take into account dependencies between assets and liabilities, like those coming from profit sharing options in life insurance products. For this reason, in order to be applicable in the European Union, the BCR computation must be, from our point of view, consistent with Solvency II. It is also necessary to precise if the new capital requirement defined in this project works as a minimum level: if this is the case, the starting point must be the Solvency II's MCR and the BCR computation has to stand on the same balance sheet as the one used in Solvency II. Thus, our following comments are focused on the main elements of the project that could create major deviations between the BCR and the capital levels required by Solvency II, and on explaining why too much simplification is limiting the model robustness.
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	The German Insurance Association appreciates the opportunity to comment on the IAIS proposal for a Basic Capital Requirement (BCR) for Global Systemically Important Insurers (G-SIIs). We remain basically supportive of the idea to establish a set of global capital standards for G-SIIs and Internationally Active Insurance Groups (IAIGs). Insurers, policyholders and investors may ultimately benefit from increased comparability and consistency in the regulatory assessment approaches which are still different to a large extent. We understand that the IAIS is in favour of a factor based approach applied to the consolidated group balance sheet which is subject to certain adjustments in order to ensure a fair value-measurement of assets and a current estimate of liabilities. In general terms, this concept seems to be comprehensive and reasonable. However, a substantive assessment is not possible since the proposal remains rather abstract at the current stage and does not allow for informative comments due to lack of detail with regard to valuation issues, calibration of factors and qualifying capital resources. Apart from that, fundamental questions about the purpose and perspective of the BCR, such as the eventual scope and the envisaged interaction with the global insurance capital standard (ICS), are yet unanswered. It is expected that further details and decisions on the purpose of the BCR will emerge during the field test phase and presented in a second consultation scheduled for July/August 2014. Thus, we reserve the right to refine our comments as the BCR-concept increasingly evolves. At the same time it is unquestionable that the task ahead constitutes a tremendous challenge. The experience with Solvency II underscores the complex and difficult implications of developing a single standard to apply across just a number of different countries with diverse insurance markets. This has been -and still is- difficult enough within the EU, and the stakes are certainly to be even higher with a global standard. Therefore, in terms of the BCR, we continue to believe that the expectation to adopt a methodologically sound and well-engineered standard by November 2014 is hardly realistic. Rushing into premature and merely analysed solutions just to meet overly ambitious timeframes won't add any value to the ultimate goal of providing a uniform and comparable capital base for HLA-requirements, but will only perpetuate level playing field concerns among G-SIIs.

		Given the expertise and resources invested in Solvency II, it is vitally important that the valuable experience drawn from this exercise is taken into account of when designing the BCR. This means that the BCR should not introduce an entirely new approach -especially with respect to valuation- which would be inconsistent with the Solvency II-methodology. Conceptual alignment to the greatest possible extent in terms of data requirements, risk categories etc. is essential. Apart from that, we are particularly concerned that the IAIS, due to the highlighted time pressure, seems to be predominantly focused on a simple design and handling of the BCR, while at the same time risk sensitivity is evidently neglected. This is not only reflected by ignoring risk sensitivity in the definition of substantive and construction principles for the BCR. We also believe that the self-restriction on 5-10 risk factors, a limited number risk categories and a low degree of granularity concerning segmentation creates a major obstacle for the field test. Although we fully understand the considerable time pressure the IAIS is working under, there are significant differences between the designated G-SIIs and other field test participants in terms of business model and risk profiles which need to adequately be reflected. As a consequence, the field test design needs to be sufficiently flexible with regard to the granularity of segmentation and diversification instead of curtailing the scope of the field test from the outset. Absent a global standard for valuation, the comparability of different requirements is paramount for the development of global capital standards. For BCR-purposes, we understand that the IAIS intends to build on balance sheets prepared in accordance with GAAP-requirements applicable, with subsequent adjustments of the technical provisions, financial instruments and reinsurance recoverable assets. Given the little time available for testing, valuation bases incorporated in the economic capital models are not considered to be an option, apart from providing some reference points for the development of valuation principles. However, we expect that the suitability of economic models will be explored in further detail when developing the ICS. We strongly urge the IAIS to preserve the option to readdress the BCR- valuation principles if evidence for an advanced valuation approach is gained from this exercise. Lacking further details of how the envisaged market-based valuation/current estimate of insurance liabilities is supposed to be achieved, we would like to emphasize the following essential aspects the adjustments need to address: - Clarification of purpose and objective of the BCR (including calibration target) - Capture the long-term nature of insurance business and avoid pro-cyclicality of the BCR by taking into account the reduced risk of losses from forced sales - Off-balance sheet items are expected to be immaterial - Both IFRS 4 Phase II proposed contract boundaries and Solvency II contract boundaries should be acceptable The discount rate used to determine the present value of cash flows is a fundamental parameter of calculating the current estimate of insurance liabilities. So far, the IAIS is apparently reluctant to leave the determination of the yield curves to the discretion of the companies. On the other hand, the IAIS seems to be aware that specifying yield curves in its own capacity might fail to capture

		significant differences of the portfolio structure or in the economic environment. Therefore, we would suggest defining basic principles in order to ensure the comparability of methodology and objective of the calculation, rather than to provide the specific numerical outcomes. These principles need to address the following aspects: - Calculating the interest rate term structure for discounting insurance liabilities based on reliable and relevant observable market data reflecting the characteristics of financial instruments with the same cash flow-characteristics, potentially subject to adjustments in order to ensure full alignment with the long-term nature of insurance business - Taking into account market data as long as this data is based upon deep and liquid markets - Using adequate mark-to-model (inter- and extrapolation) -methodologies for maturities where no such reliable market data is available - Allowance for calculating the discount rate both with a top-down and bottom-up approach - The degree of dependence of insurance liabilities on investment returns of assets has to be reflected in the discount rate
KPMG AG WPG	Germany	We support the IAIS initiative to develop a BCR; we have a number of comments at this stage. First, we note that the IAIS has not specified the policyholder protection levels that the BCR would represent. We believe that this will make it harder for participants to fully engage in discussions concerning the appropriateness of risk factor charges and overall design of the framework itself. Second, the BCR seems too simplistic a measure to apply to G-SII's. It is also not clear whether there will be any diversification credit allowed within the simple BCR matrix. It therefore seems unlikely that either these firms or their supervisors will accept the BCR as a good basis for capturing the risks run by these firms, or as a good basis from which to apply any capital surcharge to systemically important insurers. Third, we remain of the view that the intended application of the BCR to G-SII needs to be revisited. While we understand that the BCR is in response to the FSB request, the setting of a new minimum basic capital requirement for some of the world's largest insurance groups with no capital target level, at this stage, seems impractical. The IAIS will need to be clear what the level of capital is envisaged before the BCR can be fully assessed. For example, if the level of the BCR is set too low then in practice it is difficult to ascertain what value the requirement delivers to the overall supervision of these groups - especially as the G-SIIs themselves are each now operating under a defined minimum set of capital requirements from their home supervisor. Fourth, it is not clear to what extent the BCR is being developed for reinsurers, given that a number of reinsurers could also be designated as G-SIIs. While we recognise that these firms may also be participating in the FTTF exercise, it would appear to be an

		omission that no mention is made of the possibility of the BCR's application to reinsurers. In this regard, the BCR factors should have due regard to the benefits derived from reinsurers and take into account the net exposure of positions rather than gross. Further explanation regarding the treatment of reinsurance is required. Fifth, the issue of market reaction to this new BCR remains unknown. It is not clear from the IAIS discussion how the market is likely to respond to a BCR for a G-SII. Further analysis concerning this aspect would be beneficial e.g. what does a breach of the BCR mean in practice? This is especially relevant at paragraph 56. Sixth, we agree that the IAIS will have to first identify the most appropriate valuation approach for the BCR. However, given the achievement of such a global standard has been difficult within the insurance sector, we would have preferred to have seen this issue addressed first before undertaking the BCR itself. Given that a significant number of supervisors hold varying positions towards valuation issues, it remains to be seen how the BCR can fully proceed until such critical decisions are reached. Supervisors first need to achieve agreement on the valuation of liabilities if the BCR is to work properly. Making significant supervisory adjustments will work against the aim of achieving comparability. Finally, It seems that the IAIS has decided that the BCR should only includes quantifiable measures by way of a risk-based factor model. We think that such a basic framework could usefully be supplemented with strong ERM and governance requirements.
AIA Company Ltd	Hong Kong	Para 2: The paper is not clear about where the entire project is headed and what the relationships are among the BCR, HLA and ICS. The BCR is to be developed by the end of 2014. However, it is not clear from the paper from what date it is intended to be applied. Application will depend on adoption by local supervisory regimes. As at what date does the IAIS intend to recommend that local regimes adopt the BCR? Is it intended that the BCR would serve as a temporary standard until the ICS and HLA are adopted? Is the BCR intended to be a minimum level of capitalization or a recommended level? What is envisioned as the final end state? Is it the ICS for IAIG's, and ICS plus HLA for GSII's? Or is it envisioned that all three (BCR, HLA and ICS) will continue? Please define what is meant by the terms "back-stop", "basic" and "front-stop" capital standards and what the AIS sees as the role of each type of standard in prudential regulation. These terms are used without being defined and the differences between them are not clear.
Global Federation of Insurance Associations	International	The GFIA welcomes the opportunity to take part in this public consultation on the Basic Capital Requirement (BCR). GFIA aims to contribute constructively to meeting the goals and time-table but would like to emphasise that the time-table set is very ambitious and care should be taken to ensure that it does not compromise arriving at a system that works well enough in practice to achieve its aims. In particular it is important that any proposed capital adequacy standard, including the BCR is not overly volatile and does not create pro-cyclical behaviour. Given the very limited time-table and therefore the simplicity required for the BCR, we believe it should be a temporary measure. This is

		in line with the mandate set by the FSB that the BCR is needed in the absence of a comparable global capital standard on which to set the HLA for G-SIIs. We have based our submission on this assumption, and on the assumption that the BCR will apply only to G-SIIs. If however the BCR is intended as a long-term measure and/or to apply more widely then this could significantly alter our views, and for example, a less granular BCR may no longer be appropriate. Given both the limited time-table and the temporary nature, GFIA supports a factor based approach as the basis for the BCR. A key challenge will however be to find a reasonable trade-off between simplicity and accuracy in order to serve as an appropriate basis for the HLA. The reasonable level of balance to be achieved should be considered through the field testing process. We support the approach to assess overall BCR at single, consolidated group level. We can support economic valuation as defined in ICP14, which recognises that this covers both the use of market valuation and amortised cost valuation. We emphasise, that any valuation approach must look at assets and liabilities together, making sure that long-term and illiquid characteristics of both assets and liabilities are appropriately reflected in the measurement approach and therefore the measurement system does not introduce artificial volatility into the BCR measures. Although not explicitly addressed in the proposal, challenges remain on a range of valuation and capital issues. As a general comment, we believe that it's vital that principles of proportionality and materiality are embedded in the framework. Thus, it should be acceptable that companies apply simplifications to the methodology, such as excluding business units and/or risks that would create significant costs and have a non-material impact on the total measurement. The limited scope for impact testing of the BCR would suggest that a phase-in period would be appropriate, as supervisors monitor the measure's usefulness and performance. This is important to assess whether it is sufficiently risk sensitive, and to limit the uncertainty it will impose on the markets. This also means that it would be appropriate for supervisors to have some flexibility to determine how they respond to movement that impacts a company's ability to meet the BCR.
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	Members of the Institute of International Finance (IIF) and the Geneva Association (GA) look forward to continuing the open and constructive dialogue they have had so far with the IAIS and to working constructively with the IAIS on important technical issues. Overall, we believe that in a number of areas the consultation paper constitutes a good basis for further work on the Basic Capital Requirements (BCR) and aims at a good balance between the various (and at times conflicting) objectives. In particular, in line with our previous discussions with the IAIS, we welcome a factor-based approach for the BCR and its proposed valuation approach for assessment of available capital and current best estimate value of liabilities (BEL).

		However, concerns remain regarding the timetable for completion of the BCR and the lack of details concerning its specific structure and calibration. Until this is available, it is not possible to draw any final conclusions on the appropriateness of the BCR as described in this consultation document. The very limited time left also raises questions as to whether and how the industry will be further involved in the process (e.g. discussing essential elements such as BCR structure and BCR field testing) going forward. It is of major importance that the final BCR approach is sufficiently and appropriately tested before its implementation. We feel strongly that the field testing should not be reduced to a simple data-gathering exercise whereby companies would only submit their data without any indication as to the BCR design and calibration options being tested. We would support a reiterative process of result analysis combined with an open exchange with the industry on results. Our views are set out under the assumption that the BCR is, as initially indicated by the FSB, a foundation for the application of Higher Loss Absorbency (HLA) requirements to G-SIIs in the absence of a global capital standard, and is therefore a temporary measure until the global insurance capital standard (ICS) is developed. It is important to note that what may be viewed as appropriate for the BCR as a temporary measure may not be appropriate for the ICS. The BCR should, where relevant, draw on information provided by existing or future prudential or accounting regimes and by companies' own models when these are in line with IAIS Insurance Core Principles (ICP). The BCR's valuation basis and the BCR itself should not duplicate nor conflict with existing or future national and regional requirements. The effort to achieve comparability should be proportionate to the materiality of the various items on the firms' balance sheets and consider the constraints imposed by the target timelines. Proxies and simplifications should be allowed commensurate to the scale, nature and complexity of the risks being assessed. Where risk-based regulatory systems already exist, efforts should be made to assess whether such regimes are already in line with BCR objectives and principles. If this is deemed to be the case, existing measures should be considered equivalent to fulfil BCR needs and no additional work should be required from insurance companies. We welcome the focus on simplicity. However, it is important that the BCR remains both simple and risk-sensitive at the same time. It needs to be as simple as possible while capturing key features of insurers' risk profile. Key features of insurers' business model that need to be recognized by the BCR and its valuation basis, include: - Insurers' reduced exposure to losses from forced asset sales - Insurer's exposure to the risk of losses from forced sales is reduced because of the illiquid nature of their liabilities or where part or all of

		the exposure to market risk has been transferred to policyholders through market value adjustment mechanisms or, for example, in the case of unit-linked and separate account type products. - Even in recovery and resolution situations insurers under financial stress have many tools available to them which are effective in creating an orderly resolution. Critically, the long term nature of insurance allows time for stabilizing actions to be taken over a number of years. - Diversification - Other risk mitigation techniques such as reinsurance and hedging A factor-based approach for the BCR should be based on applying factors to exposure measures such as BEL segments. One alternative is to cover market and credit risks implicitly through the calibration of the factors applied to each BEL segment. Another alternative is to cover these risks explicitly by introducing separate factors and exposure measures. There is currently no industry consensus as to whether there should be an explicit factor on assets or not. The joint IIF / GA BCR Task Force is currently considering a number of options and may follow up with further input at a later stage. Whichever option is selected, it is crucial that the link between insurance liabilities and assets is appropriately taken into account and in particular the reduced exposure to the risk of losses from forced sales of assets. This may require further segmentation of the BEL according to their degree of illiquidity and the extent to which market risk is borne by policyholders or otherwise hedged. Diversification which is at the heart of insurers' business model needs to be appropriately recognized. It could be taken into account implicitly or explicitly. A number of members very much prefer to reflect diversification explicitly. Reinsurance needs to be given due recognition. One simple approach would be to apply the factors to the BEL net of reinsurance. Reinsurance is one of the main insurance risk mitigation techniques available to insurers and failing to recognise it would result in the BCR being insufficiently risk-based. The structure and segmentation of the BCR should be sufficiently granular to ensure that non-traditional (NT) activities that are materially systemically risky can be subsequently separately identified to facilitate the targeting of HLA. Risks from non-insurance (NI) activities should be covered using sectoral rules. We welcome the overall direction taken by the IAIS on valuation which is in most aspects consistent with a principles based, economic, risk-based, globally comparable basis for valuation, whilst remaining inclusive enough to be workable for all - e.g. through the use of local GAAP or the valuation component of their internal capital models to the extent possible to determine available capital, adjusted as appropriate to ensure alignment with the valuation principles. Clearly though there remain a number of points on which further work is required (e.g. contract boundaries, yield curve definition, need for regular updating, treatment of options and guarantees).

		As indicated in our comments on Module 2 Element 5 of the latest ComFrame draft, we believe that the restrictions on qualifying capital are potentially problematic. The long-term nature of insurance needs to be duly considered when defining qualifying capital. Notably because of the illiquid nature of their liabilities, insurers, unlike banks, generally cannot be forced into an accelerated liquidation of their balance sheet. We welcome the recognition of the fact that BCR has a different role and characteristics compared to the Basel III Leverage Ratio [10]. Undue spill-overs from regulation originally designed for banks may result in insurers being driven away from their core business model of providing protection and diversifying risks. We welcome that the IAIS intends to develop the technical specifications for field testing in cooperation with the volunteering firms [69]. However, the discussion on technical specifications will be key to the success of the field test, and further interaction with the volunteering firms should be actively fostered by the IAIS.
The General Insurance Association of Japan	Japan	We would like to express our respect for the IAIS having made good progress on the BCR's role and marshaled its relationship with other regulatory rules. We appreciate the IAIS for its timely request for input from the industry. We welcome the fact that the IAIS will invite further opinions from the industry after the field testing processes have made progress.
The Life Insurance Association of Japan	Japan	We, the Life Insurance Association of Japan (LIAJ), would like to express our respect to the IAIS for its efforts in developing the Basic Capital Requirements (BCR) for Global Systemically Important Insurers (G-SIIs). We also would like to extend our gratitude to the IAIS for providing us with an opportunity to submit our comments on this public consultation. The IAIS has committed to developing the BCR by the end of 2014, therefore we understand that time for the development of the BCR is constrained. However, this work would impact non-G-SIIs as well as G-SIIs because the development of the ICS will be informed by the work on the BCR. With this in mind, we request that the specifics of the BCR are given sufficient consideration, taking into account the results from the field testing and observers' inputs. For capital resources, please refer to our comments as submitted to the current draft (October 2013) of ComFrame.
NYC Bar Association -- Insurance Law Committee	New York	The Committee on Insurance Law ("Committee") of the New York City Bar Association ("Association") is pleased to provide this response to the IAIS's comment solicitation on its BCR proposal. The Committee's comments are intended to share a U.S. perspective on the BCR proposal for G-SIIs, particularly in light of ongoing developments in insurance regulation in this country affecting capital standards, systemic risk and group solvency. These developments can, we believe, inform the process of regulating internationally active insurers more broadly. The Association is a not-for-profit, voluntary association of 24,000 lawyers practicing in New York City, which provides members the

		opportunity to meet and consult on various legal and public policy issues, acquire continuing education and professional development and advocates for equal administration of justice, among its many activities. The Committee comprises lawyers representing a diverse cross-section of the insurance community, including lawyers in private practice, in-house counsel at insurance carriers and producers across multiple lines of insurance business, trade association officials, regulators, policyholder lawyers, insurance arbitrators and other types of insurance professionals. This letter represents the views of the Committee as a whole and not necessarily those of any particular member thereof. (Committee members Robert Easton, Executive Deputy Superintendent of Financial Services for the State of New York, and Joana Lucashuk, Senior Attorney with the Department of Financial Services for the State of New York, have recused themselves from all Committee deliberations on these comments.)
KNF - Polish Financial Supervision Authority	Poland	KNF welcomes the opportunity to provide comments on IAIS Proposal for Basic Capital Requirements for Globally Systemically Important Insurers (G-SIIs).
Association of Financial Guaranty Insurers (AFGI)	U.S.	The Association of Financial Guaranty Insurers ("AFGI") appreciates the opportunity to provide the International Association of Insurance Supervisors ("IAIS") with its comments regarding the Basic Capital Requirements for Global Systemically Important Insurers ("G-SIIs"). AFGI is the trade association of the insurers and reinsurers of public finance obligations, infrastructure bonds, asset-backed securities, and other financial obligations. AFGI members provide financial guaranty insurance that guarantees the timely payment of scheduled payments of interest and principal due on insured securities. AFGI members facilitate affordable financing and improved market access for municipal and other issuers in sectors serving a substantial public purpose, including issuers in the education, utility, housing, healthcare, and transportation sectors. As in previous comments submitted to IAIS, we would like to use this opportunity to emphasize that the business model and activities of financial guaranty insurers differ significantly from other types of insurers and reinsurers. As such, we suggest that, in the unlikely event that a financial guaranty insurer were designated as a G-SII, the proposed basic capital requirements (as well as the IAIS methodology published in July 2013), should reflect a level of granularity that recognizes the unique business model and activities of the financial guaranty insurance industry. I. Financial Guaranty Insurers' Business Model and Activities In the IAIS methodology, published in July 2013, the IAIS recognized that neither long experience of insurance markets nor information arising from the global financial crisis provides any evidence of traditional insurance either generating or amplifying systemic risk within the financial system or the real economy. Similarly, the traditional financial guaranty insurance business (i.e. the insurance of public finance and infrastructure obligations) does not provide any evidence of global systemic risk. As such, we do not expect financial guaranty insurers to be designated G-SIIs.

		Nonetheless, it is important to note that basic capital requirements, if applicable to any financial guaranty insurer designated as a G-SII, should reflect the unique business model and activities of the financial guaranty insurance industry. Particularly, in its proposed factor-based approach to basic capital requirements for G-SIIs, the IAIS identifies three major risk categories: (1) insurance liability risks, (2) asset risks, and (3) non-traditional non-insurance risks. With regard to insurance liability risks, the IAIS states that "the most basic proposal would only discern between life insurance and non-life insurance." This approach supports a "simple structure" appropriate for the majority of the insurance industry. However, financial guaranty insurers and other niche insurers do not fit this simple approach. In fact, potential liability risks in the financial guaranty insurance industry differ because financial guaranty insurance consists of insurance of scheduled payments due on specific bonds or other securities; that is, the insurer undertakes to pay the amount of any defaulted scheduled payment on the insured obligations in exchange for the right to receive the defaulted payment. The beneficiary of the insurance is typically a trustee or paying agent on behalf of the insured security holders and holds an insurable interest, consistent with the principles of the traditional insurance business. The obligation of the insurer to pay defaulted scheduled payments cannot be accelerated (other than at the direction of the insurer) and equals the defaulted payment amount. Thus, there is no optionality that can be exercised by the insured party to the detriment of the insurer. Moreover, financial guaranty insurers insure U.S. domestic tax-exempt municipal bonds sold to U.S. domestic investors or infrastructure bonds that support public finance. These bonds are predominantly investment grade securities, reflecting investor inability or reluctance to purchase lower-rated securities. II. Basic Capital Requirements Proposed by the IAIS Should Include a Proper Level of Granularity Given the business model and activities of financial guaranty insurers, as described above, we submit that, in the unlikely event that a financial guaranty insurer were designated as a G-SII, the IAIS will need to revisit its proposed basic capital requirements, recognizing the unique business model and activities of the financial guaranty insurance industry. Indeed, having an additional level of granularity beyond the "life insurance and non-life insurance" space will be essential in determining proper capital requirements applicable to any financial guaranty insurer designated as a G-SII. In turn, having sufficiently granular capital requirements will be critical to ensuring the continued stability of the global financial system, as intended by the IAIS. As it moves forward in assessing the systemic importance of the insurance industry worldwide, AFGI encourages the IAIS to continue its open dialogue regarding the proper assessment methodologies and, if necessary, basic capital requirements, applicable to niche insurance business models such as the financial guaranty insurance industry. AFGI stands ready to work alongside the IAIS in ensuring that proper measures are in place to control the potential risks to the stability of the global financial system.
Association of British Insurers (ABI)	United Kingdom	The Association of British Insurers welcomes the opportunity to provide comments on the IAIS' proposal for Basic Capital Requirements for Global Systemically Important Insurers. We believe that the proposal represents headway on some of the practical issues associated with the development of the BCR. We

		particularly welcome the recognition of the fact that the BCR has a different role and characteristics compared to the Basel III Leverage Ratio. However, we are concerned that the timetable is unrealistic and that there is considerable confusion around the purpose of the BCR. The IAIS should as a priority develop the BCR to be consistent with the mandated aims of the FSB, i.e., as a foundation for HLA requirements in the absence of a global capital standard, as per the FSB mandate. As such, we assume that the BCR is an interim measure that will only apply to G-SIIs. We believe that this clarity in the BCR's objectives is a pre-requisite for the informed design of the BCR and its timely development. We note that our submission is based on these assumptions. If, however, the purpose of the BCR changes, a more sophisticated approach than the one we propose may be preferable (but we believe is unlikely to be feasible within the timeframes). Setting these issues of principle to one side, in general, we support the IAIS' simple factor-based approach consistent with an economic, risk-based and globally comparable basis of valuation as the best practical solution. We also generally agree with the approach to the valuation of best estimates of liabilities, although a number of issues remain, notably the discount rate, contact boundaries and qualifying capital. We do suggest, however, a more straightforward approach that implicitly reflects asset and other risks through the calibration of factors applied to insurance liabilities. This approach is more likely to result in a workable solution and allow for the recognition of the link between assets and liabilities. Overall, we strongly recommend that the design of the BCR should be, as far as possible, consistent and comparable with standards already being developed across a number of jurisdictions (for example, Solvency II). While we recognise that the IAIS' objective is to develop harmonised, global capital standards, building on work that is already completed and tested would not only be more efficient and lower compliance costs, but could also form an effective basis for a workable global solution within the timelines. We also believe that the rules should be developed, and applied, according to the principles of proportionality and materiality. Having regard to these fundamentals will again assist in achieving the most efficient and cost-effective outcome for policyholders, regulators and firms. Finally, we note that the target timelines are very ambitious and a major risk remains that the BCR will not be fit for purpose and damage insurance products across jurisdictions. Further, combining BCR and ICS/ComFrame within the field testing risks insufficient focus being afforded to the development of the BCR. The field testing should primarily focus on the BCR and allow for the assessment of its structure and quantitative impact. We would be happy to engage in further discussions with the IAIS or provide additional input.

Aflac	United States	American Family Life Assurance Company of Columbus's (Aflac) principal business is supplemental health and life insurance and operates in two countries - the United States (Aflac U.S.) and Japan (Aflac Japan) as a branch. Aflac is only engaged in traditional insurance activities. It offers voluntary insurance policies in Japan and the United States that provide a layer of financial protection against income and asset loss. Aflac Japan sells voluntary supplemental insurance products, including cancer plans, general medical indemnity plans, medical/sickness riders, care plans, living benefit life plans, ordinary life insurance plans and annuities. Aflac U.S. sells voluntary supplemental insurance products, including products designed to protect individuals from depletion of assets (accident, cancer, critical illness/critical care, hospital intensive care, hospital indemnity, fixed-benefit dental, and vision care plans) and loss-of-income products (life and short-term disability plans). Aflac respectfully submits comments below specific to segmentation and yield curves, which we hope will help IAIS to strike a right balance of risk sensitivity and simplicity in its adoption of a ?factor-based approach? for the BCR development.
American Council of Life Insurers	United States	The American Council of Life Insurers (ACLI) is a USA-based trade association with approximately 300 member companies operating in the United States and abroad. ACLI advocates in federal, state, and international forums for public policy that supports the industry marketplace and the 75 million American families that rely on life insurers' products for financial and retirement security. ACLI members offer life insurance, annuities, retirement plans, long-term care and disability income insurance, and reinsurance, representing more than 90 percent of U.S. life insurance industry assets and premiums. We appreciate the opportunity to participate in the consultation on the proposed Basic Capital Requirement (BCR). We believe that a period of observation before the BCR is applied as a supervisory tool is essential. There must be a phase-in period while supervisors monitor the BCR's performance and usefulness. Uncertainty about what the BCR is, what it means, how it will work, and whether and how it will apply to IAIGs will make trading markets uncertain. Given the simplicity of the BCR and supervisors' lack of experience with it, it is not prudent to apply it in the short-term as a supervisory tool or to disclose the results publicly.
American Insurance Association	United States of America	The American Insurance Association (AIA) appreciates the opportunity to submit comments on the International Association of Insurance Supervisors (IAIS) request for comments on the Basic Capital Requirement for Global Systemically Important Insurers (G-SIIs) Proposal ("BCR Proposal"). AIA represents approximately 300 major U.S. insurance companies that provide all lines of property-casualty insurance to consumers and businesses in the United States and around the world. AIA members write more than $117 billion annually in U.S. property-casualty premiums and approximately $225 billion annually in worldwide property-casualty premiums. AIA's membership includes U.S. insurers that write insurance only within the U.S., U.S. insurers that write insurance inside and outside the U.S., and insurers that are U.S. subsidiaries of multi-national insurers. This membership diversity enables AIA to analyze issues from many perspectives and enables us to draw on the global experience and expertise of our companies with many forms of insurance regulation. AIA believes that, as the BCR and Insurance Capital Standard (ICS) are developed, in order to gain acceptance and adoption by all jurisdictions, they will need to be credible in both process and result, and will need to yield tangible improvements in the solvency regulation of GSIIs and IAIGs that can be demonstrated to all stakeholders. To this end, AIA believes that the IAIS must confront several

		issues before the BCR Proposal can be advanced effectively: First, the IAIS should clearly state the objective of the BCR. The BCR cannot be both transitory and a foundation upon which to develop targeted capital standards for those few global firms whose activities may present systemic risk. In this regard, we submit that the overriding regulatory objective of the BCR should be policyholder and solvency protection and not a going concern protection, i.e., not designed to protect bondholders. Second, the BCR should be presented as a minimum regulatory capital standard so that it meets the IAIS-advanced goal of simplicity and ease of application. Equally important, the IAIS should clarify that the BCR is intended principally for G-SIIs, so the IAIS maintains a clear distinction between the ComFrame and Systemic Risk workstreams. This does not mean that the IAIS cannot use its experience developing, testing, and applying the BCR to aid the development of the ICS. But there should be separation between the application of heightened prudential supervision and enhanced policy measures to G-SIIs, and the oversight of IAIGs that occurs through supervisory colleges as a result of ComFrame. Where the IAIS indicates that the BCR provides a foundation for targeted HLA, there will need to be further work to refine the treatment and definition of non-traditional, non-insurance (NTNI) activities so that activities that pose no threat to financial stability are not mistakenly subject to heightened capital measures. Third, as a corollary to the first two points, development of the BCR Proposal should be appropriately respectful of existing diverse financial regulatory regimes around the globe. Respecting different regulatory and accounting approaches is not inconsistent with the development of a BCR that can provide comparability of methodology across jurisdictions and reliability of outcome, particularly where the regulatory objective underlying the BCR is well-understood. Fourth, because the life and non-life insurance business models focus on opposing sides of the balance sheet (assets for life and liabilities for non-life), the BCR Proposal should develop separate BCRs for each of these business models in order to account for important distinguishing risk factors. Failure to do so would likely result in a meaningless BCR and the illusion of comparability. Fifth, where the IAIS requires data collection to facilitate development of the BCR Proposal, it should rely on existing data collection and reporting requirements to the greatest extent possible. Each of these points is discussed in more detail in AIA´s responses to other questions.
National Association of Mutual Insurance Companies	United States of America	The National Association of Mutual Insurance Companies (NAMIC) appreciates the opportunity to comment on the Basic Capital Requirement consultation draft. NAMIC is the largest and most diverse property/casualty insurance trade association in the United States, with 1,400 regional and local mutual insurance member companies serving more than 135 million auto, home, and business policyholders and writing in excess of $196 billion in annual premiums that account for 50 percent of the U.S. automobile/ homeowners market and 31 percent of the business insurance market. More than 200,000 people are employed by NAMIC member companies. Most of our members do business exclusively in the United States, but all deal with international issues as they impact regulation in the United States, and all are affected by the impact on the reinsurance market.

		The BCR Consultation draft proposes a global capital standard applicable to G-SIIs and potentially to group activities to be finalized by the end of 2014. A change of this magnitude in global capital requirements can have very significant repercussions and raise very difficult challenges. The difficulty of bringing together a capital requirement that is nuanced enough to provide value at the G-SII level and that is basic enough to avoid disruption in local jurisdiction capital systems may represent an unsolvable challenge. We urge IAIS avoid creating a separate, duplicative capital requirement and instead rely on existing local risk-based capital systems and internal capital models for analysis of the capital position of G-SIIs subject to the requirements. If there is no effort to avoid duplication, the cost of implementation may require implementation of different accounting standards and the global capital requirement may favor the local approach of one jurisdiction over another creating further disproportionate costs between companies similarly situated. The potential market disruptions could be unintended but very significant. A successful global effort would not create unnecessary competitive issues for companies domiciled in one well-supervised jurisdiction over companies from another. Instead we propose a capital system that would recognize diverse, successful approaches to solvency regulation and would create a principle-based approach for regulatory capital requirements. Differing systems could be evaluated to assure they meet basic capital principles and then assessed for their effectiveness in achieving the desired goals of policyholder protection and solvency while mitigating systemic risk. For individual companies internal capital model evaluation would supplement the local risk-based capital analysis. In short we favor a principle-based, outcome-based approach to a global capital standard instead of a factor-based formulaic approach. If IAIS decides to move forward with the BCR in a form similar to the consultation draft, the challenge and importance of this standard render the year end 2014 goal very ambitious. We propose that time allowed for the development and field testing phase needs to be significantly expanded to assure that adequate investigation and understanding of the global impacts are considered before a BCR is actually promulgated. Even after field testing the final standard should be subject to multiple years of evaluation for informational purposes to ascertain whether the standard meets the principles and goals.
CNA	USA	CNA appreciates the opportunity to provide comments related to the IAIS´ BCR exposure draft. In general CNA is supportive of the concept of a factors based approach that is straightforward and simple to compute. Since the BCR's primary function is to assist in the development of the HLA we question the applicability of the BCR on IAIG's especially in light of the fact that a more sophisticated ICS will be developed and applicable to IAIG's with the next four years. We believe the next consultation draft should provide clarification of the purpose of the BCR and how it will be used and enforced by supervisors. This would assist both Members and Observers in providing constructive feedback regarding its development. With that being said, CNA recommends that the BCR be temporarily aligned with the Prescribed Capital Requirement (PCR) as defined in ICP 17. Our rational for suggesting this temporary alignment is that since the BCR is intended to be a high level measure of the G-SII's capital adequacy with limited differentiation of risk categories it would be more appropriately used as metric for determining increased supervisory diligence and conversation with the group's management rather than a new minimum capital requirement (MCR). After the development of the ICS we would also recommend that the necessity of the BCS be re-evaluated to ensure consistency in

		approach and calibration with the ICS. We make this comment without the benefit of understanding how the ICS will be developed and used in practice. Although we would suggest that the ICS be developed to include various layers of regulatory intervention so that it could solely meet the requirements of the PCR and MCR. For example the ICS could be calibrated so that the PCR is a multiple of the MCR. This would ensure consistency in concept between the two capital thresholds while making it less likely that a group could "game the system" to avoid regulatory scrutiny. Regarding calibration, CNA supports the concept of obtaining additional information from field-testing and other regulatory sources. We are, however, concerned about the limited number of participants in field-testing when compared to the total number of entities potentially impacted by the ICS. We therefore suggest that the data sources be expanded to also include insurers' claim paying ability and credit ratings as determined by widely recognized rating agencies.
Liberty Mutual Group	USA	Our response to this question summarizes Liberty Mutual's overall reaction to the Basic Capital Requirement proposal, as described in the December 16, 2013 Public Consultation Document. Liberty Mutual supports the fundamental goal of ComFrame to enhance group wide supervision, including provisions that will allow for assessment of capital adequacy. We do not believe, however, that prescribed quantitative capital levels are required to achieve comparability, nor are they achievable without profound disruption to current solvency regimes. Strong risk assessment and management practices are the most critical considerations for insurer solvency. A good understanding by lead insurance supervisors of the overall capital position of an insurance group is important, as well. However, to facilitate this supervisory understanding the IAIS must explain more fully the policy objectives and purpose of the BCR in order for interested parties to appreciate how it should be designed or implemented. We think the factor-based approach set forth in the BCR proposal described in the December 16, 2013 Public Consultation Document will make comparability more difficult for supervisors, because a factor-based approach does not provide the flexibility and sophistication that is necessary to account adequately for the endless complexity and variation in risks and capital needs within and among insurance groups. At most, a factor-based approach could be used only in connection with establishing a minimum capital level that would be of little analytic use to sophisticated insurance supervisors. We contend a better approach is to focus the analysis of an insurance group's capital on an understanding of how management assesses risks within the group. Supervisors can take a number of key steps to enhance their understanding of group capital, without relying on strict quantitative capital standards. Most importantly, supervisors should evaluate an insurance group's capital requirements using the group's own internal model. A group's internal model captures the risks associated with each group's unique line of business and geographic mix. An effective model determines available capital at various thresholds when used stochastically and evaluates the impact of specific stress scenarios when used deterministically. In place of the proposed quantitative factor-based model, the IAIS should develop a globally consistent approach that both captures management's measurement of risks unique to a group and management's utilization of an internal model to assess

		capital needs. We also urge the IAIS to reconsider the time frame it has set to develop the BCR and, more importantly, the ICS. We agree strongly that robust field testing is an essential part of the development process and we anticipate that field testing is likely to confirm our concerns that a factor-based approach is not feasible. We do not believe that meaningful and effective field testing is possible within the compressed time frame set by the IAIS. Insurance consumers, supervisors, and companies will be ill-served if these critically important projects are rushed to meet artificially imposed deadlines. The focus must be on the substantive merits of these projects and not on the time within which they are to be completed.
Metropolitan Life Insurance Company (MetLife)	USA	MetLife thanks the IAIS for this opportunity to comment on the Basic Capital Requirements for Global Systemically Important Insurers (G-SIIs). The comments that follow are intended to support and supplement the Joint IIF and Geneva Association Response which we endorse. The consultation paper constitutes a good basis for further work on the BCR. We appreciate what is generally a principles based, sound, consistent, economic approach. We are very encouraged by the IAIS engagement with industry to date and look forward to continued discussion and opportunities for input in the following months that will be critical to BCR development. Substantial additional work and/or detail is needed on several topics, including: - Technical matters such as contract boundaries, discount rates/curves, options / guarantees - Expectations regarding type and number of factors. Some areas we would highlight for clarification: Purpose and timing of the BCR Paragraph 1 of the paper indicates that BCR will apply in 2015 or shortly thereafter. Given that the BCR's stated purpose is to be the basis for HLA, and that HLA begins in 2019, (consistent with ICS timing) what is the role / impact of BCR prior to 2019? In addition, we would express our concern that any BCR adequacy ratios established prior to 2018/19 could be preliminary and in need of further calibration/refinement and that they should therefore remain entirely confidential. Concepts requiring definition and/or clarification: - Additional definition of what is meant by "off-balance sheet items" is necessary as it appears the IAIS and industry may have different interpretations.

		- Given it is one focus of the BCR, greater definition of non-traditional activity will ultimately be needed. However, an interim solution could be appropriate segmentation. - It will be helpful to be very specific and explicit regarding available (qualifying) capital, once the valuation basis is clear. It is absolutely necessary that the long term nature of the insurance business be fully recognized. Some high level points we believe merit emphasis: We fully support the strong distinction drawn between insurance and banking and the acknowledgement that banking rules are not reflective of nor appropriate for our industry, and that insurance specific rules are an absolute necessity. The BCR should recognize and incent strong business and risk management practices. Most important, it should not incent bad nor dis-incent good risk management practices. Several such items include: - Recognizing reinsurance and hedging practices - Taking into account the illiquidity of many insurance liabilities - Appropriately reflecting risks passed to or shared with policyholders. - Acknowledging and reflecting diversification Non-traditional and non-insurance activities are referenced several times in the BCR consultation document without definition or reference to a definition. First, while we believe clarity as to what the IAIS means by "NTNI" is essential given the importance of what the IAIS deems "non-traditional" activity to IAIS G-SII assessment and BCR development, we argue strongly for a focus on systemically risky activity vs. activity defined as "non-traditional" or products defined as "non-traditional" which are managed in a traditional manner (same ALM process for example). Second, we continue to argue strongly for HLA targeted to only those non-traditional or non-insurance businesses that are deemed to be systemically risky vs. a blanket group level capital charge. Last, but far from least, we join with all G-SIIs to voice what we believe a most critical issue: devotion of adequate resources to develop, and time to adequately test and adjust, the BCR. The focus of field testing (and data collected in relation to testing) should be the BCR. If we are to produce a meaningful and relevant BCR, it is critical that companies be able to test and measure impacts on their business and that the IAIS be able to adjust the BCR accordingly before final submission to the FSB in November 2014. We look forward to working with the IAIS to achieve this goal. Annex A - Relationship with other IAIS Initiatives Given that no specific comment box is provided, MetLife comments here on Para 6 of Annex A which suggests the handling of breaches is made the responsibility of home and host supervisors.

		We would suggest that since the BCR is a group-wide concept, the home (i.e.: lead group) supervisor should take responsibility for addressing breaches. Companies would not want to entertain discussions / negotiations with a multitude of regulators in the event of a group-level breach. In addition, a group level BCR breach would not necessarily mean a company has breached any local solvency requirements.
New York Life International	USA	New York Life appreciates the opportunity to provide comments on the BCR consultation paper and the development of international capital standards. As a U.S. mutual company, we serve just one constituency, our policyholders, and we are focused on managing for the long term. In line with this objective, our comments are largely focused on concerns around potential unintended consequences of the proposed BCR framework in markets where insurers offer products with long duration liabilities, such as traditional life insurance and longevity annuities. These products provide consumers, and society as a whole, important financial protection against untimely death or outliving assets in retirement.
North American CRO Council Incorporated	USA	The CRO Council appreciates this opportunity to provide insight that will support the efforts of the IAIS in developing an international framework for group-wide capital standards. We believe the combination of stated goals, which include full comparability across multiple accounting and regulatory regimes, sensitivity to individual company risk, and transparency, will be difficult to obtain within the stated timeframe due to the complexity of the global insurance industry. Recognizing this difficulty, we encourage the IAIS to acknowledge potential limitations while taking a simple and practical approach. We caution that any attempt to measure the market impacts of risk drivers on asset and liability values needs to recognize the risks of spurious volatility and cyclicality that may emerge if the framework undesirably incents companies with long-term portfolios to take action based on short-term market volatility. Additionally, we ask the IAIS to clarify the long-term purpose of the BCR in relation to existing and proposed regulatory measures as early as possible. These ideas are expanded upon in the sections that follow.
Northwestern Mutual	USA	Northwestern Mutual appreciates the opportunity to comment on the IAIS's proposal for Basic Capital Requirements for Global Systemically Important Insurers (G-SIIs). Our company, headquartered in Milwaukee, Wisconsin, USA, was founded in 1857 and today is among the largest writers of individual life insurance in the United States. We offer our policyowners a full array of life insurance products, including permanent whole life, term and universal life. In addition, we offer annuities, disability and long-term care insurance, and, through subsidiaries, brokerage and advisory services for individuals and businesses. We recognize that the IAIS is developing the BCR within a time-constrained mandate, limiting the IAIS's practical options to develop an effective global group capital standard. We also recognize that, while the immediate purpose of the BCR is to be a foundation for Higher

		Loss Absorbency (HLA) for G-SIIs, the BCR will inform the development of an Insurance Capital Standard (ICS) to be made applicable to Internationally Active Insurance Groups (IAIGs). We urge the IAIS to consider the following as it develops the BCR this year and weighs the BCR's future role and relationship to an ICS: - Even a time-limited reference point for HLA for G-SIIs has the potential to have competitive impacts throughout the industry. As a result, even in its most limited role, the BCR matters to all companies operating in the many insurance markets around the globe, and to their consumers. For this reason, the IAIS must provide the greatest possible access to all IAIS Observers through all stages of the BCR's development, including Observers, such as Northwestern Mutual, that are neither G-SIIs nor IAIGs. - The impact on insurance markets will of course be greater to the extent the BCR remains in place for an extended period of time or is applied (by influencing an ICS or otherwise) to a broader set of companies (IAIGs). - The choices the IAIS makes with respect to the BCR have the potential to affect the ability of insurers to continue to provide long duration insurance products that have served consumers well. - While it is understandable that international supervisors seek comparability of outcomes, we are concerned that what is proposed will achieve only comparability in process, while masking material differences in the risk profiles of insurers. A global standard which is not adequately tailored to the diverse array of insurance business lines, market places, legal regimes and organizational structures may drive insurers to homogenize their product offerings and investment approaches and discourage the evolution of products to meet changing consumer demands, putting long-duration products, in particular, at risk. - In order for the BCR to be most supportive of the IAIS's objectives and to have the least detrimental impact on the availability of insurance products, it should: be designed to account for unregulated activity and for the significance of local requirements; include sufficient factors to reflect the diversity of insurance risks; set a floor, not a target, capital level; account for the significance of discretionary participation features of certain insurance products; and utilize valuation approaches that avoid creating misleading indicators.
PCI (Property Casualty Insurers Association of America)	USA	PCI appreciates the opportunity to participate in the public consultation on the IAIS' proposed Basic Capital Requirement (BCR). It is difficult to comment in too much detail at this time because tentative decisions on a number of key elements of the BCR have not yet been made. Those include in particular whether the BCR will be limited to global systemically important insurers (G-SIIs), the level at which the BCR is to be calibrated (whether it will be in line with current minimum capital requirements or set at a different level) and the consequences of breach of the BCR. We believe the following general comments are of most importance: The timeframe for development of the BCR is extremely short, and we think the IAIS' priority should be to develop a product that works appropriately rather than one that is rushed to meet the deadline. Because the primary purpose of the BCR is as a base for the application of HLA (higher loss absorbency) to G-SIIs, and because there is no such need with respect to other internationally active insurance groups (IAIGs), the BCR should apply only to G-SIIs.

		Valuation of non-life insurer technical provisions should be based on the companies' current national GAAP standards, which for claim reserves generally require undiscounted estimates which allow for management's judgment. These will produce substantial comparability and avoid the significant costs that non-life companies participating in field testing would incur in adjusting to a probability-weighted, discounted best estimate. The BCR must also take into account the risk mitigating effects of reinsurance.
2.1 - Comments on Overview		
Actuaries Institute Australia	Australia	We have no general comments on this section
Insurance Europe	Belgium	We particularly welcome the recognition of the fact that the BCR has a different role and characteristics compared to the Basel III leverage ratio, as appropriately explained in paragraphs 9 and 10.
Association of Bermuda Insurers and Reinsurers	Bermuda	ABIR acknowledges and supports the change in reference to the Basic Capital Requirement (previously referred to as the "Backstop Capital Requirement") in recognition of the context of such an application to insurance. We agree that there is a lack of comparability of insurance liabilities between jurisdictions and in this regard, a BCR should as stated be "basic level" to allow for globally comparable outcomes and by outcomes we take that to mean that the BCR will not seek to override existing or proposed group capital requirements but will result in "outcomes" that serve as general indicators of solvency and not duplicative group solvency requirements. It would be helpful if the IAIS could explain or provide a diagram of how the BCR (and other proposed capital initiatives HLA and ICS) would interplay with existing IAIS Insurance Core Principles (ICP 17) and jurisdictional capital requirements and their applicability and scope.
Canadian Institute of Actuaries	Canada	2.1 Overview We understand the desire to develop a framework for Basic Capital Requirements (BCR) that balances simplicity, comparability, and risk-sensitivity to major risks faced by insurers. However, we do note that the Global Systemically Important Insurers (G-SIIs) are large, complex, and sophisticated insurers, with varying reporting requirements. We are concerned that a factor-based approach which is simplistic would not adequately reflect the individual characteristics of these companies. We also feel that more definition is needed around BCR before we can make a more detailed assessment. We understand the need to develop a tool rapidly but caution the IAIS about building further tools from it. As you get to further steps, we

		would encourage you to consider characteristics of the Canadian regulatory capital framework. The framework in Canada worked well under recent adverse economic conditions, and reflects both the unique asset profiles of insurers and the risks inherent in their liabilities. We would be pleased to assist the IAIS in this approach. We share your concerns regarding the possibility of gaming the system in the intermediate years. This underlines the importance of quickly implementing risk-sensitive measures. Paragraph 8 mentions non-insurance subsidiaries, but it should also make a comment about links with parent companies.
Canadian Life & Health Insurance Association Inc.	Canada	No Comment
China Insurance Regulatory Commission	China	In the BCR proposal, when the risk-based group-wide global insurance capital standard (ICS) is developed, the role of the BCR will be reassessed. Also, when the ICS is developed, it is intended that the High Loss Absorbency (HLA) requirement be determined using the ICS as a foundation. We suggest that the IAIS first specify the scope of and the relationship among BCR, ICS and HLA, before further developing these standards.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	It may be helpful to clarify at some point the relationship between the BCR and the requirements currently referred to in ICP17. Although we understand (and agree with) the logic for differentiating the BCR model from the Basel Committee's Leverage Ratio, in practice it will be easier if we refer consistently to the BCR ratio.
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Paragraph 12: More clarity and guidance is needed about the intended interaction between the BCR and the ICS. Paragraph 12 indicates that the ICS should eventually serve as a front-stop requirement. If so, it is not clear whether the BCR is supposed to serve as a back-stop. Given that the ICS should eventually be used as foundation to specify HLA-requirements for G-SIIs, it is also imaginable that the BCR might become obsolete. Either way, full assessment of the potential impacts is only possible if the IAIS reveals and explains its intentions as soon as possible.
KPMG AG WPG	Germany	We agree with changing the "backstop' to "basic'.
AIA Company Ltd	Hong Kong	General: The joint commitment provides that backstop capital requirements will apply to all group activities of G-SIIs including non-insurance subsidiaries. We understand that one rationale may be that non-traditional insurance and non-insurance activities within insurance firms

		or groups may generate or amplify systemic risk. While this is accepted, this would not necessarily be the case in all circumstances and may include circumstances where there are activities which are not considered non-material activities. As such, there should be some discretion built into the framework when such requirements would not be required especially when the imposition of backstop capital requirements would lead to a non-level playing field with other companies which may conduct similar non-insurance business. We suggest that the framework set out clearly what is intended by a "front-stop" and what is meant by a "back-stop" and what are their differences. For example, there is some confusion in this section as paragraph 9 stresses that the BCR is not a "backstop capital requirement" whereas paragraph 12 implies that it is "backstop". On the development of the ICS, we echo the comments of the Association of Bermuda Insurers and Reinsurers ("ABIR") on ComFrame who have stated that it would support a simple minimum base-line risk based capital measurement that can provide an illustration of a group's regulatory capital needs, affords a basis of comparison amongst international groups and focuses on a minimum or floor capital requirement that if breached would be the basis for regulatory action. Group capital requirements are an assessment of capital held by the insurance group and should not be used to compel that the group hold all or part of group capital at an ultimate parent or designated insurer level; rather it is a measure of capital held in the current group structure and does not imply a reallocation or repositioning of regulatory capital. Requirements should not be imposed on the control of capital in excess of regulatory requirements. Group capital measurements need to respect existing jurisdictional legal entity regulatory requirements and existing group affiliate contracts, parental guarantees or other such measures that continue to guide capital flows and support within the group. We understand and agree with ABIR in that it would not support development of an additional capital standard that requires capital in addition to existing group capital requirements (such as those imposed by the Bermuda Monetary Authority). Duplicative or redundant group capital standards would be inefficient and counterproductive to the functioning of consumer insurance markets. Any new ICS would need to be instituted via jurisdictional law. At such time, the interplay of the ICS with existing group capital requirements would have to be assessed and understood; and then could likely lead to amendments to the existing jurisdictional capital standards.
Global Federation of Insurance Associations	International	We welcome the recognition that the BCR has a different role and characteristics compared to the Basel III leverage ratio, as explained in paragraph 9.
International Actuarial Association	International	Paragraph 10 (17 & 73); Comparability of property/casualty claim liabilities is helped because nearly all jurisdictions currently require the use or disclosure of undiscounted claim liability estimates without risk margin. While this still leaves unaddressed the relative reliability (e.g., different optimism and different assumptions) of such estimates across companies, this is not new to either the rating agency, accounting or regulatory bodies. The expected present value estimates of claim liabilities mentioned in Section 2.2 (Paragraphs 17 & 73) are not currently readily available for property/casualty claim liabilities in many jurisdictions, and may not be available in the future for those not subject to IFRS and/or Solvency II. Thus, some companies may not have such estimates and will have only the undiscounted central estimates. As such, a more achievable/ practical measure, in looking forward to an ICS (at least for the short term), could be the undiscounted central estimates currently being recorded. The one approximation that will occur here is that comparability will be lost between countries with different levels of interest rates for general insurance claim liabilities with a long enough duration where discounting becomes material.

Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	See also: General comments on Executive summary 2 and 11: The overall timeline for the BCR is extremely ambitious. The IAIS should therefore concentrate its efforts on the BCR development and its field testing in order to deliver answers to outstanding features of the BCR as soon as possible and well in advance of the second consultation period. The IAIS should also assess the risk of inability to deliver on time or just with "an 80% developed BCR'. The overall IAIS timetable for the ICS to be delivered at the end of 2016 is also very ambitious. The development of the BCR and ICS should not be confused. To address the complexities which are very likely to surface when details of the ICS are discussed, more time is needed. It is not compatible with the short timeline for finalizing the details of the BCR, which is the object of the current consultation. The current BCR timeline is unachievable if ICS and BCR are both being tackled simultaneously. The risk is that the BCR will not be sufficiently tested and could potentially become a ´risk insensitive´ blunt tool. Members are concerned that the IAIS is not allocating sufficient time to field test the BCR if metrics are only to be supplied to companies in July.
NYC Bar Association -- Insurance Law Committee	New York	The IAIS is to be commended for noting the inappropriateness of using bank capital standards such as Basel III for insurance companies. We would suggest that Overview be revised to more clearly articulate the intention or scope of the project, for instance explaining what exactly a "basic capital requirement" is in this context. It is not altogether clear, for instance, whether this refers to an amount of assets, some percentage or ratio or other metric. Furthermore, the proposal's use of jargon such as "backstop" (passim), "front-stop" (12) and "higher loss absorbancy" (id.), without further explanation, does not clearly convey the substance of the kind of capital requirements contemplated by this proposal as a whole.
Association of British Insurers (ABI)	United Kingdom	We welcome the recognition that the BCR for insurers has a different purpose and characteristics compared to the Basel III Leverage Ratio for bankers, as highlighted in paragraphs 9 and 10. However, it is unclear whether paragraph 12 implies that the role of the BCR has shifted to being closer to a front-stop, rather than a backstop, measure. We suggest that the benchmark for the BCR should be set as a minimum capital requirement as the calibration of a blunt measure at a front-stop level would conflict with proper risk management incentives (a risk the IAIS has noted in paragraph 33). In reassessing the role of the BCR following the development of the ICS, it should be kept in mind that the ICPs already define backstop (MCR) and front-stop (PCR) requirements. We therefore see no value in retaining the BCR once the international capital standards are in place.
American Council of Life Insurers	United States	[12] The need for, and the usefulness of the BCR should be reevaluated once the ICS is in place. We would like the IAIS to signal clearly that the BCR is a short-term solution that will be eliminated or reassessed after the creation of the ICS. If the IAIS retains the BCR, then efforts should be made to align the BCR with the ICS once it is developed. While we understand that the BCR is a necessary precondition to the Higher Loss Absorbency (HLA), it seems inappropriate and premature to use the BCR "to inform the development" of the ICS without serious consideration of other approaches and methodologies.

NAIC	United States	Role of the BCR in the Future (Paragraph 12): We agree that the BCR should be reassessed when the ICS is developed. However, we believe that a reformulated BCR should be a true backstop that is independent of the ICS (front-stop) requirement. Thus the BCR in its initial form would eventually cease to exist.
National Association of Mutual Insurance Companies	United States of America	The plan set forth for the development of the BCR as a first step toward the creation of a High Loss Absorbency (HLA) standard for G-SIIs, and with the intent to inform the development of the Insurance Capital Standard (ICS) is understood from the overview. The need for some risk sensitivity expressed in the overview, will only increase as the HLA and ICS are developed. The plans for the HLA and ICS are not well explained in this consultation draft, and the absence of information about how the HLA and the ICS will build on the BCR make the proposal difficult to evaluate for commenters. What can be said is that when more detail is available it will necessitate a more comprehensive commentary than included in these remarks. We are concerned about the imposition that a highly granular and risk sensitive global capital requirement presents to companies and regulators from very different regulatory environments. It assumes all risks are the same, that all legal environments are the same and that all regulatory systems can and should be modified to reflect these same risks. An outcomes-based approach instead of a prescriptive capital calculation would serve the global economy better than a presumption that all companies can be compared on an equal footing.
Liberty Mutual Group	USA	The IAIS has missed an opportunity to state convincingly the public policy objectives sought by the BCR that support creating an entirely new capital standard and that justify the time and expense of its development and implementation. The Overview should explain more clearly the IAIS's rationale and goals for the BCR. The drafters state in the Overview, "lack of comparability of insurance liabilities between different jurisdictions is a major issue" and development of "globally comparable outcomes is a necessary first step to the development of HLA," but offer no explanation to validate those broad conclusions. The Overview also does not describe how the BCR will provide meaningful comparability or why comparability is needed. In fact, the IAIS states in the paper that true comparability cannot be achieved due to each jurisdiction using different discount rates. As such, the IAIS is truly pushing for "false comparability." For a large property and casualty insurance company, a slight change in the discount rate used for liabilities can significantly impact capital (e.g., a 50 basis point change could impact capital by $500 million). That is why, instead of "comparability," Liberty Mutual recommends that the IAIS seek consistency among supervisors in assessing the capital adequacy of insurance groups. We have suggested a consistent approach that both captures management's measurement of risks unique to a group and management's utilization of an internal model to assess capital needs. Meaningful comparability on a strictly quantitative basis presents a much greater challenge. Reliance on a single capital standard or requirement across all groups runs the risk of encouraging a check-the-box mentality that results in an illusory assessment of actual capital needs. The limited factor-based approach will, in fact, prevent effective comparability, because it will require insurers to bucket risks that are quite different and, unlike the use of a stochastic model, may actually mask risks within a company for reasons we will explain in more detail in our comments on Approach.

Metropolitan Life Insurance Company (MetLife)	USA	Paras 2 and 12: Please see comments under Q1 above regarding timing. It is unclear what it means to have the BCR apply to G-SIIs from 2015 or shortly thereafter. We would urge the IAIS to devote all time and resources to development of the BCR. While work on the BCR will necessarily educate and thereby inform work on the ICS, work on the ICS should be deferred until such time as the BCR framework is sufficiently developed for submission by the November 2014 deadline. Para 10.: We applaud the IAIS for the distinction of the role and characteristics of the BCR from the role and characteristics of the banking leverage ratio in the banking world. Para 11: MetLife is very concerned that the IAIS is under-estimating the time required to field test the BCR if metrics are only to be supplied to companies in July. IAIS approval of the BCR is due in September. If firms are provided metrics only in early July, testing could be restricted to 2 - 2.5 months which is simply not sufficient to adequately test and adjust accordingly. Solvency II for example went through 6 quantitative impact studies and is still not final. These comments apply equally to Paras 32 and 124. See also Para 32.
Northwestern Mutual	USA	We agree that should a version of the BCR be completed this year, it will need to be fully reassessed. The limited time available between now and September makes it practically likely that, in the best case, the BCR presented to the FSB will be only a rough directional approximation of an appropriately risk sensitive, effectively calibrated capital requirement for G-SIIs. This is one reason why it is important that the IAIS make clear that the BCR is intended only to be a minimum, not a target capital level (with HLA applied for G-SIIs to the extent additional capital is required to address systemically risky activity). Because the development and field testing of the BCR will inform development of an ICS, it is critical that the IAIS provide the greatest possible access to all IAIS Observers through all stages of the BCR's development.
2.2 - Comments on Approach		
Actuaries Institute Australia	Australia	(13) We support the use of a factor-based approach as an interim solution, but note that this approach is likely to have low risk sensitivity compared to internal models. (17) We suggest that it is quite possible that current/best estimate insurance liabilities may not be the most appropriate measure for some business segments. The potential use of proxies, such as premiums or sums at risk, is flagged in the third dot point of paragraph 100. For some segments, such proxies may be necessary. (18) We agree that operational and liquidity risks require further consideration. We suggest that it would be useful to seek some measures for these risks in due course, even if appropriate factors are not readily available.
Insurance Europe	Belgium	Given both the aim to keep the measurement system as simple as possible and the ambitious timetable, we support the idea of a simple factor based approach to be adopted for the development of the BCR, as indicated in paragraph 13.

		We agree that the consolidated group balance sheet is the right starting point for the BCR and we support the idea that, for simplification reasons, immaterial activities should be excluded. However, we believe that paragraph 19 should make clear that this is an optional and not a compulsory simplification. We understand that the IAIS, as stated in paragraph 15, is strongly in favor of a simple approach and a limited number of risk measures and factors in order to meet the ambitious deadline set by the FSB. However, even a simplified method must be sufficiently granular (in terms of eg liabilities segmentation) to capture the essential characteristics of the risk profile and ensure reasonable comparability.
Association of Bermuda Insurers and Reinsurers	Bermuda	ABIR member global companies who have been statutorily designated "Bermuda Groups" and are regulated as such by the Bermuda Monetary Authority (BMA) are subject to group capital requirements that are based on a factors based approach. The BMA recognizing the differences in approaches to risk mitigation and durations, have developed two separate Capital Solvency Requirements methodologies one for life companies and one for non-life companies. Additionally, Bermuda groups are subject to stress testing scenarios that test the capital under duress circumstances. It is critical that the factor based approach consider an appropriate measurement for the nature of catastrophe risks. Volume measure is backward looking and does not capture one of P&C's most material risks - future underwriting risk. Segmentation does not currently consider distinguishing key P&C risks such as catastrophe risk and therefore again, will be unlikely to reasonably distinguish between companies with a high / low exposure to this risk. ABIR would support segmentation that includes catastrophe risks. A factor applied to any "mean" volume measure (be it reserves or premiums) is unlikely to capture key tail protection measures such as excess of loss catastrophe reinsurance for underwriting risks and adverse development cover for reserve risks. ABIR supports the three substantive principles (1) that major risk categories should be considered, (2) there is comparability of outcomes across jurisdictions and (3) the BCR has resilience to stress.
Catlin Group Limited	Bermuda	Volume measure: It is unclear whether "current estimates" are expected to include earned reserves only, or unearned reserves as well. Whilst the latter would give some degree of a forward looking volume measure, it is still primarily useful as a measure of reserve risk, missing the other key risk to non-life insurance companies that is underwriting risk. Combining a technical provisions measure with a premium or sum insured measure would better allow for this. Absence of a distinction between reserve risk and underwriting risk could cause a bias in the capital assessment towards / against long-tail insurers (whose risk is primarily a reserve risk) and short tail insurers (whose risk is a primarily an underwriting risk).

		// Volume measure: Key risk mitigation tools used within non-life insurance are tail / catastrophe non proportional reinsurance and tail non proportional reserve protection such as adverse development covers. Net technical provisions or net premium measures will give little or no credit to this risk mitigation and could therefore discourage companies from use of these key risk mitigation tools. It is therefore our view that a process for agreeing specific adjustments should be allowed for in the instances of material weakness in the measurement of risk when the tools are in place. For example, an adjustment to the risk factor, or an adjustment to the output required capital amount. The BMA's BSCR factor based formula approach provides such an adjustment process if explicitly agreed with the regulator and works extremely well.
Canadian Institute of Actuaries	Canada	2.2 Approach We agree with the exclusion of operational and liquidity risks, as these are difficult to meaningfully include within the basic capital requirements.
Canadian Life & Health Insurance Association Inc.	Canada	#14: Elaboration would be useful regarding the meaning of the BCR "resilience to stress". In the extreme, if BCR does not move in response to shocks, it could be viewed as highly resilient but we do not think that this is the interpretation intended by "resilience". As we outline in more detail in our answers to subsequent paragraphs, we recommend ("Substantive") Principle 1 should be expanded to include the effects of risk mitigation, and secondly, we recommend establishing a fourth ("Substantive") Principle - BCR results should not be unduly volatile and pro-cyclical from period to period. #17: The need to identify non-traditional non-insurance (NTNI) risks introduces unnecessary pressure on the BCR project. While BCR should cover all risks, inclusive of activities that may be later on identified as NTNI, there is no need to define NTNI at the BCR stage. The determination of NTNI requires appropriate attention be given to the incremental High Loss Absorbency (HLA) charges that the NTNI activities would attract. The BCR project is already subject to very tight timelines - the identification of NTNI can be deferred without compromising the integrity of BCR. The judicious application of various adjustments to both assets and liabilities is critical to achieve reasonable comparability of BCR results among GSIIs. We encourage the IAIS to thoroughly investigate this aspect during the field testing. #19: Viewing the consolidated group balance sheet as the starting point for the determination of BCR should recognize that account holders fully bear asset risks in segregated funds (also known as separate accounts) although technically the assets are contracted in the legal name of an insurance company. The impact of variations of fee income on solvency risks is relatively low. However, the risks pertaining to guarantees should be included in the BCR via a separate methodology, along with hedges that mitigate these risks. For practical reasons, we suggest non-material non-financial activities that are on balance sheet not be excluded as this eliminates the need for adjustments to the balance sheet as well as mitigates reduced comparability of applying differing judgment on what is material or not.
China Insurance Regulatory Commission	China	1. In the BCR proposal, it is proposed to use generally accepted accounting principles in each relevant jurisdiction, with various adjustments (for example, fair value measurement should be used as the basis of valuation for invested assets). While in China, there is no fair value market indication for a large amount of invested assets (e.g. deposit agreement). Therefore we suggest that local accounting principles or other appropriate valuation measures should be adopted when valuating these assets.

		2. The BCR proposal states that for non-financial activities, non-material activities could be excluded in determining the BCR where appropriate. We suggest the IAIS set a clear definition of "non-financial activities".
Dubai Financial Services Authority (DFSA)	DIFC, UAE	We agree that having fewer factors is preferable, provided that all the key risks can be adequately covered.
European Insurance and Occupational Pensions Authority (EIOPA)	European Union	EIOPA supports a simple approach to the BCR design and calculation, considering the extremely short timeframe for its development. The BCR should have some risk sensitivity (e.g. introduced through the market based valuation of assets and current estimate valuation of insurance liabilities), but there will be a need for pragmatism in the trade-off between granularity and risk-sensitivity (as can be implied from Paragraph 16). The approach to follow should be pragmatic and avoid lengthy discussions on issues which cannot be solved with the available resources. The issue of Scope of Consolidation needs to be explained with greater detail. Considering the approach which is being proposed (top-down), one of the most relevant issues pending clarification is the criteria to be used for exclusions. Current wording raises the following questions: - Can financial activities be excluded (if immaterial)? - What is the criteria of immateriality to consider? Regarding the group or regarding the insurance entities of the group? - How are off-balance sheet elements going to be considered? We believe it is counterproductive to include two very diverse definitions of Current Estimates/Best Estimates, as it risks introducing confusion and ambiguity. Therefore, we suggest dropping the definition included in footnote 5 (last 3 sentences) in future documents and discussions.
Institut des Actuaires	France	Comments on point 13: The purely additive approach used to account for different risk types looks to be too simple as it completely forgets to consider diversification between lines of business and risk sources, which is the core principle of insurance activity. In the same way, it does not take into account dependencies between risks, which can arise between assets, insurance businesses, but also between assets and insurance liabilities (e.g. profit sharing options and dynamic surrenders). Comments on point 14: Principle 1: The major risks have to be defined and it appears that this is not straightforward, considering the current differences in the existing local regulatory systems. It is also important to have in mind that, in light of the differences between insurance businesses in various countries, a risk could be major in a geographical area or in an economical jurisdiction, and minor elsewhere. Principle 2: Comparability is a laudable purpose, but it will be still hard to compare countries if the current project only focuses on setting a framework and basic methods. As stated later in the document, major financial or liabilities differences between economical

		jurisdictions can create distortions and make the comparability aim not achievable (e.g. same business, written in the same conditions, with two different valuations). Comments on point 17: The use of local GAAP for the asset valuation seems not to be coherent with the purpose of comparability. A valuation based on IAS principles should be much more coherent and ensure that both covering assets and qualifying capital are valued in the same way. Finally, it is needed to make sure that risk mitigating techniques, such as reinsurance, is correctly considered and have the suspected effect on capital requirement. Comments on point 18: The operational risk looks like a great improvement of the solvency assessment and it is a considerable regression not to take it into account in the BCR. The difficulty to compute this risk should not be a reason for rejecting it from the BCR formula.
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Paragraph 15: We understand that the IAIS is strongly in favor for a simple approach and a limited number of risk measures and factors in order to meet the ambitious deadline set by the FSB. However, even a simplified method must be sufficiently sophisticated to capture the essential characteristics of the risk profile. Too many deductions on risk sensitivity are likely to violate the ultimate goal of comparability. Striking the right balance between simplicity and appropriate risk-sensitivity should be an outcome of the field test and requires collecting more data than potentially will be used later in the BCR framework. Paragraph 17: Given the primary purpose of the BCR, risk measures and factors for NTNI-activities are very important parameters of the BCR-design. More guidance is needed about how the IAIS intends to address these activities. Moreover, the principles underlying the current estimate should be adopted in a form that explicitly allows the use of asset valuations and liability valuations derived under the principles of Solvency II. Paragraph 19: Though we agree to use the consolidated group balance sheet as a starting point to calculate the BCR, companies should be granted the option to include immaterial non-financial activities. The deconsolidation of such activities is likely to be very onerous without adding considerable value from a supervisory perspective. Off-balance sheet items should only be considered if they are material. Paragraph 20:

		Explicit reference should be made to the system of governance as an essential qualitative aspect in assessing the overall risk situation.
KPMG AG WPG	Germany	Notwithstanding our comments above, we agree that, given the timeframes, the BCR should be kept simple in its form and construction, particularly if it is envisaged that the BCR would form the basis of the ICS and be applicable for IAIG's.
AIA Company Ltd	Hong Kong	General: While there may be a natural tension between the objectives of simplicity, comparability and risk-sensitivity in the development of regulatory capital frameworks, proposals should be reasonable and should not impose substantial additional regulatory obligations on insurers. It should be made clear that solvency assessment is done on a going concern basis, not a liquidation approach. The overall aim should be to assure that obligations can be met as they fall due. There should be explicit recognition of management actions when policy benefits, crediting rates, etc. can be adjusted Para 13: We recommend that the BCR go beyond simple factors and consider the use of scenarios. For example, it is unlikely that asset / liability mismatch risk can be captured through the use of factors. Also, simple factors may lead to pro-cyclicality, for example when they are not adjusted in times of stress. The factors should be capable of being adjusted. Para 15: The term "risk measure" is generally understood to mean a measurement basis for risk, e.g. VaR or Tail VaR. We suggest that the term "risk measure" in paragraph 15 be changed to "risk exposure", which is consistent with paragraph 13.
Global Federation of Insurance Associations	International	We support the approach to assess overall BCR at single, consolidated group level. Given both the limited time-table and the temporary nature, GFIA supports a factor based approach as the basis for the BCR. A key challenge will however be to find a reasonable trade-off between simplicity and accuracy in order to serve as an appropriate basis for the HLA..The reasonable level of the balance to be achieved should be considered through the field testing process.If however the BCR is intended as a long-term measure and/or to apply more widely then this could significantly alter our views, and for example, a less granular BCR may no longer be appropriate.
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	See also: General comments on Executive summary We agree with IAIS's support of "a simple structure in the sense of having few factors" for BCR. The 2014 timeline for the BCR is short. It is doable only if the BCR requirements are principles-based and if companies are allowed to use proxies and simplifications and can, as much as possible, rely on existing approaches and models. It is important that the BCR strikes the right balance between simplicity and risk sensitivity. It needs to be as simple as possible capturing key features of insurers' risk profile. These key features include:

		- Insurers' reduced exposure to losses from forced asset sales Insurer's exposure to the risk of losses from forced sales is reduced because of the illiquid nature of their liabilities or where part or all of the exposure to market risk has been transferred to policyholders through market value adjustment mechanisms or, for example, in the case of unit-linked and separate account type products - Diversification - Other risk mitigation techniques such as reinsurance and hedging 14: [Same comment as for 50]: It is unclear what is meant by "the BCR has resilience to stress"? The IAIS should clarify whether this is intended to refer to the capital ratio, surplus or required capital? 18: We welcome the statement that the potential integration of other risk areas, such as operational and liquidity risk is beyond the scope of the BCR. 19 (same comments as for 48 and 86): We agree with the IAIS' view that off-balance sheet exposures should generally be considered for determining the BCR. If off-balance sheet items are considered to be immaterial, these can be excluded from the BCR calculation. The materiality should be addressed in a transparent manner to ensure comparability. When off-balance sheet items are considered, they need to be treated symmetrically. If off-balance sheet liabilities are taken into account then the value of off-balance sheet assets should also be considered.
The Life Insurance Association of Japan	Japan	We agree with the IAIS's adoption of a simple factor-based approach to developing the BCR, provided that the BCR is regarded as basic capital requirements, and the time limit is met. In addition, paragraph 47 indicates that "The BCR will be developed with the goal that G-SIIs continue as 'going concerns'." We believe this is consistent with the intent of ICP 17: "the insurer would generally be expected to consider its financial position from a going concern perspective." Therefore, we anticipate that market consistent valuation for insurance liabilities from a going concern perspective would be meaningful.
NYC Bar Association -- Insurance Law Committee	New York	The "factor" based approach, which bears some similarity to the U.S. state-based risk-based capital ("RBC") regime, is, we believe, a sensible and sound framework for measuring capital adequacy. In terms of the factors described in this section, we note the following: (1) The IAIS should describe with more specificity what it perceives to be "non-traditional" and "non-insurance" risks insofar as these terms are not self-evident. (2) It is similarly not clear what the IAIS means when it writes that "operational or liquidity" risks are not within the scope of the BCR (18). Given that operational and liquidity needs of an enterprise are closely connected with the availability of its capital resources, we do not understand why these have been disaggregated and deferred.

KNF - Polish Financial Supervision Authority	Poland	KNF supports the IAIS intention to develop a simple approach to the BCR design and calculation, considering the short timeframe for its development. Nevertheless we have some reservations regarding too simplistic approach to BCR design, which could cause incompatibilities and inconsistencies e.g.: - some of the risks could be not taken into account in the formula, - some of the risks could be calculated incorrectly (depending on which part of portfolio they will be related to). In a consequence, results could be based on too many approximations, which will result in incomparability between undertakings.
Association of British Insurers (ABI)	United Kingdom	We agree that a factor-based approach is the most appropriate basis for the BCR and that the consolidated group balance sheet is a sensible starting point. However, even a simple approach must be sufficiently granular to reflect an insurer's risk profile, enable the targeting of HLA and ensure reasonable comparability. We agree with paragraph 19 that non-material activities should be excluded, but note that off-balance sheet items are generally immaterial in our members' experience. We also generally agree with the proposed substantive principles and the need to strike the right balance between competing objectives. We note, however, that the effectiveness of the BCR will depend on where and how the specific technical parameters (including calibrations) are set, as well as how this aligns with the objectives of the BCR. Finally, we agree that capital requirements are just one element of the wider regulatory environment, as highlighted in paragraph 20. As such, capital requirements must be viewed within this broader picture and some regulatory concerns may be better addressed through other tools available to supervisors.
American Council of Life Insurers	United States	[14] We ask the IAIS to elaborate on what is meant by "resilience to stress"– one of the three substantive principles for the BCR framework. If the BCR does not move in response to a stress, is it "resilient?" If the intention is to ensure that the BCR is not excessively volatile, we suggest that be stated more clearly. [16] We believe that limiting the BCR to a few factors makes it too blunt an instrument to be useful. We urge the IAIS to consider ways to make individual factors more granular. [17] A pure market-based approach is inappropriate for measuring long duration liabilities (including life insurance) and the related long duration assets. Because these liabilities and assets will not mature for many years, using a market-based approach introduces volatility without any benefit in terms of identifying or understanding of the entity's risk. In addition, this approach is pro-cyclical - in a stressed environment, in which asset values are depressed, the adjusted balance sheet approach is likely to make life insurers' look as though they are under more stress than is actually the case, thus exacerbating the underlying stresses. If the IAIS insists on market-based valuations, then adjustments affecting BCR available capital must be made to reduce pro-cyclical effects and overstated stress results.

		[17] Current market rates should be used only up to the point where markets are deep and liquid; for longer cash flows an appropriate long term discount rate could be found with a reasonably quick grading from the current to that long-term rate. Otherwise, "market consistent" valuation of liabilities will reflect values that give rise to potentially misleading indicators. For example, significant changes in liability and asset values that will persist over time can be meaningful if they signify an inability on the part of the insurer to meet its obligations. But if such changes are temporary, their use in solvency assessment may mislead regulators, the public and management, resulting in risk and capital management changes that are unnecessarily expensive and detrimental to all. If not properly addressed, near term changes in valuation due to volatility of long-term interest rates in illiquid markets can obscure an otherwise clear view of the insurer's ability to meet its long-term liabilities, or the reverse. [17] If the BCR does not move in response to a stress, is it "resilient?" If the intention is to ensure that the BCR is not excessively volatile, we suggest that be stated more clearly. Local accounting and/or regulatory frameworks use book value or amortized values; if the IAIS intends not to consider the book value or amortized cost values for both assets and liabilities, we would prefer that the IAIS be explicit about the intention. [17] It is not necessary to categorize insurance activities as traditional or non-traditional at this time. The BCR will cover all risks, whether traditional or not, and factors should be made sufficiently granular to adequately address the risks presented by different products. The next step (HLA) will define activities and measures for purposes of a systemic risk charge; that is not the purpose of the BCR. [18] BCR should recognize that asset-liability matching can be a material risk or benefit. [19] Recognizing that the BCR may include material off-balance sheet items, then it must also include supporting assets and treat both liabilities and assets symmetrically. It should also acknowledge the loss-absorption capacity of participating long-duration products and of adjustable products with non-guaranteed elements (policyholders have agreed to share risk). An emphasis on simplicity should not mean that risk mitigation (e.g., ability to pass experience, at least partially, to policyholders, in the wide range of participating contracts) should be ignored. Such risk mitigation must be reflected in the BCR. Without such reflection, an accurate portrayal of risk (and comparability of risk) cannot be achieved. Finally, the BCR framework should recognize the offsetting nature of assets and liabilities for segregated account products, where policyholder values fluctuate directly with asset values.
NAIC	United States	1. Simplicity vs. Risk sensitivity for the BCR (various paragraphs including 16, 34, 88, 89, 98 and 110): The tension between simplicity, comparability and risk sensitivity are mentioned a number of times in the paper. As a uniform base for HLA, the BCR should be skewed toward simplicity in its measurement of risk. Paragraph 110 expresses a desire for between 5 and 10 risk exposure proxies. Limiting the BCR to approximately 10 proxies seems reasonable if that level of granularity provides sensible results across all designated Globally Systemically Important Insurers (G-SIIs). As a basic limited factor approach, the BCR may not be sufficiently risk-sensitive for a larger pool of entities. 2. Impact of Field Testing on Design of the BCR (Paragraph 17): Paragraph 17 suggests that data drives the design (granularity) of the formula. However, given the short timeline to develop a BCR recommendation, it is necessary that the design of the BCR drives the organization of the data and that the IAIS should identify and

		articulate the design and granularity of the BCR before or during the data collection period, not after it. 3. Consolidated balance sheet as the starting point (Paragraphs 19, 48 and 49): Given that financial risk in the banking segment of the group will be brought forward separately via use of a Basel III measurement (per paragraph 65), the paper should be clearer on how the use of the Basel III metric will impact calculation of a BCR that is based on a consolidated balance sheet. In addition, the extent and materiality threshold at which the BCR brings in non-financial (e.g. industrial risk) should be made more explicit. 4. General: Given the ambitious timetable for this exercise as a whole, the IAIS should take advantage of as much available good work as possible and ensure that the possibility of using existing factors already in place in different jurisdictions is not quickly discounted in favor of newly calculated factors.
American Insurance Association	United States of America	These specific comments are provided with the understanding that they must be evaluated in the context of a well-designed and articulated regulatory capital objective: Paragraph 13 - A factor-based approach is definitely workable and is the foundation of both rating agency and the NAIC RBC model in the U.S. However, in some areas, a factor-based approach comes up short. For example, catastrophe risk for non-life insurers and ALM risks for life insurers are very difficult to incorporate via a factor-based approach. The exclusion or inappropriate factor-based modeling of these risks can skew risk-reward trade-offs and potentially lead to unintended consequences that increase risk in these areas. As a result, the best approach may be a hybrid approach that combines a well-designed factor-based approach with the inclusion of scenario based required capital for a few specific risks. Paragraph 14 -- A Principle that is omitted and in conflict with Principle #2 is that risk factors should be sensitive to the risk dynamics in each relevant jurisdiction. Risk factors that apply to any given line of insurance will behave differently and have different historical distribution parameters based on the jurisdiction's legal framework, property rights, litigiousness, coverage terms, and historical loss patterns. To set a risk-based factor that is not calibrated to each jurisdiction would again open up the potential for risk-shifting and unintended consequences (e.g. shift insurance risks from one jurisdiction to another for capital arbitrage purposes through the use of reinsurance). Paragraph 17 - The current proposed measurement for property and casualty insurance claims liabilities is not consistent with the current accounting guidance and actuarial practice in the United States and a significant part of the world. The practice in most jurisdictions is to report property and casualty insurance claims liabilities on an undiscounted basis, which is consistent with the provisions of ICP 14. In addition, even where discounting and risk margins are required, the prevailing practice is to use deterministic methods to determine the nominal reserves and then apply a payment pattern for the time value of money and a risk margin. We also note that on the asset side, the appropriate value to reflect for risk management needs to reflect the call risk of the liabilities. Where assets support insurance liabilities with call risk, fair value might be more relevant and where assets support insurance liabilities without call risk, fair value is not necessarily relevant.

National Association of Mutual Insurance Companies	United States of America	If a formulaic capital requirement is the only option, we support a simple approach. This will enhance the flexibility for different local capital systems and different company structures. The issues will most likely arise as the BCR is developed into the HLA and used to inform the ICS. Additional granularity and complexity will likely reduce the flexibility. We agree that capital is just one tool in the assessment of the solvency position of a G-SII. For this reason, we would propose that instead of adding granularity and complexity to subsequent capital formulas, that the basic capital analysis be used by supervisory colleges along with internal capital models, for an outcomes-based assessment of the capital levels, an assessment of insurance and non-insurance activities and an analysis of the solvency position of the company. This enables a more principle-based process that focuses supervisory college resources toward the companies in most need of attention. Comparability should be focused on the company's overall solvency and not solely on capital levels. This approach can resolve some of the natural tension noted in paragraph 16 between simplicity, comparability and risk-sensitivity. If a formulaic requirement is the only option, we also urge flexibility in the accounting model utilized for valuation purposes. There are major differences among jurisdictions in accounting systems used in capital valuation of assets and liabilities. The BCR, HLA and ICS should account for these differences and allow the use of regulatory, GAAP or IFRS accounting systems. A separate valuation basis required for global capital requirements will create uncertainty, will add cost, will result in competitive discrepancies and will have other unintended consequences related to the actual risk assessment. All insurers in the United States file financial statements with their state regulators consistent with the U.S. Statutory Accounting Principles. Most mutual insurance groups that do not have a publically-traded affiliate file only statutory financial statements. Capital requirements prescribing a valuation approach that is inconsistent with the Statutory Accounting Principles would create an undue burden, and competitive disadvantage for U.S. mutual insurers found subject to the IAIG requirements. We strongly urge IAIS to resist any urge to introduce a more prescriptive tone regarding the use of a particular accounting regime for capital requirements. While a definition may help with understanding of the terms, the use of a current estimate or best estimates approach set forth in this section seems to represent an example of the differences between the U.S. GAAP/Statutory Accounting approach and the IFRS approach. The footnote explaining the term is inconsistent with the nominal reserve valuation standards used in the United States at least for property-casualty companies. We would argue that liabilities valued on an incurred, nominal basis are more conservative than those valued on an expected present value basis.
CNA	USA	CNA recommends that the IAIS designate the BCR as temporarily aligned to the PCR as defined in ICP 17. This seems appropriate since, as detailed in the consultation draft, the BCR is intended to be a high level capital assessment where a group´s capital is to be evaluated in broad risk categories (5 - 10) and charged a risk factor to demonstrate resilience to stress. Such a high level approach is more appropriately used as a leading indicator of a group having capital issues in the future. As a group moves closer to the BCR, supervisory oversight intensifies and additional information is requested from the group. Regarding calibration, CNA supports the concept of obtaining additional information from field-testing and other regulatory sources. We are, however, concerned about the limited number of participants in field-testing when compared to the total number of entities potentially

		impacted by the ICS. We therefore suggest that the data sources be expanded to also include insurers' claim paying ability and credit ratings as determined by widely recognized rating agencies. From a non-life perspective, CNA believes that comparability of technical provisions can be achieved by using the best estimate including management's judgment stated on a nominal basis without discounting or risk adjustment since this is the current standard used to analyze non-life business worldwide. This is because discounting liabilities that are subject to significant variability of timing and ultimate claim amount can be misleading. If technical provisions are to be discounted, we believe this should be accomplished through a high level adjustment to capital.
Liberty Mutual Group	USA	Liberty Mutual agrees with the "three substantive principles" stated in this section, provided that the objective in Principle (2) ("there is comparability of outcomes across jurisdictions"), should be "consistency" of outcomes. We also agree that the consolidated balance sheet is a reasonable "starting point" for assessing an insurer's capital adequacy. However, as discussed throughout these comments, we are concerned that the factor-based approach currently proposed may be unworkable. This approach, although potentially appealing because of its perceived ease of application, is overly simplistic and does not capture meaningful information about a particular insurer's enterprise risk management. As discussed throughout our comments, a factor-based approach will mask some companies' risks while at the same time incorrectly suggest a sound company has issues. A supervisor may overlook key risks by relying simply on the factor- based "score." As an example, a factor-based model that assesses charges for insurance risk based on a multiplier applied to total written premium does not capture the impact of highly volatile books of business. One could envision multiple different property books of business, each of the same size on a written premium basis, being assessed the same charge even though they have vastly different natural catastrophe or terrorism risk concentrations. Depending upon the magnitude of the risk multiplier, this approach will either underestimate the risk of a book of business that is highly concentrated and susceptible to catastrophe events, or overestimate the risk associated with a book of business that utilizes strong ERM practices to mitigate tail risk. Another example, one closer to the problems of the 2008 Financial Crisis, is derivatives. A simple interest rate swap differs significantly from the complex derivatives that compromised the financial condition of some companies during the financial crisis. A factor-based approach may also be excessively penal to insurers with robust ERM programs or may fail to compensate for insurers with weaker ERM programs. Because we expect the factors will be calibrated to identify the insurers with the smallest solvency margin, we believe that the model would more likely penalize those insurers with the strongest ERM programs. A single set of quantitative capital requirements does not have the flexibility and sophistication to account adequately for the endless complexity and variation in risks and capital needs within and among insurance groups. An analysis based on a supervisor's understanding of a company's internal models that have been developed on a consistent basis with other insurers would prevent such inaccurate conclusions. Therefore, we support the use of a stochastic model that determines available capital at various thresholds,

		because such an approach more effectively and accurately measures capital needs. We recognize others, including rating agencies, use a factor-based model to assess capital. However, A.M. Best now acknowledges the limitations of its factor-based model and is moving away from this approach by developing a stochastic model for capital evaluation of insurance companies. S&P has a factor-based model, but believes insurers' internal models can be a useful tool for evaluating capital adequacy. As a result, S&P has been moving forward with a "Level 3" ERM evaluation, which is a detailed evaluation of an insurer's internal economic capital model ("ECM"). The ECM would be evaluated on a number of dimensions, resulting in those insurers with a strong ERM program and a well-developed ECM having their internal ECM results given a partial weighting in S&P's capital assessment. The IAIS should take note of this trend among rating agencies to move away from the use of a single, factor-based quantitative approach to a methodology that better recognizes the significant differences among insurers and their use of ERM. The IAIS should consider a similar approach.
Metropolitan Life Insurance Company (MetLife)	USA	Para 16.: We agree there is a natural trade-off between risk sensitivity and simplicity. That said, while fewer factors may appear simpler, more factors may make the BCR: - More risk sensitive - Easier to calibrate - Better able to incent appropriate management of risk Para 19: Off-balance-sheet exposures are mentioned in several places throughout the document. We urge the IAIS to clarify this term/concept as to date there is not a consistent understanding of what these exposures are. This comment also applies to Para 48.
North American CRO Council Incorporated	USA	See response to Q12 and Q32.
Northwestern Mutual	USA	We have six fundamental concerns with the proposed approach to the BCR: 1. Unregulated activity must be captured. We support the IAIS's direction to ensure that the BCR addresses all material risks. To fulfil this, the IAIS will need to further develop how unregulated financial and other activity (including off-balance sheet activity) will be addressed. Otherwise, the usefulness of a global group standard will be limited. 2. Local requirements matter at the group level. Local insurance regulatory requirements impact availability of capital. Available capital is likely to be overstated if, for example, best (current) estimate liabilities that are lower than local regulatory levels are used to measure available capital. Local jurisdictions will prevent capital flows that would violate local capital requirements. 3. Need more factors. A factor-based approach can produce a very good diagnostic high level indicator of capital adequacy, but more factors than ten will be needed for the BCR to meaningfully reflect the material risks in the sectors of the insurance market (life, health, P&C, etc.).

		- Insurance companies have a wide range of assets available for investment with a wide range of risks (common stock, real estate, private equity, below investment grade bonds, leveraged leases, etc.). - Insurance risks are diverse (mortality, morbidity, longevity, catastrophic, medical inflation, etc.). 4. Floor not a target. We suggest the IAIS make clear that the BCR is being developed as a floor - not a target capital level. - No factor based approach designed for use with many insurers can be made sensitive enough to fully capture all of the important differences between companies. - HLA should be applied as needed to G-SIIs where systemic risk must be addressed. - Basic capital requirements should allow for regulatory intervention to protect policyholders, but should otherwise allow flexibility of management decision making. 5. Discretionary payment features mitigate risk. The BCR should recognize the role of discretionary payments to absorb losses. - The calculation of available capital should increase to recognize that discretionary participation payments can be reduced to absorb risk, factors applied to insurance and asset risks should be reduced for discretionary participating features, or the capital assessment should otherwise reflect the risk mitigating effect inherent in the insurer's ability to adjust payments to policy owners. - Increasing the calculation of available capital has an advantage in that amount of loss absorbency can easily be related to actual dividends, whereas factor discounts would need to be tailored to individual companies to reflect different product mixes and margins. 6. Valuation for insurers. More broadly, aspects of proposed approaches to valuation (fair value of assets and best estimate liabilities, as accentuated by a prescribed methodology), if unadjusted, will from time-to-time create misleading regulatory indicators. Significant changes in value when measuring long term insurance liabilities and the related assets are only meaningful to the regulator if they signify an inability on the part of the insurer to meet its obligations. Near term changes in valuations due to volatility in market interest rates or asset values can obscure for the regulator an otherwise clear view of the insurer's ability to meet its long term liabilities.
PCI (Property Casualty Insurers Association of America)	USA	For valuation of non-life claim reserves, the BCR should use the nominal, undiscounted central estimates reported in US GAAP and most of the world's other accounting systems. This would provide simplicity and comparability without requiring the significant amount of work and time necessary to convert these values to probability-weighted best estimates. We agree with paragraph 25's statement that proxies for "current estimate" calculations may be considered.
2.3 - Comments on Generic example		
Actuaries Institute Australia	Australia	We have no specific comments on this section

Insurance Europe	Belgium	Without a concrete system to evaluate, it's not possible to assess if the generic example given is the most suitable way to design a factor based approach able to capture, to a sufficient degree, risk sensitivity, diversification and risk mitigation. We therefore believe that further clarity on how such a generic example could be designed and calibrated is needed. Other potential approaches should also be considered. For example, where risk factors are applied solely to major liability homogenous risk segments, the number of segments that will be needed should appropriately capture the specificities of the risk drivers. In such an approach the factors could be designed to (implicitly or explicitly) take liability, asset risk and ALM into account (as with any approach). Key diversification and risk mitigation effects should also be included. One criteria for determining liability segments could be based on the extent to which financial market risk embedded in the assets is borne by the insurer (eg life products with guarantees), by the policyholder (eg unit-linked products) or shared (participating products). Regarding NTNI activities we believe that: (i) NI activities should be addressed under relevant sectorial rules and reflected as a net adjustment to available capital (own funds), and not as part of required capital. (ii) How to deal with NT risks requires further thought but should be addressed, so that the HLA can be explicitly targeted. Whichever approach is put forward by the IAIS, care must be taken to ensure the approach is risk-sensitive enough to work as intended taking into account key risk drivers (liability, asset, ALM), key risk mitigation (including reinsurance, participating products, hedging, risk absorbing liabilities, etc) and key diversification effects. However, some thought is needed on the potential design options as this will determine the data and level of granularity required to be gathered in the field testing. In addition to that, adjustments of qualifying capital resources as foreseen in paragraph 23 need prior reflection on whether the underlying issue is already addressed by the required capital in order to prevent double counting of risks. We believe that the loss absorbing capacity of liabilities should also be reflected - either explicitly or implicitly in the model.
Canadian Institute of Actuaries	Canada	2.3 Generic Example As the balance sheet is reshaped to a common framework, the capital factors should incorporate tax recoveries. The rules around the computation of tax offsets need to be clearly defined.
Canadian Life & Health Insurance Association Inc.	Canada	#22: Please see our comments on #17 above: The identification of NTNI does not need to be part of the BCR project while the BCR should still cover risks in all activities. We agree with the use of Basel III for the measurement of risks in banking activities.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	If the intention of footnote 6 is to allow required adequacy ratios higher than 100%, on prudential grounds, then we would be supportive of this. However, given the desirability of transparency and comparability, it may be necessary to disclose if a G-SII is subject to a higher BCR ratio requirement than others (this would be consistent with the approach taken for G-SIB capital buffers).

Institut des Actuaires	France	Comments on point 22: As stated before, the additional approach looks too simple and does not take into account the dependencies between assets and liabilities. Dependence factors, and diversification effect, should be considered both between lines of business and between assets and liabilities (mostly true for savings business, which often concerns with-profits liabilities). Comments on point 23: The qualifying capital should be measured in a consistent way between jurisdictions, and thus requires the use of a standardized accounting system.
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Paragraph 22: The definition of risk measures and the calibration of factors need to ensure that risks are not double counted by being included in more than one exposure base. Paragraph 23: Adjustments of qualifying capital resources need prior reflection whether the underlying issue is already addressed by the required capital in order to prevent double counting of risks.
KPMG AG WPG	Germany	While we support a simplified structure for any BCR given the timeframes involved, the proposed application of NTNI measures and "other' measures - which are not defined, requires further examination.
AIA Company Ltd	Hong Kong	Para 22: The required Capital contains no component for asset / liability risk. For life insurers this is a major risk that should not be ignored. Likewise there is no mention of currency risk. For multinational insurers this can be a significant risk. In addition, diversification benefits should be explicitly recognized.
Global Federation of Insurance Associations	International	It is difficult to judge if the proposed generic example will work in practice until the measures for the Liability, Asset, NTNI and Other categories are determined. Alongside this approach, we believe that other approaches should also be considered. For example, some GFIA members believe it may be possible to base a simple BCR on a system where the total liabilities are split into segments, with factors applied to the liabilities in each segment. The factors applied to the liabilities would be calibrated to implicitly or explicitly reflect liability and asset risks, and also ALM. Such an approach would need more granularity than simply life/non-life liabilities to work, and would need to take diversification and risk mitigation into account. Other GFIA members believe that the framework could be based on asset and liability factors, as the Generic Example suggests.
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	21: We disagree with Footnote 6 "the benchmark [for the BCR Adequacy Ratio] need not be set at 100% but could be set at a different level, if so desired." This caveat can create confusion. The IAIS should be very clear on the action required where the BCR is not met and should not introduce ambiguity. Further, the benchmark should be applied consistently to all G-SIIs to ensure a level playing field. If the benchmark is set at other than 100%, then in essence that alternative level of BCR is actually required, and the factors should just be

		modified accordingly. 22: The approach needs to distinguish between risks that can be addressed through appropriate segmentation and risks that need to be addressed in the calculation of the factor(s) applied. A factor-based approach for the BCR should be based on applying factors to exposure measures such as BEL segments. One alternative is to cover market and credit risk implicitly through the calibration of the factors applied to each BEL segment. Another alternative is to cover these risks explicitly by introducing separate factors and exposure measures. There is currently no industry consensus as to whether there should be an explicit factor on assets or not. The joint IIF / GA BCR Task Force is currently considering a number of options and may follow up with further input at a later stage.
NYC Bar Association -- Insurance Law Committee	New York	The operative terms in the formulas should be more specifically defined so that the full impact of the example can be understood.
Association of British Insurers (ABI)	United Kingdom	We do not agree with the proposed approach of adding the sum of asset factors, NTNI factors and other factors to the sum of liability factors. Asset and other risks should implicitly be covered in the factors applied to insurance liabilities. This approach would afford greater simplicity, while acknowledging the link between assets and liabilities. Non-traditional insurance should be addressed through appropriate segmentation of liabilities so that HLA can be appropriately targeted. Non-insurance activities should be covered under relevant sectoral rules and reflected in a net adjustment to available capital (available minus required capital determined according to relevant sector rules), rather than in the BCR.
American Council of Life Insurers	United States	[22] We agree that all material risks should be included within BCR. We believe that it is not necessary, though, to distinguish NTNI risks within BCR. The next step (HLA) will define activities and measures for purposes of a systemic risk charge for NTNI; that is not the purpose of the BCR. [22] We believe that the BCR framework should explicitly consider diversification. The use of a simple diversification matrix should not be precluded as it may be the simplest way in which to recognize natural offsets among certain risks. [23] We have serious concerns with the October 2013 proposed definition of "qualifying capital resources,' as set out in our comments on the ComFrame consultation. We believe that the BCR framework should be built on a total capital basis.
NAIC	United States	Role of BCR on its own or with HLA (Sections 2.3 / 5.5; Paragraphs 56 /57; and 38/126): Given that the consultation paper states in several places that the primary purpose of the BCR is as a uniform base upon which to apply HLA for G-SIIs, the examples shown in Section 2.3 and again in Section 5.5 should be modified to include HLA so as to adequately illustrate that the BCR will be calculated in conjunction with HLA for G-SIIs. In addition, paragraph 56 stating that the BCR is not expected to be breached infers that in the short run the BCR will have a limited role on its own. This combined with its primary purpose

		being to provide a comparable base for HLA uplift for G-SIIs would indicate that it is a capital standard for systemic insurers only in combination with HLA and thus would only apply to G-SIIs.
American Insurance Association	United States of America	Paragraph 22 - We understand the simplistic illustration, but given the critical role that diversification plays in the economics of insurance, the BCR should not be the simple sum of the risk capital charges for each area, but should make an explicit covariance adjustment for the cumulative risk capital charges for insurance liabilities and potentially other measures.
National Association of Mutual Insurance Companies	United States of America	Discussion on how the BCR is applied is included under the key provisions relating to the components of the ratio.
Liberty Mutual Group	USA	This section describes a very simple ratio to determine whether an insurer satisfies a "BCR Adequacy Ratio." An accurate evaluation of this ratio cannot be made until the details are known about the "factors" that will be used and the "adjustments" that will be made to an insurer's "capital resources" in order to determine its "qualifying capital resources." If the factors or adjustments are unreasonable this simple ratio will not be satisfactory for determining even a minimum capital assessment. In addition, Footnote 6 states that the benchmark for the BCR ratio could be set at a level different from the 100% level used in the example. We object to using any benchmark other than a 100% ratio, as a ratio above this threshold implies that that the BCR is measuring a target capital, rather than a minimum or basic capital requirement.
Metropolitan Life Insurance Company (MetLife)	USA	Para 21: Footnote 6 : The comment at Footnote 6 creates confusion. Setting the ratio to e.g.150% means that the real required capital is 50% higher than the required capital determined by the formula. The benchmark should be set by the IAIS and applied consistently to all G-SIIs to ensure a level playing field Same comment for Para.112.
PCI (Property Casualty Insurers Association of America)	USA	The BCR must recognize risk diversification effects, either through a covariance adjustment or some other adjustment to risk factors.
2.4 - Comments on Key risks addressed		
Actuaries Institute Australia	Australia	(25) We suggest that more than two liability segments would be necessary to maximize risk sensitivity. We suggest that the field testing should be at a more detailed level, and that the number of measures could be reduced if risk sensitivity were to be maintained. (26) We support differentiation by category of assets. (27) We support the use of sectoral capital requirements for non-insurance subsidiaries.

		(28) We support the inclusion of ALM risks. We suggest that offsetting liability movements could be recognised using negative factors.
Insurance Europe	Belgium	We agree with the key risks indicated in paragraph 24. We understand that the HLA requirement is targeting the NTNI exposures of companies. We thus believe that the NTNI part of the BCR should be explicitly identified for HLA purposes. Regarding NTNI risks, we believe that consideration should be given to ensure that the reflection of such risks in the BCR takes into account the three principles set out in the IAIS's G-SII's policy measures put forward in July 2013. NT activities which are materially systemically risky need to be separately identified to facilitate the targeting of the HLA. One way to capture this would be to address them in the segmentation of liabilities. NI activities should be addressed using sectorial rules. For example, for a non-insurance subsidiary concentrating on banking activities, Basel III rules should be used. While we understand the importance of striking the right balance between simplicity, comparability and risk sensitivity, we believe that appropriate recognition should be given to the very different risks embedded in insurance liabilities. Granularity (as defined under paragraphs 25 and 100) should thus go beyond a simple life vs. non-life insurance split. In addition, we believe that non-proportional reinsurance, as a key risk-mitigation technique, deserves careful consideration, given its specific risk characteristics.
Association of Bermuda Insurers and Reinsurers	Bermuda	ABIR appreciates the difficulty in determining the appropriate number of risk categories but we would support a more granular approach based on material risks. The BCR is being developed in the first instance for G-SIIs but we understand maybe applied more broadly in the future. Developing factors for a very limited number of groups may present difficulties for application to a broader group of companies in the future. This section makes various references to the difficulties of the compressed timeframe as being the driving force for the decision making of categories, etc. but it is important that the factors, categories, etc. are well thought out otherwise the basic capital requirement will not be meaningful as a supervisory tool. Segmentation: Paragraph 25 lists example non-life segmentation buckets as "non-life long-tail insurance, non-life short-tail insurance and non-proportional reinsurance". We support the treatment of non-proportional reinsurance within a separate segment given the difference in its risk characteristics from insurance business and proportional reinsurance business. We would however encourage segmentation of

		short-tail insurance business in a way that better allows for catastrophe risk exposure. The absence of this level of segmentation could cause a firm's risk profile to be dramatically over or under estimated depending on the nature of its exposures.
Catlin Group Limited	Bermuda	Segmentation: Paragraph 25 lists example non-life segmentation buckets as "non-life long-tail insurance, non-life short-tail insurance and non-proportional reinsurance". We support the treatment of non-proportional reinsurance within a separate segment given the difference in its risk characteristics from insurance business and proportional reinsurance business. We would however encourage segmentation of short-tail insurance business in a way that better allows for catastrophe risk exposure. The absence of this level of segmentation could cause a firm's risk profile to be dramatically over or under estimated depending on the nature of its exposures.
Canadian Institute of Actuaries	Canada	2.4 Key Risks Addressed Many of the risks faced by insurers are unique within the financial services sector. Their asset portfolios have more exposure to bonds, stocks, equities and investments in subsidiaries; as well, the time horizon for credit risks tends to extend for a longer period. On the liability side, insurers must manage risks such as mortality, morbidity, policyholder persistency, and financial guarantees, to name but a few. Consequently, we support capital factors that reflect the risks faced by insurers on both sides of the balance sheet. We also note that property and casualty insurance companies have a risk profile distinct from life insurers, primarily focused on the risks of mis-pricing and under-reserving. The document implies that asset liability matching may not be adequately addressed due to time constraints. We encourage the IAIS to include this element in the BCR framework, as it is too important within the insurance industry to be deferred. We agree that field testing is an important exercise in order to calibrate the factors. We strongly recommend the inclusion of reinsurance IAIGs in the field testing, to reflect risks such as catastrophe risk. We would also recommend the inclusion of major Canadian companies. If the BCR is to be developed by the end of 2014, then having details that cover the various types of products worldwide would likely not be possible. In that event, we suggest using the current local valuation requirements, with a preference for best estimates. Any factors related to this should be simple, such as a percent of amount at risk, or a percent of reserves.
Canadian Life & Health Insurance Association Inc.	Canada	#24: The calibration of insurance risk factors should reflect portfolio compositions. For example, for portfolios with a given level of total net amount of risk, the portfolio with more lives will have lower risk than a portfolio with fewer lives due to the law of large numbers. Furthermore, credit should be given for diversification among major risks. #25: Given the exclusion of margins, some liabilities could be negative. Defining product or business lines broadly enough would mitigate this outcome. #25 and #26: We view the appropriate alignment between discount rates used in the determination of liabilities and rates implicit in asset valuations as one of the key calibration issues. The choice of discount rates will have a substantial impact on deriving the exposure measure and on its volatility. Related to our recommendation to establish a ("Substantive") Principle #4 to mitigate undue volatility and

		pro-cyclicality, consideration should be given to mitigating short-lived upward and downward spikes in discount rates as their impact on the BCR could be otherwise inconsistent with the long term nature of our products and risk management practices. #27: Please see our comments on #17 and #22 above. #28: ALM risks may be indirectly addressed through the segmentation of balance sheet and levels of factors determining BCR. Care should be taken that this risk is not double-counted and that, on the contrary, risk reduction through asset-liability management is properly considered. This is especially pertinent for longer duration products. We recommend that explicit duration measures be constrained to the projection horizon where the matchable assets are available in the market. We suggest the longer term reinvestment risk be recognized implicitly through the BCR factors applied to the current estimate liabilities
China Insurance Regulatory Commission	China	In the BCR proposal, NTNI factors akin to the G-SII assessment methodology may be introduced to reflect in more detail the NTNI risks. However, the NTNI factors in the G-SII assessment methodology cannot fully evaluate the NTNI risks faced by the G-SIIs. We suggest that IAIS refine the NTNI factors in the G-SII assessment methodology.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	We assume that no specific approach is specified for securities subsidiaries (paragraph 27) as there is no global equivalent of Basel III. We think it is essential that ALM risk is properly reflected in the BCR model, while also recognising that it may be challenging to do so. The later explanation (Section 5.2) of the ALM risk alternatives to be explored during field testing is reassuring. But even if neither of these alternatives proves satisfactory, it will still be necessary to account for ALM risk (perhaps through a cruder uplift) in the BCR ratio.
European Insurance and Occupational Pensions Authority (EIOPA)	European Union	Regarding the proposals to address Insurance Liability risks, we fully support the use of Current Estimates, calculated under a set of globally comparable principles, to be used as a risk measure. Regarding the segmentation to be used, we support a broader granularity than just a split between life and non-life liabilities, which would enable the recognition of the significant differences in risks posed by the most relevant business features (e.g. average time for claim settlement in non-life business or the provision of guarantees in life business), as suggested in the second example included in the first bullet point of paragraph 25. Concerning the proposals for Asset risks, we support a limited level of granularity (focusing on high-level asset classes), to ensure the BCR is kept sufficiently simple (in line with the principles stated in paragraph 50). The calculation of the BCR on the basis of the direct use of credit ratings (investment grade vs. non-investment grade) should be carefully considered, in order to avoid an excessive overreliance of financial regulation on credit ratings. Regarding NTNI risks, we support the consideration of main risk elements, such as the ones associated with Banks and other entities subject to Basel III. However, we believe that care is needed when addressing additional NTNI factors, as an excessive and simplistic use of the G-SII assessment methodology may result in unintended double counting of risks (e.g. credit insurance will most likely already be covered under the insurance liability factors). Field Testing should collect more granular information in order to further evaluate possible inclusion of material NTNI components.

		On Asset Liability Matching, we believe that Field Testing should examine the complexity and materiality of including/ excluding a measure of the duration mismatch of specific activities. Finally, it is also important to state that, in case some of the abovementioned elements are not included in the BCR design on the grounds of complexity, we would expect that they are considered in the future development of the ICS.
Institut des Actuaires	France	Comments on point 24: It does not look precise to say that insurance risks are the primary risks faced by insurance business. It may be true for general insurance, but life insurance business is much more (at least for the savings and pensions activities) exposed to asset risks. The behavior of asset risks must thus be a major concern in this project. Comments on point 25: Considering the insurance business, it appears to us to be important to keep a distinction between savings/pensions businesses and protection business. The risks faced by these two kinds of activities are very different and must be considered, as well as the distinction between life and non-life activities. It is also necessary to precise the perimeter of G-SII, and the application of this project to pension funds, which, as they are exposed to the same risks, should be requested the same capital. The sum at risk as a proxy for the current estimate in life insurance is not precise enough, as a large part of the insurance activity has no sum at risk. Indeed, if the distinction is made between protection and savings/pensions businesses, then a solution could be to use the sum at risk as a proxy for protection business, and the technical reserves for the savings/pensions businesses. Comments on point 31: In the case where pre-calibrated factors from other solvency regulations could be used, it would be more consistent to consider Solvency II framework as a basis, instead of Solvency I. Comments on point 33: The BCR should only be a regulatory minimum and not a risk measure influencing the financial and risk management policies.
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Paragraph 25: We support the more detailed and risk-sensitive proposals with more business segments. This would add to an adequate consideration of risk-sensitivity without creating more complexity. With regard to P&C business, we recommend to use segmentation along the lines of business as defined in Solvency II, appropriately expanded to cover the world-wide product spectrum where necessary. This approach would automatically capture the main characteristics of the underlying business (including material short tail/long tail differentiation) and be more transparent because the public disclosure of technical provisions by line of business is very common. In addition, such an approach would have potential to be refined when developing the ICS.

		Paragraph 26: Asset risk categorization should follow the categorizations defined in Solvency II. In addition, it needs to adequately take account of long-term investments covering long-term liabilities given their reduced or non-existent exposure to fire sales and short term fluctuations arising from volatility of credit spreads. Paragraph 27: We support taking into account respective sectoral capital requirements for non-insurance subsidiaries, for example Basel III. Furthermore, we support to considering separate factors for non-traditional insurance activities where possible so that setting HLA for G-SII takes proper account of differences in risk profiles. Paragraph 28: We agree that ALM has significant ramifications on available capital and solvency requirements. Thus, we do not think that the IAIS can afford not to pay deliberate attention on this issue from the outset. The BCR should take implicit or explicit account of ALM.
KPMG AG WPG	Germany	We agree that the factors applied should be kept relatively simple and not made too granular in the first instance to achieve international acceptance (though we recognize that each country may claim that a simple approach does not capture adequately the nuances of its local market. In this regard, focusing too much on NTNI activities could distract unnecessarily from the analysis required to set the BCR in the first instance. It may be worthwhile to consider applying other measures, such as supervisory judgment, for specific NTNI risks based on their particular circumstances.
AIA Company Ltd	Hong Kong	Para 24: For life insurers the primary risks are not liability risks as the current paragraph seems to imply. Market risk is the primary risk for life insurers. This includes asset risk and asset / liability mismatch risk as well as currency risk. Para 25: Using liabilities as the primary risk measure (measure of risk exposure) will not appropriately capture many risks. For example, mortality risk depends on amounts at risk (sums assured less liabilities). Para 26: It is important that asset risk be assessed in the context of the jurisdiction in which a company operates, especially in developing markets. For example, government bonds issued in the local currency that are used to back local liabilities should have no asset risk charge regardless of the credit rating assigned by international credit agencies. Local ratings should be used where available. When no external rating is available, the company's internal rating should be used. Asset risk cannot adequately be captured unless exposure is determined based on type of asset and asset quality. A bonds should receive a lower charge that BBB bonds, for example.
Global Federation of Insurance Associations	International	We agree that liability and asset risks, and also ALM should somehow be incorporated into the factors/framework. The impact on overall risk profile of key risk mitigation mechanisms such as asset-liability management, profit sharing, participation features, hedging and re-insurance should also be recognised in the framework. Without such reflection, an accurate and/or comparable

		view of risk cannot be achieved.
International Actuarial Association	International	Paragraph 27; We understand that non-insurance, non-financial risks will be excluded if they can be shown to be non-material to the insurance operations in that they are not backed or provided with any kind of guarantee or promised financial support. For those instances where such support is included, we do not see where any guidance has been provided. But we do appreciate that this possible gap will be best reviewed via the field testing process.
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	24: We agree that insurance is a liability-driven business. Investments in assets are driven by the nature and duration of liabilities. 25: BEL should be segmented into homogenous major insurance risk groups. For simplicity and practicability reasons, it would be useful if insurance liabilities are segmented in a manner that is consistent with that used for existing purposes - e.g. accounting or regulatory purposes - for calculation of best estimate. The more granular the segmentation is, the more accurate and hence comparable and risk sensitive the BCR will be. Increasing the granularity does not necessarily add complexity and is likely to increase comparability of results across jurisdictions and companies. We acknowledge the IAIS' desire to have fewer factors to keep the BCR simple. However, we would suggest that the field testing should consider more granularity as this would aid decision making regarding the final recommendations. The IAIS will have the opportunity to refine the granularity based on the results of the field testing, but this will only be effective if enough different factors are initially available. Whether or not all risks are explicitly or implicitly taken into account in the factor applied to the BEL segments it is crucial that the link between insurance liabilities and assets is appropriately taken into account and in particular the reduced exposure to the risk of losses from forced sales of assets. This may require to further segment the BEL according to their degree of illiquidity, the extent to which market risk is bore by policyholders. Typically, Unit Linked and Separate Account liabilities should be considered separately from other BEL when the investment risk is borne by policyholders. Similarly, illiquid liabilities, such as those originating from guaranteed life products where policyholders have no or limited options to lapse (e.g. annuities and similar liabilities), backed by assets with a shorter or similar maturity should also be dealt separately to the extent that the risk of losses from the forced sale or reinvestment of these assets is significantly reduced. We have previously proposed 14 BEL segments as set out below and are currently further developing our thinking in this area. - Life: 1. Protection - life; 2. Protection - health; 3. Protection - other; 4. Savings without (material) guarantee; 5. Annuities; 6. Savings with guarantees; 7. VA with Living Benefits; 8. Other - Non-Life: 1. Motor (including motor TPL); 2. Property damage; 3. Asbestos, Pollution and Health Hazard (APH); 4. Other liability; 5. MAT; 6. Other

		26: If financial market risks have to be assessed separately, it should be assessed by differentiating between category of assets and between assets covering insurance liabilities and other assets. However, we believe that financial market risks should also be assessed by differentiating between assets backing illiquid liabilities, assets backing liabilities originating from products where policyholders bear the risk, products where financial market risk has otherwise been mitigated by ALM, and other products. This split is essential to recognise the reduced exposure to losses from forced sales from which insurers typically benefit. It will also ensure that the BCR does not provide pro-cyclical behavioural incentives. Although the list of NT products is likely to evolve over time, the segmentation should be sufficiently granular to ensure that insurance business that may be considered NT can be separately identified to facilitate the targeting of HLA. According to 102, "NI risks will be addressed by taking the respective sectoral capital requirement". The industry agrees with this statement. Risks from NI activities should be addressed under relevant sectoral rules. As an example, for a non-insurance subsidiary concentrating on banking activities, Basel III rules should be used. 28: In general, the fact that insurance companies hold assets to match liabilities should be reflected in the design of the BCR.
NYC Bar Association -- Insurance Law Committee	New York	We reiterate our comment above in the response to Q.3, which is to query why operational and liquidity risks have been expressly excluded from this project.
KNF - Polish Financial Supervision Authority	Poland	As to the segmentation, KNF supports a broader granularity than just a split between life and non-life liabilities, which would enable the recognition of the significant differences in risks posed by the most relevant business features. In KNF's opinion, aiming for keeping the BCR simple, a limited level of granularity for assets risk should be followed (focusing on high-level asset classes). Following the trend to reduce overreliance on CRAs, KNF does not support direct use of credit ratings. Credit ratings should not be used in an automatic way without being crosschecked. It is important that during the field testing, IAIS will collect more granular information allowing for deep analysis which will be followed by a proposal on how to include NTNI components. In general, regarding NTNI risks, KNF supports taking into account main risk elements, such as the ones associated with Banks and other entities subject to Basel III. However in KNF's opinion particular attention will be required when addressing additional NTNI factors as an excessive and simplistic use of the G-SII assessment methodology could potentially result in unintended double counting of risks. The inclusion vs exclusion of Asset Liability Matching needs definitely further analysis and evidence provided by the field testing. As BCR should inform the development of ICS, in our opinion those components which are excluded from BCR calculation due to the their complexity, should be nevertheless considered in the future development of the ICS.

Association of Financial Guaranty Insurers (AFGI)	U.S.	Financial Guaranty Insurers' Business Model and Activities In the IAIS methodology, published in July 2013, the IAIS recognized that neither long experience of insurance markets nor information arising from the global financial crisis provides any evidence of traditional insurance either generating or amplifying systemic risk within the financial system or the real economy. Similarly, the traditional financial guaranty insurance business (i.e. the insurance of public finance and infrastructure obligations) does not provide any evidence of global systemic risk. As such, we do not expect financial guaranty insurers to be designated G-SIIs. Nonetheless, it is important to note that basic capital requirements, if applicable to any financial guaranty insurer designated as a G-SII, should reflect the unique business model and activities of the financial guaranty insurance industry. Particularly, in its proposed factor-based approach to basic capital requirements for G-SIIs, the IAIS identifies three major risk categories: (1) insurance liability risks, (2) asset risks, and (3) non-traditional non-insurance risks. With regard to insurance liability risks, the IAIS states that "the most basic proposal would only discern between life insurance and non-life insurance." This approach supports a "simple structure" appropriate for the majority of the insurance industry. However, financial guaranty insurers and other niche insurers do not fit this simple approach. In fact, potential liability risks in the financial guaranty insurance industry differ because financial guaranty insurance consists of insurance of scheduled payments due on specific bonds or other securities; that is, the insurer undertakes to pay the amount of any defaulted scheduled payment on the insured obligations in exchange for the right to receive the defaulted payment. The beneficiary of the insurance is typically a trustee or paying agent on behalf of the insured security holders and holds an insurable interest, consistent with the principles of the traditional insurance business. The obligation of the insurer to pay defaulted scheduled payments cannot be accelerated (other than at the direction of the insurer) and equals the defaulted payment amount. Thus, there is no optionality that can be exercised by the insured party to the detriment of the insurer. Moreover, financial guaranty insurers insure U.S. domestic tax-exempt municipal bonds sold to U.S. domestic investors or infrastructure bonds that support public finance. These bonds are predominantly investment grade securities, reflecting investor inability or reluctance to purchase lower-rated securities.
Association of British Insurers (ABI)	United Kingdom	A straightforward BCR is most likely to result in a workable approach, given the time constraints. Therefore, as noted in our response to Q4, we suggest that asset risks should be implicitly included within the factors applied to insurance liabilities, recognising the linkages between insurance liabilities and assets. Likewise, ALM risks should be implicitly reflected as it is not possible to accurately capture ALM using a simple factor approach. It would not be appropriate to address NTNI through the use of risk weight assets (RWA) or the total exposure of the leverage ratio of the Basel III framework, other than where those measures would already apply to non-insurance entities subject to Basel rules. It would also be inappropriate to reflect NTNI risks through factors akin to the G-SII methodology as this would be too complex given the BCR is intended to be straightforward. Rather, consideration should be given to ensuring the segmentation of the BCR takes into account the

		three NTNI principles set out in the IAIS' Global Systemically Important Insurers Policy Measures paper of July 2013.
Aflac	United States	Paragraph: 25: As the IAIS considers how best to segment insurance liabilities to develop risk factors for the BCR calculation, it is essential that any approach–regardless of the level of granularity–segments accident and health products into a third, broad category, separate from typical life and nonlife products, given that the risk profile of such products differ substantially from those of typical life and nonlife products. For more details, please see our comments on Paragraph 100.
American Council of Life Insurers	United States	[25] Given the short intended timeframe, impacted groups should be permitted to use existing projections and discounting of cash flows. Management should have latitude to determine its own best estimate of liabilities. That determination should be documented. [26] We believe that assets and liabilities should be valued symmetrically. We would appreciate recognition that market-based regulatory balance sheets raise public policy issues because they negatively impact the availability of long-duration insurance and corresponding long-term investments. Our view is that the use of adjustments to mitigate volatility in available capital is appropriate to minimize pro-cyclical effects and false indicators of solvency or insolvency. [27] Systemic risk effects are intended to be captured by the HLA, not the BCR and/or the ICS. The BCR should cover all activities and risks without identifying which ones are NTNI. Such identification is not necessary for BCR to be comprehensive. [28] BCR should recognize that asset-liability matching can be a material risk or benefit. We believe that ignoring it is a critical omission.
NAIC	United States	Segmentation (Paragraphs 28/103; 27/102): - Given the desired level of simplicity in the BCR, it is unlikely that asset / liability mismatch (ALM) can be included in the BCR except under the crudest of measurements. In such case, measurement of ALM should be deferred and more fully developed for inclusion in the more granular and risk sensitive explored for the ICS. - Separate proxy(ies) should be identified for systemic NTNI activities in the BCR in order to facilitate the calculation of HLA which is intended to address such activities. As indicated in the first bullet of paragraph 102, NT activities can be captured in the BCR by using existing insurance exposure proxies. Therefore, the NT reference should be removed from the third bullet in paragraph 102 which will then be focused solely on identifying NI activities (to the extent that are not picked up by the second bullet of the paragraph). The last bullet in paragraph 102 seems redundant and should be deleted.
American Insurance Association	United States of America	Paragraph 25 - If we are designing a risk-based capital model, then the factors need to be sufficiently granular to reflect the risks inherent in each type of coverage (e.g., homeowners risks behaves very differently than commercial auto) and each jurisdiction (e.g., personal auto claims are very different in the U.S. vs. England). This would suggest that they need to be segmented by coverage line (not business segment which can have multiple lines) as identified in the U.S. by statutory line.

		Paragraph 27 - Perhaps the intent of the IAIS is to capture the risk of NTNI activities in the HLA. However, it appears that the predominant focus of the BCR for GSIIs is not on systemic risk, but in setting capital requirements relating to core insurance activities.
National Association of Mutual Insurance Companies	United States of America	We agree that liability, asset and asset-liability matching risks are elements of a capital framework, but there are limitations to this restricted factor-based analysis. A few important considerations include: - Risk mitigation like reinsurance and risk participation features should also be recognized as critical aspects of any capital analysis. - Diversification credits should be incorporated within the capital analysis as companies spread their risks at multiple levels including on a geographically, product based and through investment strategies. - Industry assumptions do not apply to the risk analysis for individual companies. Industry assumptions are, by necessity, averages of all behavior across all companies and not appropriate when considering the narrow subset of companies subject to the G-SII designation.
CNA	USA	CNA agrees that Non-Insurance risks that pose a direct threat against an insurance group should be assessed in both the BCR and ICS. Examples of such direct risks should be clarified as risks arising from a non-insurance affiliate's direct contractual relationship with an insurance entity, including insurance contracts, capital support agreements or guarantees. CNA agrees the Asset Liability Matching is a major risk category especially for life insurers and its absence from consideration in the BCR significantly reduces its sophistication. This provides further support to our point that the BCR should be temporarily aligned to the PCR and used as a metric for further supervisory interaction and discussion with the group's management.
Liberty Mutual Group	USA	This section's broad observations are accurate, but provide little meaningful guidance concerning the IAIS's plans. Without a description of the actual factors to be used, it is difficult to provide insightful commentary regarding the evaluation of these risks.
Metropolitan Life Insurance Company (MetLife)	USA	Para 25: As stated in comments to Para 16 above, we agree there is a trade-off between risk sensitivity and simplicity. That said, we would reiterate that insufficient granularity in the definition of risks and factors is likely to lead to counter-intuitive and perhaps even counter-productive outcomes. There are many lines of business for which the current estimate of insurance liabilities may not serve as an optimal primary risk measure. For example, for comparably sized blocks of pure term life insurance and pure unit linked life insurance (with no guarantees) the unit linked block will have a dramatically higher current estimate of insurance liabilities. It would not necessarily have meaningful additional risk. Premiums, claims and sums at risk are not proxies for current estimate calculations. They are alternate, and perhaps even better, bases to which capital factors could be applied, and they should be given due consideration as viable alternatives to current estimates of liabilities, depending on the business in question.

		Para 26: In the list of ways asset risks may be assessed, it would be helpful to list differentiation between assets for which the insurer bears the risk (ie: general account assets) and assets for which the policyholder bears the risk (ie separate account assets). Para 27: NTNI is referenced in Para 27 and elsewhere throughout the Consultation document without reference to any definition of NTNI. While NI is perhaps easier to identify, we would suggest that there be an acknowledgement that this category of activity needs to be further defined While we would argue that variable annuities are traditional insurance products in many jurisdictions, and that no product, including a variable annuity, should automatically be classified "non-traditional" such that it automatically attracts additional capital, we propose that variable annuities with significant guarantees warrant a separate risk factor under the BCR Para 28: The way ALM is addressed is confusing. Para 24 indicates that insurers face three major risks: insurance liability risks, asset risks and NTNI risks. Then Para 28 introduces ALM risk and also identifies it as a major risk category. Are there four categories or is ALM viewed as being included in one of the other three? This problem is repeated in section 5.2 (see paragraph 103).
Northwestern Mutual	USA	We agree that all major risks need to be included. We believe that in order for the BCR to serve the purpose for which it is designed, no major risk should be ignored. In order to do this many more than ten factors will be needed. - Insurance companies have a wide range of assets available for investment with a wide range of risks (common stock, equity real estate, private equity, below investment grade bonds, commercial mortgages, residential mortgages, leveraged leases, etc.). - Insurance risks are diverse (mortality, morbidity, longevity, catastrophic, medical inflation, etc.). - Interest rate risk, as distinguished from credit risk, also needs to be included. For example: interest rate guarantees and disintermediation risk. - Other risks need to be considered, such as counterparty (reinsurance and derivatives), operational, general business, etc. Insurance risks - that is, the variability of claim costs - are not typically a multiple of the liability measure. The liability measure is typically a function of the degree of prefunding in the contract (term life insurance vs. permanent life insurance). An alternative approach to the BCR which focuses on insurance risks and avoids some of the difficulties using a liability measure would be to calculate required capital as risk factors times risk bases indicative of insurance risk. Such economic indicators would be independent of the insurer's regulatory or general purpose accounting basis. Examples include: - Life Insurance risks are related to amounts of insurance at risk or expected claims or both; - Disability income and long term care risks are related to claim costs or expected claims; and

		- Disintermediation risks are related to available cash values.
PCI (Property Casualty Insurers Association of America)	USA	ALM (asset-liability management) will probably not be a significant factor for non-life insurers.
2.5 - Comments on Other Considerations		
Actuaries Institute Australia	Australia	(30) We suggest that limiting the number of factors to 10 or less is unnecessary and likely to produce low risk sensitivity. We would expect major companies to be able to access more granular data. (31) We support the consideration of pre-calibrated factors from other established frameworks as part of the calibration exercise. (34) We agree that data of higher granularity than that expected to be ultimately used should be sought in the field testing.
Insurance Europe	Belgium	We welcome the recognition in paragraph 29 of the fact that the Basel III leverage ratio is not appropriate for G-SIIs. Although we support the efforts for a simple and straightforward approach, as indicated in our responses in earlier sections, we support an approach that may have more than 10 liability segments and therefore more than 10 risk factors. Consequently, we believe that it might not be helpful to limit from the beginning the number of risk measures and factors (as mentioned in paragraph 30). The field testing exercise will reveal which level of granularity is needed to ensure a comprehensive assessment of the risk profile. We doubt that Solvency I or Basel III would provide a useful basis for setting factors as suggested in paragraph 31. The purpose of a potential approach aiming to split the total business into liability segments is to allow a simple, but risk-based approach. Solvency I and Basel III are based on entirely different approaches. While the Solvency II MCR calibrations could be examined as a useful reference, recognition needs to be given to the fact that the Solvency II MCR has a very limited reflection of diversification. We would like the importance of diversification to be considered. In the specific case of the BCR, diversification could be taken into account either explicitly (through a correlation matrix) or implicitly (through calibration of the factors). As already indicated, any of these approaches would need appropriate investigation to make sure that the BCR is enough risk sensitive and appropriately captures the risks that the insurance company is exposed to on a consolidated basis.
Association of Bermuda Insurers and Reinsurers	Bermuda	ABIR would support a factors approach of 5-10 measures but would reserve judgment based on the outcomes on the field testing. We are concerned that the application of pre-calibrated factors such as Solvency I and Basel III would lead to an inappropriate approach

		for the current insurance market place given that the calibration for Solvency I has been significantly modified for Solvency II and secondly, that a banking model does not mirror an insurance model.
Canadian Institute of Actuaries	Canada	2.5 Other Considerations Ideally, the factors should not simply be additive. As discussed above, they need to accurately capture the risks associated with both assets and liabilities, as well as the interaction between the two. To that end, we feel that ten or so factors may not be sufficient to construct a sufficiently risk-sensitive factor framework.
Canadian Life & Health Insurance Association Inc.	Canada	#30: While striving for simplicity, we suggest no numbers are quoted in the document that limit the number of factors (such as minimum 5 but less than 10) in order not to restrict final choices. #33: The concern over unintended consequences and encouragement for inappropriate risk taking needs to be also raised with reference to Principle #1. Too simplistic a BCR approach could result in an insufficient granularity of risk exposures and their corresponding factors and thus inhibit sound risk management. This underscores the importance of placing risk-sensitivity of the BCR framework above its simplicity.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
European Insurance and Occupational Pensions Authority (EIOPA)	European Union	We fully support the stated IAIS intention of not pursuing a one-factor approach, namely the Basel III Leverage Ratio, in line with the arguments already presented under paragraphs 9 and 10. EIOPA supports a simple design for the BCR, using a limited number of factors. However, we believe it is rather premature to fix a priori a strict floor and cap to the number of possible factors to be used, as Field Testing results will be of paramount importance to inform this decision. There seem to exist an implied assumption that the number of factors used is directly related to the complexity of the BCR, which is not necessarily the case and in some cases the use of a few more factors may actually simplify the BCR calculation (e.g. adding some granularity may facilitate the calibration of factors, by increasing the homogeneity of elements contained in each "bucket" of assets and/or liabilities). We strongly object to the possible application of the Basel framework beyond the scope of NTNI risk factors (e.g. its application to insurance Assets or Liabilities), as implied under Paragraph 31. This would introduce an inconsistent approach, considering that such framework has been developed and calibrated to cater for a completely different business which is exposed to a significantly different set of risks, compared to those mainly targeted by the IAIS BCR. As previously stated in several occasions, we support the statement that Field Testing will play a fundamental role in the collection of relevant information necessary to support decisions which need to be taken concerning the BCR. It is of paramount importance that the IAIS allocates sufficient resources to this initiative, ensuring that the participating volunteers are fully informed about the objectives and

		the justification for the need to collect the different pieces of information. We agree with the aim to collect more information that will ultimately be used in the BCR design, but there should be a purpose for the collection of all pieces of information (e.g. to support a certain decision which needs to be taken).
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Paragraph 29: We support the decision to discard an approach comparable to the Leverage Ratio under Basel III as we believe that such an approach cannot reflect the nature of insurance business adequately. Paragraph 30: Although we basically support the effort for a simple approach, as set out in our general comments, we do not consider it helpful to limit the number of risk measures and factors in the first place. The field test exercise will reveal which level of granularity is needed to ensure a comprehensive assessment of the risk profile. Any prejudice or anticipation of the results should be avoided. Paragraph 31: It needs to be clarified that the potential use of pre-calibrated factors according to Basel III is only envisaged for banking risks. An adoption of such factors for insurance risks is not suitable due to the fundamental differences between insurance and banking. Paragraph 34: We agree to the statement that any restrictions and limitations on the number of factors may only be taken into account after proper analysis of available data. As a consequence, we believe that the IAIS should refrain from speculating about the number of desirable factors at this stage.
KPMG AG WPG	Germany	Applying a Solvency 1 comparison appears too simple to us and warrants the question of whether the BCR is being set at too low a standard (the Solvency I measures are below a BBB level/99.5% confidence level and therefore equivalent to a firm reaching no higher than junk bond status). The use of agreed stress and scenario tests that could be applied to existing regime requirements might be equally effective in producing minimum requirements.
AIA Company Ltd	Hong Kong	Para 30: The number factors (e.g. less than 10) should not be a major driver. It is better to base the number on the identified risks. This is consistent with paragraph 34
Global Federation of Insurance Associations	International	We welcome the recognition in paragraph 29 of the fact that the Basel III leverage ratio is not appropriate for G-SIIs. We believe limiting the number of risk measures and factors as mentioned in paragraph 30 is premature; the field test exercise will reveal which level of granularity is needed to ensure a comprehensive assessment of the risk profile.

		Care should therefore be taken when trying to apply pre-calibrated factors from the Basel III framework, as suggested in paragraph 31. We would strongly argue against such an approach as the insurance business model is significantly different from the banking business model and therefore risk indicators should be tailored and calibrated to appropriately reflect this difference. Diversification should be accounted for implicitly or explicitly, in order to ensure the BCR appropriately captures the risks that the insurance company is exposed to on a consolidated basis.
International Actuarial Association	International	Paragraph 31; It is not clear why the pre-calibrated factors such as the U.S. NAIC RBC formulas were not included here. That delineation is also factor based, allows for more granularity than Solvency I and is more risk sensitive
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	29-34: There is no reference to diversification in the executive summary although diversification is at the heart of the insurance business model and risk management. It could be taken into account implicitly or explicitly. A number of members very much prefer to reflect diversification explicitly. The IAIS should be aware of the incentives that the BCR will create relative to risk management and potential consequences on the wider financial system. In particular, it is possible that a simple factor-based approach may perversely discourage risk reduction through reinsurance and hedging. In addition, the industry agrees with the fact that the use of the Basel III Leverage Ratio for G-SIIs is not appropriate. 30: We acknowledge the IAIS' desirability of having fewer factors to keep the BCR simple. However, we would suggest that the field testing should consider more granularity as this would aid decision making regarding the final recommendations. The IAIS will have the opportunity to refine the granularity based on the results of the field testing, but this will only be effective if enough different factors are initially available. Increasing granularity does not necessarily add complexity in a factor based approach and is likely to increase comparability of results across jurisdictions and companies. As noted in our answer to question 5 above, we have previously proposed 14 BEL segments and are currently further developing our thinking in this area. 31: Calibration of the BCR within the timescales available will be very challenging. We expect the BCR to be calibrated in a way that its level is below ultimate threshold for which supervisory actions would be triggered. We strongly recommend that available standards (e.g. Solvency II MCR) are considered to benchmark the BCR capital requirement. We recommend that the IAIS communicates before the field testing their intent of a target level. The Solvency II MCR is a simple factor based approach, based on a similar valuation framework that has been tested. In addition, the MCR is designed to be a minimum capital requirement and therefore is a suitable base for HLA. 33: It is important to note that the BCR should also not intervene in or confuse effective risk management. If the BCR is excessively simplistic and fails to capture the nature of the insurance business model it must not be perceived as being very informative on proper incentives for ALM and risk management.

NYC Bar Association -- Insurance Law Committee	New York	We note with approval the IAIS's conclusion in 29 that "the use of the Basel III Leverage Ratio for G-SIIs is not appropriate."
KNF - Polish Financial Supervision Authority	Poland	KNF supports a simple design for the BCR, using a limited number of factors and not pursuing a one-factor approach (Basel III Leverage Ratio). In our opinion any floors and caps should be subject to the results of the field testing and should not be fixed a priori. KNF also believes that more granularity could facilitate the calibration of factors, by increasing the homogeneity of elements contained in particular categories of assets and liabilities. Referring to para 31 KNF does not support application of the Basel framework beyond the scope of NTNI risk factors as it was developed to cover different risks reflecting different business models.
Association of British Insurers (ABI)	United Kingdom	The segmentation of the BCR should be sufficiently granular to ensure NT insurance that is materially systemically risky can be separately identified to facilitate the targeting of HLA. We do not consider that more granularity would add complexity or be incompatible with a straightforward approach. We agree with the statement in paragraph 33 that the BCR should neither discourage sound risk management nor encourage inappropriate risk-taking behaviors. Given that risk sensitivity will be affected by the need for simplicity in the design, it is important that the factors are not calibrated too high. We consider that the BCR should be calibrated as a backstop and set as a minimum capital requirement (MCR). In this respect, the Solvency II MCR could provide a useful reference point for calibration of the BCR, given that it is a simple factor-based approach based on a similar valuation framework and has been tested.
American Council of Life Insurers	United States	[30] We believe that using only 5-10 risk factors will not adequately capture the spectrum of risk applicable to insurance groups, given the breadth of products and business models worldwide. [31] We suggest that factors from the U.S. RBC system, which is similar in structure to this BCR proposal and which is supported by many years of experience data drawn from many companies, might also be considered in addition to Solvency I and Basel III as a means of accelerating the project. [32] We suggest that some discussion should take place on the front-end of field testing to determine how "success' will be measured, i.e., whether the method of testing will be useful. Further, we believe that as the BCR will be the foundation of HLA and perhaps ICS, robust impact testing is essential. [33] An insurance group's risk management activities and decisions are strongly influenced by internal risk management and by existing valuation and capital requirements that differ among regimes. It is likely that the BCR may not align with prudent risk management activities. This is another reason why we believe the BCR should not be used for supervisory purposes, should be afforded appropriate confidentiality protections, and should not be disclosed publicly.

American Insurance Association	United States of America	Paragraph 30 - The notion of having a risk-sensitive basic capital model with "10 or less factors" is simply misguided at best.
National Association of Mutual Insurance Companies	United States of America	We agree with the decision not to include bank-centric leverage ratio analysis as part of this BCR. The insurance business model is much different than the banking business model and so risk factors should be tailored to address the differences. For this reason we would also suggest that care be taken in applying the Basel III capital standard to insurance. In the U.S. even the central banking authorities have deferred action on applying the Basel III standard to insurance companies that are holding companies for depository institutions. At this point there is at least recognition by the Federal Reserve that more investigation is needed before such an approach is taken. We would also suggest that IAIS consider the established U.S. Risk-Based Capital system in addition to Solvency II as a means to accelerate the project. U.S. RBC has been part of the U.S. solvency system for over twenty years. There is significant data from a diverse array of companies that have been complying with these requirements over two decades. Further we agree that informed decision-making will require well-developed field testing. We believe that testing over a few months will not be sufficient to produce the necessary results to support a global capital standard. In addition, field testing should be conducted in a manner that welcomes participation from all countries and all insurance sectors. Testing that is not open to representation from all significant sectors of all significant markets subject to the BCR, will necessarily be insufficient. This will require flexibility in the accounting standards and measurement techniques for the field testing participants.
CNA	USA	Regarding calibration, CNA supports the concept of obtaining additional information from field-testing and other regulatory sources. We are, however, concerned about the limited number of participants in field-testing when compared to the total number of entities potentially impacted by the ICS. We therefore suggest that the data sources be expanded to also include insurers' claim paying ability and credit ratings as determined by widely recognized rating agencies. After the development of the ICS we also recommend that the necessity of the BCS be re-evaluated to ensure consistency in approach and calibration. We make this comment without the benefit of understanding how the ICS will be developed and used in practice. Although we would suggest that the ICS be developed to include various layers of regulatory intervention so that it could solely meet the requirements of the PCR and MCR. For example the PCR could be calibrated to be a multiple of the MCR in the ICS model. This would ensure consistency in concept between the two capital thresholds while making it less likely that a group could "game the system" to avoid regulatory scrutiny.
Liberty Mutual Group	USA	Use of between five and ten risk measures and factors oversimplifies the evaluation and will not produce meaningful information for supervisors. Any attempt to achieve meaningful "comparability" or to produce an effective capital assessment based on such a limited number of factors will fall short because many differences among insurers will not be discerned. We note the intent that "data of a higher granularity than that expected to be ultimately used will be sought" during field testing. The IAIS

		should provide sufficient detail of this intention to volunteers early in the field testing process so they may comment on the reasonableness of such "higher granularity."
Metropolitan Life Insurance Company (MetLife)	USA	Additional Comment on Other Considerations: MetLife proposes that the application of the BCR would have fewer unintended consequences, and result in much less "gaming" if the results of the calculations were kept confidential between companies and regulators. Para 29: As stated in comments to Q2 Para 10 above, we fully support the IAIS conclusion that use of the Basel III Leverage Ratio for G-SIIs is not appropriate. This comment applies to IAIS arguments at Paras 92 - 94 of the Consultation document. Para 32: Please see comments at Q2 Para 11 above regarding our serious concern that the IAIS is underestimating the time that will be required to properly field test the BCR. This concern is shared by all G-SIIs. These comments also apply to Para 124.
Northwestern Mutual	USA	While a factor-based approach can be developed that satisfies the IAIS goals, we are concerned that producing one in such a limited timeframe and with a limited number of factors can result in a BCR that produces misleading indications, both positive and negative. We are also concerned that ignoring local capital requirements will overstate available capital for some G-SIIs. We agree that it is important to align incentives to G-SIIs consistent with their risk management activities and to discourage unintended consequences and "gaming". However, in order to accomplish these goals, the factors must recognize real risk mitigation strategies and product designs that reduce risk such as products with material risk-sharing mechanisms. US RBC bears a structural similarity to the BCR proposal and has the benefit of many years of company experience data and of regulatory application. To help the IAIS accelerate its calibration efforts, we encourage it to recognize US RBC, in addition to Solvency I and Basel III, as an established solvency and capital reference point.
PCI (Property Casualty Insurers Association of America)	USA	We agree that use of a Basel III-type leverage ratio is not appropriate. In paragraph 31, the US RBC framework should be mentioned as one of the frameworks with pre-calibrated factors to be considered (along with Solvency I and Basel III).
2.6 - Comments on Conclusion and next steps		
Actuaries Institute Australia	Australia	(37) We suggest that many components of the second public consultation could be carried out before the analysis of the field testing has been completed. This might include the areas covered by Q27-30 and Q32-34 below.

Insurance Europe	Belgium	According to paragraph 38, a decision regarding whether the BCR would apply to IAIGs is set to be taken during 2014. The development of the BCR was triggered by the need to have a basis for defining the HLA to be applied to G-SIIs. We also understand it to be a temporary measure until ICS will be developed. We therefore believe that, at this stage, the scope of the BCR should be limited to the development of the HLA.
Association of Bermuda Insurers and Reinsurers	Bermuda	ABIR again expresses its concern that the timeframe is compressed for the development of a BCR and in this regard would recommend that whilst BCR proposal be agreed and endorsed by November, 2014, that it be proposed as a BCR I with the caveat that it will be reviewed and "tested' on an ongoing basis for relevance and appropriateness. ABIR recommends that the BCR be viewed as a "soft landing" subject to periods of observation and recalibration and only formally adopted once the determination has been made after various reporting periods that the BCR is appropriate.
Canadian Life & Health Insurance Association Inc.	Canada	No comments.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Paragraph 35: Conclusion and next steps indicate that the development of the BCR is definitely finalized once it is adopted in November 2014. However, given the lack of time for deliberate analysis we assume that further refinement is imperative. We strongly urge the IAIS to consider an impact assessment in advance of the implementation. Such an analysis might reveal the need to further work on BCR framework. It is not clear whether such impact analysis and subsequent modifications can be completed before G-20 approval of the framework in November 2014. In such case the G-20 approval needs to leave leeway to further develop the framework after its adoption.
KPMG AG WPG	Germany	We have said before that the BCR timeframe appears overly ambitious. The request from the FSB was to establish a "backstop' requirement. This did not mean that the IAIS had to create a risk-based factor approach. We note however that this has been already debated and agreed within the IAIS that this approach should nonetheless be adopted for the BCR construction. Given the aggressive timetable, an alternative approach would have been to apply some commonly agreed stress and scenario tests as minimum requirements which G-SIIs could have been expected to meet.
AIA Company Ltd	Hong Kong	General: ComFrame should not be used to expand the ICPs. Our understanding of the basic goal of IAIG supervision is that it should be to make sure that supervisors understand the relevant risks posed by the IAIG's operations and are comfortable that the IAIG is appropriately managing those risks. ComFrame should not prescribe to the IAIG the manner in which it does so. In particular, the basic capital requirements (BCR), higher loss absorbency (HLA) requirements and backstop measures applied to GSIIs should not be applied to

		IAIGs. We understand that there are reasons for applying these requirements for GSIIs because they are systemically risky but this does not hold for other IAIGs which have been assessed as not being GSIIs. The application of such requirements may create competitive disadvantages between IAIGs and insurers which are non-IAIGs. We are concerned that additional level of regulatory capital requirements would be imposed on IAIGs that are not justified by the need to close supervisory gaps that IAIGs themselves may pose. We suggest that there be continued public consultation by the IAIS, particularly with industry, on the development of the BCR, HLA, ICS and other proposals to increase the level of transparency in respect of these initiatives and how and whether they are applicable to IAIGs. There should be greater transparency on the scope and application of the BCR and other requirements.
Global Federation of Insurance Associations	International	No comments
International Actuarial Association	International	Paragraph 38 2nd bullet point; Establishing whether insurers that create systemic risk to the global financial system are weakly capitalized via the BCR is different from determining whether an IAIG is weakly capitalized. Many IAIGs may not create material risk to global financial systems due to an entirely different set of risk exposures from those in a G-SII. In particular, some IAIGs will be largely or wholly non-life insurers, with little if any exposure to financial risks or impact on the global financial system. But, since some IAIG's are also included in the field testing project, this should be easy enough to verify. There is a spectrum of solutions that range from providing simple comparability and accepting that the comparison is approximate (the focus of the BCR) to having appropriate risk sensitivity (ICS). A US solution adopted many years ago (and not too dissimilar from what was later done for Solvency II) uses a formula based approach for statutory requirements. The solution starts with formulas that are "approximately" right, supplemented by an actuarial cash flow testing and reporting requirement to assess when and if there might be material differences or gaps. We think a similar, multi-faceted, approach would be of value in reporting on the BCR as well as understanding and building an improved ICS. We provide more detail on this topic later in our response.
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	See general comments.
NYC Bar Association -- Insurance Law Committee	New York	The time frame is probably ambitious since this first round of comments is likely to generate many questions on the meaning of the terminology used and other areas. More substantive comments will appear as the terminology is refined and concepts are developed. The U.S. experience with coordinating multiple regulatory regimes suggests to us that it is likely that more than two rounds of comments will be needed to build consensus. In the longer term, we note that the BCR will necessarily have to be applied in a way that gives effect to individual countries' laws and procedures. Otherwise, there may be no effective enforcement mechanism. Perhaps some system of national reciprocity would be a useful possibility, in which a particular country would recognize the capital adequacy of a foreign G-SII only if

		(1) the G-SII's domiciliary country applies the BCR standard, or (2) in the event that the domiciliary country does not apply the IAIS, the G-SII satisfies BCR as applied by the foreign country.
Association of British Insurers (ABI)	United Kingdom	The IAIS should as a priority develop the BCR to be consistent with the mandated aims of the FSB i.e., as a foundation for HLA requirements for in the absence of a global capital standard. The timescales for this development are exceedingly challenging and risk resulting in a flawed measure that could reduce the availability of insurance products for policyholders. We would urge the IAIS to seek agreement with the FSB for delivery of a framework approach by November, with further development of the calibration during 2015. Given the implementation target, it is also essential that the BCR (rather than ICS) forms the focus of the field testing. Further, the field testing should be a quantitative impact study and participants should be able to test the impact of proposed BCR factors, rather than being a data collection exercise only. We note, however, that if the purpose of the BCR changes away from being an interim, straightforward measure for G-SIIs, further consultation would be necessary to ensure the workability of the proposals and their relevance to a wider group of insurers. In that case, a more sophisticated, risk-sensitive measure would be appropriate (however, we do not consider that this would be feasible within the timeframes).
American Council of Life Insurers	United States	[35] Given the compressed timetable to develop the BCR, we believe that a period of observation before BCR is applied is essential. There must be a phase-in period while supervisors monitor the BCR's performance and its usefulness. [36] The BCR must be a minimum or a floor, not a target, and it must be calibrated as such. We believe that the BCR should signal when regulatory intervention is needed to protect policyholders but should otherwise allow flexibility of management's decision-making.
NAIC	United States	1. The 2nd bullet point in paragraphs 38 and 126 notes that a decision is pending on whether the BCR will apply to IAIGs. Since the goal is to have the ICS replace the BCR with the implementation of ComFrame, and the ICS will apply to all IAIGs including G-SIIs, the rationale for applying the BCR to IAIGs at this time is unclear. Based on the following, there does not seem to be sufficient rational for applying the BCR to all IAIGs: - A stated goal in the paper is to have the ICS replace the BCR as the basis for HLA (see paragraph 12), and that the ICS will apply to all IAIGs including G-SIIs starting in 2019. - It seems likely that there may be an overlap in timing between the BCR and the ICS for G-SIIs for some period starting in 2019 and ending with application of recalibrated HLA based on the ICS. - A reconsideration of the structure of the BCR is planned to see if it can serve as a true backstop to the ICS (see paragraph 12).

		- As a basic limited factor approach, the BCR may not be sufficiently risk-sensitive for a larger pool of entities. 2. The notion of a second consultation once the proposed design and initial factors for the BCR have been completed is strongly supported.
National Association of Mutual Insurance Companies	United States of America	While we understand that the timetable for the project was not driven by the IAIS, we believe that it is too aggressive for IAIS to create, adequately field test and sufficiently analyze the results for a project at this level of importance for an industry as significant as the insurance industry. A rushed project will not produce quality results. Please note that the Basel III global capital requirement for banks took several years for significant acceptance and still it not adopted in all jurisdictions. Note also that Basel III was preceded by Basel II and Basel I that were in development and revised multiple times over more than three decades. Insurance has never had a global capital standard and rushing this process over a year or two is critically insufficient. At a minimum, informed decision-making will require well-developed field testing. We believe that testing over two months and analysis over two-three months will not be sufficient to produce the necessary results to design and support a global capital standard.
Liberty Mutual Group	USA	We respect the commitment by the IAIS to develop the BCR by September (subject to FSB review by November). However, this is not a realistic time frame to execute effectively a project with such far-reaching and important implications, particularly given the significance of accurate field testing, which the IAIS correctly recognizes is a critical component of the development of any new capital assessment methodology. Given that field testing will continue until May, not enough time will remain before September to (1) compile and evaluate the field test information; (2) draft a new BCR for consultation based on the results of field testing; and (3) consider the new consultation comments. Similarly, the "longer term" plan to "develop the ICS for IAIGs by the end of 2016" is not realistic. Among other challenges, this timetable does not take into consideration the practical and political considerations related to the adoption of the BCR or ICS (or the use of both) as new legal standards in jurisdictions around the world. The less time spent now developing these new standards, the greater will be the future challenge to convince jurisdictions to adopt and enforce them.
North American CRO Council Incorporated	USA	See response to Q26.
Northwestern Mutual	USA	The limited time available between now and September makes it practically likely that, in the best case, the BCR presented to the FSB will be only a rough directional approximation of an appropriately risk sensitive, effectively calibrated capital requirement for G-SIIs. Accordingly, should a version of the BCR be completed this year, it will need to be fully reassessed. This is one reason why it is important that the IAIS make clear that the BCR is intended only to be a minimum, not a target capital level (with HLA applied for G-SIIs to the extent additional capital is required to address systemically risky activity). In addition, given the inevitable limitations of the BCR in the form that it can be completed this year, it would be inappropriate to put it to

		any purpose beyond being an interim basis for applying HLA to G-SIIs. This BCR should not be applied to IAIGs. Because the development and field testing of the BCR will inform development of an ICS, it is critical that the IAIS provide the greatest possible access to all IAIS Observers through all stages of the BCR's development.
PCI (Property Casualty Insurers Association of America)	USA	It is more important to get a BCR that works than to get it done according to a predetermined and very aggressive timeframe. After the BCR has been finalized along with its risk factors, an additional "impact analysis" study should be performed where G-SIIs can test the finalized BCR's effect on them, so that further changes may be made if necessary.
3. - General Comments on Context		
Actuaries Institute Australia	Australia	We have no general comments on this section.
Insurance Europe	Belgium	None
Canadian Life & Health Insurance Association Inc.	Canada	No comments.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
KPMG AG WPG	Germany	No comments
AIA Company Ltd	Hong Kong	Please refer to our response to Q1
Global Federation of Insurance Associations	International	No comments
Institute of International Finance - IIF / The Geneva Association	International (USA / Switzerland)	See general comments and executive summary

(GA)		
NYC Bar Association -- Insurance Law Committee	New York	Our comments in Section 3 set forth below relate to the objectives of the BCR initiative and to some of its empirical components.
American Council of Life Insurers	United States	We believe that a period of observation and monitoring is essential before the BCR is applied.
NAIC	United States	1. Any conclusion or impression that the ICS will be bound by the same valuation approach and parameters (e.g. adjusted GAAP + defined discount rate) as those used for the BCR is premature. That BCR and the ICS will serve two different purposes, thus assumptions made for the BCR may be different for ICS. The assumptions for developing the ICS may well be informed by the evolving state of affairs in valuation and by the role of the ICS and its underlying granularity and methodology. 2. A simple factor approach is not a precise measure of solvency and may generate a high level of false positives if calibrated to a PCR level capital standard. This, combined with proper focus on the BCR as comparable base for HLA dictates that the factors for the BCR alone should be designed to generate a result that is at a "minimum capital" (e.g. MCR) level. Calibration of BCR will have a higher degree of importance and will require increased attention and specificity as to calibration when HLA is added.
American Insurance Association	United States of America	AIA is pleased to offer the following general observations on the BCR Proposal. In offering our perspective, however, we must highlight that there is a significant amount of confusion relating to the purpose of the BCR and its relationship to the Higher Loss Absorbency (HLA) amount and potentially to the ultimate development of an ICS. This confusion limits the effectiveness of this Request for Comment process as understanding the goal of the BCR is a fundamental prerequisite for evaluating the proposal. This persistent confusion also calls into question the advisability of adhering to a development timeframe that, by any measure, is overly aggressive and unnecessarily subjects any intended objective to failure. Regulatory Objective of the BCR -- To eliminate this confusion, AIA believes that it is imperative for the IAIS to establish a clear regulatory objective for the BCR, discuss the role of the BCR within the existing regulatory framework, and describe the interaction between the BCR and the HLA. Addressing this shortcoming will help address such critical questions as the following: What is the relationship between the BCR and existing capital requirements for GSIIs? Given a surprisingly limited focus on Non-traditional/Non-insurance (NTNI) activities in the BCR Proposal, especially given the fact that traditional insurance activities are not systemically risky, what is the relationship between BCR and HLA? Is the BCR structured as a "going-concern" metric or a "solvency" capital standard? What actions would follow from a breach of the BCR standard?

		Since the BCR is narrowly focused on GSIIs, why does the BCR Proposal relate the BCR to the ultimate development of the ICS? As highlighted by these questions, any assessment of a new regulatory capital standard is severely limited by the absence of a clear articulation of the regulatory objective and rationale for the new standard and a description of how the standard enhances the existing regulation of the regulated entities. Given that the BCR Proposal is largely silent on these points, we would hope that the IAIS would elaborate further on its goals for the BCR (and ultimately the ICS) and re-solicit comments from interested parties to ensure the robust development of the BCR. As the IAIS formulates the regulatory objectives for the BCR, AIA would strongly suggest that the most appropriate role for a new capital requirement would be a minimum level of required capital designed to reduce the likelihood and potential costs associated with a failure of a systemically-significant enterprise (i.e., GSII). That is, AIA believes that the primary objectives for the BCR (and ultimately the International Capital Standard (ICS)), should be regulating solvency and policyholder protection. From this perspective, any new capital requirement should be designed to (1) to encourage responsible behavior that helps reduce the likelihood of an insolvency and, (2) in the event of such insolvency, to ensure that policyholder obligations can be met in a liquidation or insolvency scenario. Why the policyholder? In the regulation of financial intermediaries, failure generally occurs at the point when regulators believe it is necessary to intervene, on behalf of policyholders, to preserve the value of the firm's assets supporting policyholder claims. As such, AIA would recommend that the IAIS drop such confusing terms as "back-stop" or "front-stop" capital and state that the objective of the BCR, and ultimately ICS, is to set a minimum capital threshold to protect the interest of policyholders against the failure of an insurance company. The IAIS could then solicit input on the criteria for determining minimum capital and the types of capital resources available to meet this standard. AIA acknowledges that the primary objectives of solvency regulation and policyholder protection are not the same as the reporting objectives of most public accounting frameworks that focus on going-concern cash flow. (As highlighted elsewhere in our comments, the IAIS should be more explicit on the goal of solvency regulation with respect to these two risk-based capital measures in the design of a risk-based capital standard.) AIA believes that both solvency regulation through minimum capital standards and public disclosure on a "going concern" basis serve important mutually-reinforcing goals. Attempts to merge the two frameworks only diminish the strength of the overall regulatory system. In fact, the most effective risk-based regulatory frameworks combine three unique perspectives on risk to regulate financial intermediaries - risk-based capital to protect policyholders, market discipline through public disclosure, and financial examinations and analysis by regulators. While the notion of the three-legged stool of effective solvency regulation has been well established in the banking industry since the early 1990s, the current BCR consultation only addresses the risk-based capital leg. To be useful in supervising G-SIIs, the BCR must be considered in a holistic manner in conjunction with insights gained from public disclosures and supervisory examinations and analysis within local jurisdictions and within the Supervisory College.
Liberty Mutual Group	USA	The discussion about Context fails to consider several key points including: 1. The financial crisis revealed many gaps in financial services regulation, but failure to require adequate capital in the insurance industry was not one of them.

		2. Strong risk assessment and management practices are more critical to an insurer remaining solvent than the insurer's gross amount of capital. 3. Regardless of the merits of establishing quantitative capital measures, any such effort faces significant practical challenges, including the lack of global insurance accounting and solvency regimes and the prerogatives of local insurance supervisors, who are likely to protect tightly insurers' assets held in their jurisdictions.
Northwestern Mutual	USA	We suggest that the IAIS make it clear that the BCR is being developed as a floor and not as a target capital level. No factor based approach designed for use with many insurers can be made sensitive enough to fully capture all of the important differences between companies. The BCR should be set at a threshold that allows for regulatory intervention to protect policyholders, but should otherwise preserve flexibility of management decision-making with regards to capital. HLA should only be applied as needed to G-SIIs where systemic risk needs to be addressed.
3.1 - Comments on Background		
Actuaries Institute Australia	Australia	We have no general comments on this section.
Insurance Europe	Belgium	None
Canadian Institute of Actuaries	Canada	3.1 Background We agree that the interconnectedness with other financial companies should be included in the BCR.
Canadian Life & Health Insurance Association Inc.	Canada	No comments.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
KPMG AG WPG	Germany	No comments

AIA Company Ltd	Hong Kong	See our response to Q2
Global Federation of Insurance Associations	International	No comments
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	See general comments.
NYC Bar Association -- Insurance Law Committee	New York	Section 3.1 ("Background") is largely historical in nature; we have no comments on this.
CNA	USA	Reference is made to the fact that the BCR is being developed with the goal that the G-SII will continue as a "going concern." CNA requests that this point be clarified further in the next consultation draft. It is our perspective that both the BCR and ICS should be developed solely to protect policyholder claims in the event of insolvency. This is consistent with how many jurisdictions currently focus exclusively on policyholder claims in their capital assessment. CNA agrees that Non-Insurance risks that pose a direct threat against an insurance group should be assessed in both the BCR and ICS. Examples of such direct risks should be clarified as ones arising from a direct contractual relationship of an insurance entity and a non-insurance affiliate, including insurance contracts, capital support agreements or guarantees. After the development of the ICS we recommend that the necessity of the BCS be re-evaluated to ensure consistency in approach and calibration with the ICS. We make this comment without the benefit of understanding how the ICS will be developed and used in practice. Although we would suggest that the ICS be developed to include various layers of regulatory intervention so that it could solely meet the requirements of the PCR and MCR. For example the ICS could be calibrated so that the PCR is a multiple of the MCR. This would ensure consistency in concept between the two capital thresholds while making it less likely that a group could "game the system" to avoid regulatory scrutiny. CNA recommends that the two tier approach to capital resources be eliminated from consideration for the BCR since it is to complex. In its place CNA suggests having only one tier of capital resources with percentage limits for various classes of capital resources where necessary.
Liberty Mutual Group	USA	This section accurately recites the recent history related to the identification of the nine G-SIIs "using the IAIS methodology." However, no explanation is given as to how the IAIS methodology selected these nine firms and not others. As a result, the industry at large does not understand the substantive reasons for each firm's selection. Without that information other firms cannot manage their risks to avoid

		G-SII designation in the future.
Northwestern Mutual	USA	As noted, the G20 Leaders and the FSB have agreed to identify financial firms that are systemically important and to take measures to lessen the impact and reduce the moral hazard associated with public sector interventions to mitigate the distress or failure of such financial firms. With the simple factor-based approach contemplated for the BCR, there will likely be certain high risk activities that are not initially addressed. This may incentivize such behavior. It will be a serious challenge for the IAIS to balance the need for simplicity, as a consequence of the constrained timeframe, with the risk of unintentionally incentivizing risk taking behavior thus increasing moral hazard. We therefore strongly encourage the IAIS to consider the recommendations we develop in these comments. Implementing these recommendations would: 1) simplify implementation; 2) capture risks at a more granular level; 3) provide for better comparability by focusing on actual risks of entities rather than a common methodology that may not appropriately capture risks; and 4) be cost-beneficial by using existing regulatory capital standards, where applicable.
3.2 - Comments on The BCR mandate		
Actuaries Institute Australia	Australia	(47) We note that the BCR will be developed with the goal that G-SIIs continue as going concerns. We suggest that a conceptual "holding period' be stated over which the BCR is expected to ensure sufficiency (e.g. 1 year, 5 years, run-off).
Insurance Europe	Belgium	None
Canadian Institute of Actuaries	Canada	3.2 The BCR Mandate It states that the BCR will have a goal of maintaining the company as a "going concern". A definition of "going concern" is required in this instance. As well, it should be clear whether an insurer that falls below the BCR could still be considered a going concern, subject to further and deeper analysis. It is our belief that the BCR is to be a component in an early warning system only.
Canadian Life & Health Insurance Association Inc.	Canada	#47: The implication of developing the BCR on a "going concerns" basis needs to be explained. We believe that the categorization of capital resources violates the simplicity principle of the BCR and in addition could be excessively restrictive. We welcome instead #63 that implies a total-capital view for BCR purposes.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments

European Insurance and Occupational Pensions Authority (EIOPA)	European Union	We support the statement included in the Cover Note that clarity will be needed in the future regarding the basis under which the BCR will be calibrated as well as the target which will be aimed at. Paragraph 47 refers to the objective that G-SIIs will continue as "going concerns", which can be interpreted differently by different stakeholders.
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Paragraph 46: The structure of BCR needs to ensure the setting of targeted HLA adequately reflecting the systemically relevant activities of G-SIIs. This is necessary to differentiate between different risk-profiles appropriately.
KPMG AG WPG	Germany	The application of the BCR to non-insurance subsidiaries requires further analysis as to the appropriateness of risk-factor charges applying to such entities.
Global Federation of Insurance Associations	International	No comments
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	See general comments.
NYC Bar Association -- Insurance Law Committee	New York	An overarching issue we have in this item relates to the stated goal, included in the BCR mandate, that "G-SIIs continue as "going concerns."' In the ordinary course of insurance regulation (in any jurisdiction), we believe that laws and regulators should endeavor to create a sustainable, competitive insurance marketplace but not to assist particular insurers. The neutral laws and regulations governing financial condition (for example, RBC in the U.S.) do not inherently favor or disfavor any particular firm. The explicit goal that G-SIIs "continue" as "going concerns" seems to frustrate this objective. We understand that outside the U.S., there may be less hesitancy about government interventions as a means to assist failing firms, and we are also mindful that the stated goal may refer to the financial health of the sector more broadly and not to individual firms. In any event, we would urge heightened caution in formulating rules with the express and stated goal of preserving or "continuing" G-SIIs. We believe that the preferential treatment of identified companies, or the perception of such, could put other insurers at competitive disadvantage and introduce other market distortions. Although our preference would be to delete this goal from the BCR proposal, in recognition that the public policy goals of countries will differ, perhaps an alternative goal of liquidating a G-SII should be included together with a discussion of the protections available to policyholders following liquidation (as one example, under the Guaranty Associations of the individual U.S. states).

KNF - Polish Financial Supervision Authority	Poland	The statement concerning the objective of the development of BCR as "going concerns" (in para 47) seems to be premature. The role of BCR and the basis under which the BCR will be calibrated as well as the target which will be aimed at is still to be defined.
American Council of Life Insurers	United States	[47] Current uncertainty about the scope of application of the BCR makes it difficult to evaluate these statements. Guidance on the scope and application of the BCR should be given as soon as possible. We believe the goal of the BCR should be protecting policyholders.
NAIC	United States	Paragraph 47, referencing the BCR as a "going concern" standard on its own appears should be deleted as extraneous, inconsistent with other aspects of the paper, and unclear in its meaning. It should be deleted or else its implications should be expanded upon in the paper.
American Insurance Association	United States of America	Paragraph 45 - We readily grant that calibrations differ across jurisdictions. However, we cannot lose the robustness of local market data to calibrate to a consistent capital threshold. Paragraph 47 - While this section refers to "going-concern", we believe that the correct standard for the BCR is protecting the policyholders against the insolvency of a GSII, i.e., a solvency standard. Paragraph 48 - "The BCR should only reflect the aspects of NTNI risk that have an impact on the group's insurance operations, with the systemic risk aspects of those risks being addressed by the HLA." If the BCR is a total balance sheet approach, why exclude NTNI activities that are not part of the core insurance operations, but may be part of a non-insurance subsidiary, especially since core insurance operations are not systemically risky?
National Association of Mutual Insurance Companies	United States of America	We just add that the BCR should have as a primary focus the interests of the policyholders and any expected deficits they might realize at the time claims are filed. This is the reason for the insurance system to exist. Protecting policyholder interests should be a primary objective of any capital requirement.
CNA	USA	The exposure draft clearly discusses the FSB mandate for the BCR but does not discuss the purpose of the BCR or how it would be calibrated. We suggest temporarily aligning the BCR to the PCR and using it as a leading indicator for capital constraints of a group leading to increased regulatory scrutiny as a group moves closer to the BCR threshold.
Liberty Mutual Group	USA	This section seems to argue that comparability is more important than respecting "local capital requirements." Liberty Mutual disagrees. Frequently, "local" requirements reflect important economic and political considerations.
New York Life International	USA	While we appreciate the need for a relatively simple measure that can be developed and implemented quickly, the BCR, as contemplated in the consultation draft, raises certain concerns. For example, using only five to ten risk factors will not adequately capture the spectrum of risks applicable to insurers, especially given the breadth of products and business models worldwide. The U.S. Risk Based Capital (RBC) approach has hundreds of factors and yet is still sometimes criticized for not fully capturing certain risks. As such, we believe that the scope and applicability of the BCR must be extremely limited and that the BCR should be calibrated as a

		minimum capital floor. Setting the BCR as a target capital level would be very dangerous given its simplicity, and could incent risk taking designed to arbitrage the particular factors used. In contrast, calibrating the BCR as a minimum capital floor would minimize such incentives since companies would continue to focus on jurisdictional capital requirements, as well as their own economic capital modeling and constraints. Finally, we believe it is important to recognize and acknowledge that the proposed approach is not likely to achieve meaningful comparability among well-capitalized companies. Comparability and risk-sensitivity go hand-in-hand. Given the simplified approach proposed, and the limited number of factors to be considered, BCR will not provide meaningful comparability among divergent companies with a wide range of businesses and products. For this reason, it is imperative that the BCR be calibrated as a capital floor. In our view, the only way to achieve meaningful comparability is to stress cash flows of insurers in a consistent manner and analyze the results.
North American CRO Council Incorporated	USA	The BCR should allow for high level comparisons of companies, but should otherwise allow flexibility of management decision making. To this end and to mitigate any unintended incentives created by the simplified factor approach, the BCR should serve as a minimum capital floor, rather than a target capital level. Structuring the BCR as a floor would provide an international minimum standard for all subject companies. In addition, companies would continue to hold capital in excess of the BCR as they would still have target capital levels set by their national regimes and rating agencies.
Northwestern Mutual	USA	We support the IAIS's direction to ensure that the BCR addresses all material risks and urge that the IAIS further develop how unregulated financial and other activity (including off-balance sheet activity) will be addressed. Otherwise, the usefulness of a global group standard will be limited. However, clarity is important concerning the role of the BCR, HLA and the need for G-SIIs to continue as going concerns to mitigate systemic breakdowns. In our view the BCR should be set at a threshold that allows for regulatory intervention to protect policyholders while preserving flexibility of management decision making with regard to capital. HLA should be required as the additional capital needed for a G-SII to continue as a going concern thus mitigating systemic risk.
PCI (Property Casualty Insurers Association of America)	USA	Paragraph 47 - It is not clear what the implication of "the goal that G-SIIs continue as going concerns" is. We believe the BCR should be set at a minimum capital level, generally consistent with current jurisdictional minimum capital levels.
3.3 - Comments on Scope of application		
Actuaries Institute Australia	Australia	(49) We suggest that NTNI risks in subsidiaries with minimal capital should be explicitly included in the BCR. For example, a subsidiary that trades derivatives other than for matching purposes should be included.

Insurance Europe	Belgium	Off-balance sheet exposures, as indicated in paragraph 48, should be considered only if material. With the consolidated balance sheet as a starting point, it is expected that there will be only a limited number of off-balance sheet exposures subject for consideration. The principle of economic valuation requires that both off-balance sheet assets and liabilities deserve equivalent consideration. The definition and purpose of the NT component of the NTNI activities, including the statement made in paragraph 49 on the BCR/HLA role vis-is the NTNI risks remain very unclear.
Association of Bermuda Insurers and Reinsurers	Bermuda	Paragraph 47 states that the BCR will be developed with the goal that G-SIIs continue as "going concerns". As previously stated, ABIR believes the focus on the level of capital must be one that looks to sufficiency to run off policyholder obligations and not a "going concern" model since the role of the regulator is to honor the contractual obligations to the policyholders.
Canadian Life & Health Insurance Association Inc.	Canada	#48: Consistent with our comment in #19, for operational simplicity, we suggest non-material non-financial activities that are on balance sheet not be excluded to eliminate adjustments to the balance sheet as well as to mitigate reduced comparability due to differing judgment conclusions on what is material or not. Off balance sheet items need to be treated symmetrically, with both contingent assets and liabilities considered, as otherwise the BCR may not recognize properly hedging activities, distorting risk exposures. #49: We agree that the BCR should reflect all the riskiness of the group's insurance operations, with the systemic risk aspects of NTNI deferred to HLA. This underscores the redundancy of addressing the definition of NTNI as part of the BCR project consistent with our comments above on #17, 22 and 27. Attention to the identification of NTNI poses distraction risk to the BCR project as well as risk of too hasty a determination of such activities.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
European Insurance and Occupational Pensions Authority (EIOPA)	European Union	Please refer to our comments about Scope of Application under section 2.2.
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Paragraph 48: Off-Balance Sheet exposures should be considered only if material. With the consolidated balance sheet as a starting point, it is expected that there will be only a limited number of off-balance sheet exposures subject for consideration. The principle of economic valuation requires that off-balance sheet assets deserve equivalent consideration. As regards the exclusion of non-material non-financial activities, we refer to our comments on paragraph 19.

KPMG AG WPG	Germany	It is not clear what might constitute a non-financial activity and off-balance sheet exposures. More clarity would be beneficial.
Global Federation of Insurance Associations	International	* Off-Balance Sheet exposures, as indicated in paragraph 48, should be considered only if material. At the consolidated level we do not expect many cases where these will be material. Where off-balance sheet exposures are included then associated off-balance sheet assets merit equivalent consideration.
International Actuarial Association	International	Paragraph 49 2nd sentence; If the G-SII/IAIG designates supporting capital and holds capital at the parent level for its subsidiaries' possible use, then all non-traditional, non-insurance (NTNI) activities under the parent would impact the group's insurance operations as this capital could be used to support NTNI needs.
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	48 (same comments as for 19 and 86): We would welcome clarity as to what the IAIS considers "off-balance sheet exposure". There does not appear to be a consistent understanding of off-balance sheet exposures. It is the opinion of the IIF and GA that off-balance sheet items should generally not be material and therefore BCR scope must be restricted to on-balance sheet items. If there are any material off-balance sheet items then these should be disclosed in the consolidated financial statements. Furthermore, when off-balance sheet items are considered they need to be treated symmetrically. If off-balance sheet liabilities are taken into account then the value of off-balance sheet assets should also be taken into account.
NYC Bar Association -- Insurance Law Committee	New York	We have no comments with respect to scope of application.
KNF - Polish Financial Supervision Authority	Poland	The scope of Consolidation requires further explanation. In the proposed top-down approach, the criteria to be used for exclusions needs to be clarified further. Current wording is unclear and does not answer the question whether financial activity can be excluded if immaterial or what approach to determination of materiality should be followed. Moreover current proposal is not explaining how off-balance sheet items should be reflected.
Association of British Insurers (ABI)	United Kingdom	We agree that the consolidated group balance sheet is a sensible starting point for determining the BCR. We note that off-balance sheet items generally are not considered to be material. If any off-balance sheet items are material, they should form part of the consolidated balance sheet.
American Council of Life Insurers	United States	[48] Recognizing that the BCR may include material off-balance sheet items, then it must also include the supporting assets of material off-balance sheet items, in addition to liabilities. Furthermore, the BCR must treat both assets and liabilities symmetrically. [49] As noted above, we agree that the BCR should capture all material risks, including NTNI risks. Nonetheless, we urge against distinguishing NTNI at this time, however, since those systemic risk aspects will be addressed by HLA.

Liberty Mutual Group	USA	Liberty Mutual generally agrees with this section. However, we cannot fully evaluate statements such as "Where [a] group conducts non-financial activities, non-material activities should be excluded where appropriate" or "Off-balance-sheet exposures also need to be considered" until the details of how these objectives will be implemented are determined.
Northwestern Mutual	USA	We agree that the BCR should capture NTNI risks but note that this will necessitate factors that are sufficiently granular in order to adequately capture the risks presented by a diverse range of products and activities. We also agree that any additional capital required to address systemic risks presented by NTNI activities should exclusively be addressed by HLA.
3.4 - Comments on Principles		
Actuaries Institute Australia	Australia	(50) We note that effective functioning of the BCR regime in a variety of economic environments might require dynamic factors that are based on current economic conditions. For example, the factor for long bonds might be higher when interest rates are low.
Insurance Europe	Belgium	In various parts of the consultation the focus is placed on investigating trade-offs between simplicity, risk sensitivity and comparability. We are therefore surprised to notice that risk sensitivity is not mentioned in the principles stated in paragraph 50 (as it is the case for simplicity and comparability). It is paramount that risk sensitivity receives the same emphasis.
Association of Bermuda Insurers and Reinsurers	Bermuda	ABIR generally supports the principles outlined in paragraph 50 and support the IAIS' aim to strike a balance between the various (and often conflicting) objectives. We would support an additional principle being added to paragraph 50, namely that where risk-based regulatory systems already exist, efforts should be made to assess whether such regimes are already in line with BCR objectives and principles. If this is deemed true, then already existing measures should be deemed equivalent to fulfil BCR needs and no additional work should be required from insurance companies. Any public disclosure of results, as defined in paragraph 50 in BCR principle 6 should be carefully assessed to avoid unintended consequences and special consideration should be given to information that is sensitive or proprietary in nature.
Canadian Institute of Actuaries	Canada	3.4 Principles We agree that the avoidance of arbitrage should be an ultimate goal of this exercise.
Canadian Life & Health Insurance Association Inc.	Canada	#50: Consistent with our comments on #14 above, the meaning of the BCR being resilient to stress or able to function under various circumstances is not clear. Given that this is one of the three substantive principles, it should be elaborated upon. If the intention is that the BCR should not be excessively volatile, a more direct statement to this effect would be welcome. As stated in #14 above, we suggest adding the fourth ("Substantive") Principle. Regarding ("Construction") Principle #5, we suggest referring to "reasonable consistency". Further clarification should be given as to what is meant by consistency "over time" - such consistency should consider the effects of

		reducing undue volatility and pro-cyclicality.
China Insurance Regulatory Commission	China	1. The BCR principles include "Comparability of outcomes across jurisdictions". At present, there is certain gap in data availability, risk categories, regulatory measures and practices between China's insurance market and international standard. Due to the gap, it is difficult to assure that the BCR outcome based on the current method and Chinese condition is comparable with that of other G-SIIs. We suggest the IAIS set a transition period for China in adopting BCR. 2. We suggest the development of the BCR should achieve a balance between the principle of "Simple design and presentation", the principles of "Comparability of outcomes across jurisdictions" and "Major risk categories should be reflected". Other principles shouldn't be weakened to pursue simplicity. The risk profiles of G-SIIs are different due to various market condition and business composition. BCR should be able to reflect the difference of capital requirement caused by different risk profiles.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
European Insurance and Occupational Pensions Authority (EIOPA)	European Union	We believe the last sentences of paragraph 53, although of paramount importance for the development of IAIS standard setting objectives, are more adequate in the context of the future development of the ICS framework (which by definition should be more sophisticated and risk-sensitive than the BCR). It is difficult to see how such complex objective can be fulfilled in the context of the definition of a simplistic measure such as the BCR.
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Paragraph 50: The IAIS repeatedly states that the field test should investigate trade-offs between simplicity, risk sensitivity and comparability. Therefore, we are surprised to see that -in contrast to simplicity and comparability- risk sensitivity is not mentioned in the principles. It is paramount that risk sensitivity respectively granularity is attributed the same emphasis.
KPMG AG WPG	Germany	Comparability across jurisdictions is fundamental and this must be appropriately addressed if the BCR is to actually have any value going forward. We agree that the differences in valuation must be addressed. We remain unconvinced that the BCR will have any real meaning or significance for a G-SII i.e. "being fit-for-purpose'.
AIA Company Ltd	Hong Kong	Para 50. We suggest the Principle 1 be amended by changing "risks from both assets and liabilities, and non-insurance risks" to "risks from both assets and liabilities, from the interaction between them, and from non-insurance risks". Asset / liability risk is a major risk for life insurers.
Global Federation of Insurance Associations	International	We generally agree with the principles outlined in this sub-section and support the IAIS' aim to strike a balance between the various (and often conflicting) objectives. We believe that the approach taken can achieve the objectives of simplicity and comparability, whilst greater risk-sensitivity could be ensured through sufficient granularity of the factors. However, we continue to stress that it is important for a

		globally consistent methodology to reflect local jurisdictional risk characteristics and operating environments.
International Actuarial Association	International	Paragraph 53 3rd sentence; We agree that this is an issue for G-SIIs. We note that this does not necessarily remain a concern regarding IAIGs. While many G-SIIs' activities may overlap with banking activities, there will be many IAIGs with little to no overlap.
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	53: We support the objective to ensure, in the development of capital requirements and measures for G-SIIs, that opportunity for regulatory arbitrage between the banking and insurance sectors are not increased.
The General Insurance Association of Japan	Japan	(BCR Principle 2) Given the very short timeframe, it would be appreciated if the IAIS gave approval to some extent for each group to use the existing standards in their respective jurisdictions, instead of sticking to strict comparability. It would also be an option for the IAIS to consider revising the BCR design flexibly when other standards such as the IFRS 4 have made progress. (BCR Principle 4) We support the principle that the BCR should utilize the minimum number of parameter and data requirements.
The Life Insurance Association of Japan	Japan	We agree with BCR Principle 1 - "Major risk categories should be reflected" as indicated in paragraph 50, as paragraph 10 states that "The development of the BCR that provides, albeit at a ´basic´ level, globally comparable outcomes is a necessary first step to the development of the Higher Loss Absorbency (HLA) for Global Systemically Important Insurers (G-SIIs). The BCR thus plays a different role and has different characteristics compared to the Basel III Leverage Ratio." In this regard, we believe that the classification of major risk categories for the BCR should be determined by mainly focusing on capital regulatory purposes for G-SIIs. Nevertheless, we hope that the classification of major risk categories will reflect the risk management practices in each insurance group, subject to the application of BCR. Under BCR Principle 6, if the IAIS assumed that the use of an entity´s own estimates and internal data could impair the level of transparency, we believe transparency could be ensured by providing supervisors with additional information on the estimates and internal data.
NYC Bar Association -- Insurance Law Committee	New York	To the extent that a unified, global capital standard is appropriate and feasible for G-SIIs to begin with (from an accounting and regulatory perspective), we respectfully submit the following views on the underlying principles for such a standard. Our comments on Section 3.4 relate to Principles 2, 5 and 6. Our comments on Principles 2 and 5 are related insofar as these two items appear to address similar objectives. It is almost axiomatic that two G-SIIs measured for BCR should be measured according to uniform criteria. However, it is not clear to us whether this means that the IAIS intends to give effect to, or alternatively, to disregard differences that may arise between geographical areas. For example,

		in some jurisdictions, pensions are considered part of the insurance business and are regulated and marketed as such. In other jurisdictions, this is not the case. Would such business be considered "NTNI" in the latter but not the former? Or would the BCR standard itself contain guidelines for what is considered part of the insurance business? Any of these outcomes could be sound and justifiable, but the general principle of "consistency" does not provide any clarity in articulating how differences will be harmonized, and essentially begs the question. Similar examples of this issue could be constructed with respect to security valuations, investment restrictions, reinsurance collateral requirements, underwriting criteria and innumerable other variations in national treatment of insurers. As to Principle 6, we would seek additional clarification as to what is meant by "use of public data." To the extent that this suggests that the results of the BCR process should be made public for a given entity, we would urge heightened caution in implementing this principle. In the U.S., while RBC results are included in statutory reporting and thus publicly disclosed, the various inputs, calculations, projections and plans used to determine the results are confidential. This seems appropriate insofar as the RBC instructions require granular, highly quantitative determinations on all aspects of the insurer's business. These determinations are effectively in the nature of trade secrets, the disclosure of which could cause competitive harm to the insurer or otherwise expose it to business or litigation risks. Whatever benefits may be associated with disclosure in this instance, we believe, are outweighed by such consequences. We note also the heightened confidentiality protections that the NAIC has built in to the new "Own Risk Solvency Assessment" and Form F (Enterprise Risk Management) requirements. We would suggest considering the foregoing factors - and in general the U.S. sector's experience with RBC requirements - in crafting the disclosure requirements applicable to G-SIII capital benchmarks.
Association of British Insurers (ABI)	United Kingdom	We generally agree with the approach outlined in this sub-section and support the IAIS' aim to strike a balance between the various (and often conflicting) objectives. We welcome the proposal in BCR Principle 6 to use public data where available.
American Council of Life Insurers	United States	[50] We ask for further discussion on the meaning of the "resilience to stress" principle. If the BCR does not move in response to a stress, is it "resilient?" If the intention is to ensure that the BCR is not excessively volatile, we suggest that be stated more clearly. [52] The BCR should recognize that asset-liability matching can be a material risk or benefit, for example, and omitting it is critical.
American Insurance Association	United States of America	The principles for any new capital standard should start with the regulatory objective and then cascade down to the structure and design of the capital metric. From this perspective, we would suggest that the IAIS reconsider the principles underlying the regulatory objective of a minimum risk based capital standard and revisit the resulting principles in the BCR Proposal. In terms of the substantive principles included in the BCR Proposal, we would note the following: Principle 1 - Major Risk Categories Should be Reflected: We agree with this comment but would emphasize the identification and prioritization of NTNI risks since the focus of the BCR is for GSIIs. Moreover, to include all major risk categories requires the capital standard to be sensitive to these different categories of risk (see comment on simplicity vs. risk sensitivity). Principle 2 - Comparability of Outcomes Across Jurisdictions: AIA would argue that Principle 2 is fundamentally mis-specified. First, AIA believes that the methodology for any new capital standard should be globally consistent, but the regulatory capital outcomes should differ to reflect the differing risk characteristics and operating environments of each local jurisdiction. For example, when developing a

		risk-based capital factor for property insurance risks under a factor-based approach, the methodology should establish a consistent definition of risk factor, percentile shock for the factor, and measurement/calibration methodology. However, since the operating environment (e.g., property rights, ownership structures, building codes and construction styles, emergency response) and loss experience (e.g., attritional and catastrophe claim frequency and severity, reinsurance and residual markets) will differ considerably across various jurisdictions, the risk factor outcomes should differ to reflect real gradations of risk across the different jurisdictions. A failure to calibrate a factor-based approach to local market conditions could result in considerable opportunities for regulatory arbitrage, market distortions, and increases in policyholder, taxpayer and systemic risk. For example, a capital standard that requires capital levels equal to or greater than those required for a BBB rating could create a standard higher than jurisdictional regulatory schemes, making calibration to local market conditions imperative. Principle 3 - Resilience to Stress - We agree that any "factors" under a factor-based approach should be resilient to stress, which is largely achieved by ensuring local market calibration using robust industry data. AIA would caution, however, that establishing "stressed capital charges", as opposed to capital charges that reflect a stress to the underlying risk distributions, can be overly conservative. We would also note that this approach requires a capital metric that is sufficiently risk sensitive (see comment on risk sensitivity vs. simplicity). Construction Principles - Another major observation on the BCR Proposal is the internal inconsistency of the proposal itself with respect to Substantive Principles and the first Construction Principle (BCR Principle #4 - Simple Design and Presentation). As stipulated in the BCR Proposal , "The design of the BCR needs to be pragmatic and practical." "The BCR should utilize the minimum number of parameters and data requirements while attaining valid and robust outcomes with a focus on material issues." "Meeting this need is emphasized by the short time frame in which the BCR is to be developed." Unfortunately, as highlighted above "outcomes" are not defined as the IAIS's BCR Proposal did not include an articulation of the regulatory objectives and thresholds for the BCR. However, what is troubling is that the requirements for risk sensitivity established in the Substantive Principles appear to be sacrificed in the Construction Principles largely due to the inadvisably short, and entirely artificial, timeframe for developing the BCR. At this point, it is worth noting that some of the largest systemic risk events in history (e.g., U.S. GSEs and U.S. housing bust, gold standard and international capital controls, international trade wars) were influenced not by the gale of creative destruction in the private markets but by the influence of government policy in steering capital to various sectors. Thus, in reading the BCR Proposal, AIA is uncertain as to the relative priority that the IAIS assigns to simplicity and risk sensitivity. Is the IAIS's goal to create a robust minimum risk-based capital standard, in which case simplicity must be sacrificed to ensure that the capital standard sufficiently reflects the underlying drivers of risk within each regulated entity? Or, is the IAIS's goal to create a simple capital metric that is largely not risk sensitive but provides a basic indicator of financial position? If the primary goal is simplicity, AIA believes that the IAIS can simply leverage the risk-based capital standards that exist within each jurisdiction to develop an overall BCR. For example, the IAIS can specify the minimum acceptable capital of the group by aggregating the jurisdictional minimum capital requirements of each entity in the group, using the risk-based capital system of the local jurisdictions. The BCR would then be a specified percentage of the aggregation of the regulatory minimum group capital. Of course, an alternative risk-

		sensitive methodology would be necessary for the non-insurance entities within the group (e.g., risk charge levied on the equity value of non-insurance entities). Regulators would then compare this required capital with the sum of the Group's overall available economic capital, where the computation of available economic capital would follow principles established by the IAIS. Each GSII would then compare the BCR with their internal capital model and estimates of available economic capital as part of the GSII's ORSA report to compare the relative sufficiency of capital using different measures and methodologies. If the available economic capital of the group is less than the minimum acceptable level of group capital based on this aggregated BCR, the GSII would be subject to a higher loss absorbency loss amount (HLA).
National Association of Mutual Insurance Companies	United States of America	If a global capital formula is required, the proposed BCR principles seem appropriate with a couple of clarifications, and one important addition. Comparability of outcomes is a principle we can support, but is not necessarily what is proposed by the consultation draft. A successful global effort would be outcomes-based. It would not create unnecessary competitive issues for companies domiciled in one well-supervised jurisdiction over companies from another. Instead it would recognize diverse, successful approaches to solvency regulation and would create a principle-based approach for regulatory capital requirements. Differing systems could be evaluated to assure they meet the basic principles of the BCR and could be assessed for their effectiveness in achieving the desired goals of policyholder protection and solvency while mitigating systemic risk. Supervisory colleges should be using all tools to evaluate G-SIIs. Conceptually resilience to stress is consistent with a flexible principle-based system, but the actual explanation in the consultation draft is unclear. Further development of the concept and description of the proposed BCR testing is needed. In paragraph 53 regulatory arbitrage related to differences in financial service regulation is mentioned. Despite the desire to minimize these opportunities between banking and insurance sectors, IAIS should be sure to avoid designing a system for insurance companies that is bank-centric. Confidentiality is a missing principle in the consultation. Companies supplying sensitive enterprise risk information and internal capital models through a global system will need assurances that the details will not be available to competitors and other stakeholders that could use this information to the detriment of the supplying company. The U.S. RBC filings are considered confidential and not subject to public disclosure. In addition, ORSA laws requiring filings that contain information about internal capital models include significant confidentiality provisions. The ability to protect confidentiality of information submitted globally is not at all clear, but this should be a key principle of the IAIS efforts in developing a BCR.
Liberty Mutual Group	USA	Liberty Mutual agrees with the six principles expressed in this section, provided that the objective in Principle (2) should be "consistency," not "comparability." At a minimum, the document should explain the term "comparability" more clearly.

Metropolitan Life Insurance Company (MetLife)	USA	Para 50 BCR Principle 6 - Optimise transparency and use of public data: The consultation document proposal relies heavily on calculations based on financial information that is not on current GAAP or statutory financial statements and will require use of non-public data. It is therefore not entirely consistent with guiding principle 6, "Optimising Transparency and Use of Public Data".
North American CRO Council Incorporated	USA	A factor-based approach can produce a very good diagnostic high level indicator of capital adequacy, but full comparability across multiple accounting and regulatory regimes, sensitivity to individual company risk, and transparent simplicity is not attainable. Insurance companies have a wide range of assets available for investment with a wide range of risks. Insurance risks are diverse among products and carriers as well. Some products include inherent risk mitigants such as market value adjustments, pass-through crediting strategies, policyholder dividends and discretionary payments, which should be adjusted for appropriately. These considerations should be accounted for in the factor-based approach, but, ultimately the nuances and product mixes specific to various companies and the various levels of risk they create cannot be fully captured by a set of simple factors. As a result, the IAIS should remain cognizant of the proper uses and limitations of such a BCR and develop it in as practical a manner as possible. For the same reasons, to the extent adjustments must be made to companies' existing balance sheets, we encourage the IAIS to be simple and practical in their approach. Given the differences in business mixes and accounting regimes, full comparability among companies, and jurisdictions, will be difficult to achieve. We suggest therefore that the IAIS consider both the costs and benefits of any particular adjustment, and that adjustments only be required if they have a material impact. To identify areas where consistency may be achieved, we suggest that the IAIS maintain an awareness of proposals from the FASB and IASB. Leveraging portions of one or both of these approaches may be an efficient way for the IAIS to help satisfy goals of optimizing transparency and use of public data. However, in doing so, the IAIS should take care not to compromise stability or other key principles of the BCR metric.
Northwestern Mutual	USA	BCR Principle 1 - Major risk categories should be reflected. We support the IAIS's direction to ensure that the BCR addresses all material risks and urge that the IAIS further develop how unregulated financial and other activity (including off-balance sheet activity) will be addressed. Otherwise, the usefulness of a global group standard will be limited. BCR Principle 2 - Comparability of outcomes across jurisdictions. We are concerned that any prescribed "market consistent" valuation methodology will sacrifice the sensitive measurement of risk which differentiates one insurer from the next for the sake of having a consistent methodology. We believe any constraints on a principles-based methodology should be properly balanced with the greater need to more fully reflect the actual risk of insurers in order for the BCR to be revealing and thus useful to regulators. BCR Principle 3 - Resilience to stress. We agree that the BCR should be able to function in a wide variety of circumstances (including a stressed macro environment) and remain valid. While a factor-based approach can be developed that satisfies the IAIS goals, we are concerned that producing one in such

		a limited timeframe and with a limited number of factors can result in a BCR that produces misleading indicators, both positive and negative - thus undermining its credibility. BCR Principle 4 - Simple design and presentation. We believe the overreliance on simplicity (e.g., between 5 and 10 factors) will necessarily sacrifice the accurate measurement of risk for the sake of a consistent methodology that is not appropriately sensitive to risk. We believe any desire for simplicity should be properly balanced with the greater need to have a methodology that reflects the actual risk of an entity in order for the BCR to be useful and reliable. An emphasis on simplicity should not overlook risk mitigation arising from the ability to pass experience, at least partially, to policyholders, in the wide range of participating contracts (especially those with discretionary payments) currently sold. Such risk mitigation can increase available capital significantly when compared to best estimate liabilities. Without such an accurate portrayal of risk, comparability of risk between entities cannot be achieved. BCR Principle 5 - Internal consistency. We agree the structure of the BCR needs to be consistent over time over the range of insurance and non-insurance entities it will need to cover. However, we are concerned with several aspects of the proposal (e.g., between 5 and 10 factors) that suggest attempts at consistency will be at the expense of BCR Principle 3 (Resilience to stress). An emphasis on consistency of methodology will not serve regulators if that causes the BCR to be insensitive to risk. BCR Principle 6 - Optimise transparency and use of public data. We agree that the level of transparency, particularly with regard to the final results provided, and the use of public data should be optimised. In particular we support the IAIS position in ICP 14 which states: "The IAIS considers it is most desirable that the methodologies for calculating items in general purpose financial reports can be used for, or are substantially consistent with, the methodologies used for regulatory reporting purposes, with as few changes as possible to satisfy regulatory requirements. However, the IAIS also recognises that this may not be possible or appropriate in all respects, considering the differing purposes. The IAIS believes it is essential that differences between general purpose financial reports and published regulatory reports are publicly explained and reconciled." To the extent adjustments must be made to companies' existing balance sheets provided as public data, we encourage the IAIS to be simple and practical in their approach.

3.5 -

Comments on Role of a “basic” BCR

Actuaries Institute Australia	Australia	We have no specific comments on this section.
Insurance Europe	Belgium	Paragraph 58 implicitly indicates that internal models increase complexity inappropriately and make supervision more difficult. We would argue that appropriately designed and supervised internal models are proper tools for measurement of insurers' risk exposures. Equally, paragraph 58 emphasises the difficulties posed by the pursuit of increased risk sensitivity. We believe that this perspective should be balanced with the recognition of the dangers of crude, non-risk-sensitive measures, which may impose inappropriate capital requirements.
Association of Bermuda Insurers and Reinsurers	Bermuda	It would be helpful if the IAIS could explain or provide a diagram of how the BCR (and other proposed capital initiatives HLA and ICS) would interplay with existing IAIS Insurance Core Principles (ICP 17) and their application and jurisdictional capital requirements. Paragraph 58- ABIR would argue that any group capital requirements that are created should not negate the impact of regulatory approved economic capital models for the calculation of group capital in jurisdictions where models are allowed since they are appropriate tools for the measurement of risk exposures.
Canadian Life & Health Insurance Association Inc.	Canada	No comments.
China Insurance Regulatory Commission	China	The development of BCR involves insurance regulators of jurisdictions around the world. The BCR will reflect major risk categories faced by G-SIIs, consider the risk of non-insurance financial business, make sure the outcomes across jurisdictions are comparable and resilient to stress. In order to raise efficiency and avoid waste of regulatory resources, we suggest that after the development of the ICS, the BCR should continue to take effect as a long-term global regulatory measure. The IAIS can refine the BCR in the future, when necessary.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	Paragraphs 56 and 57 are confusing on the relationship between BCR and HLA. Paragraph 56 states "if the BCR for a G-SII is breached then this implies that the HLA has already been breached". This implies that HLA is lower than BCR. Paragraph 57 states "the BCR could provide a more comparable base … upon which to apply the HLA uplift". This implies that HLA would be higher than BCR. Future consultations will need to be clearer on this point.
European Insurance and Occupational	European Union	We believe the last sentence under Paragraph 57 is introducing lack of clarity in concerning what is expected to be the role of the BCR in the immediate future (basic vs. backstop issue). EIOPA supports the clarification of this issue going forward. As described in Q27, our

Pensions Authority (EIOPA)		current understanding is that the BCR is currently being developed to perform the role of a "basic" rather than a "backstop" capital requirement. EIOPA supports the intention of not using Internal Models for the purpose of the calculation of the BCR (especially if it intends to perform a backstop role). However, we do not support the extension of this principle in general to capital adequacy frameworks (second bullet point of Paragraph 58), under which the use of Internal Models should be considered.
Institut des Actuaires	France	Comments on point 56: What happens when the BCR limit is breached should be, at least partially, defined. An important concern will also be to ensure that there is a coherence between local solvency systems and the global one: avoiding situations where the BCR is breached whereas the group capital on a local basis (SCR for example) is still valid.
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Paragraph 55: Intended changes to the role or the BCR, if any, need to be clearly laid out in the proposal for adoption by G20/FSB. The BCR is subject to considerable refinement until the complete framework (BCR/ICS/HLA) is in place rather than being a final measure. This raises the question of whether the BCR can separately apply to G-SIIs before the complete framework for global capital standards is in place and appropriately calibrated. Paragraph 56: As long as it is unclear which confidence level the BCR is likely to establish, it makes limited sense to speculate whether the impact of breaching the BCR is "material" or not. Apart from that, it would be helpful to indicate whether the IAIS intends to impose standards on regulatory intervention at a later stage. Paragraph 58: As a matter of course, the supervision of large and complex groups is not a trivial challenge. However, it is not an option to entirely neglect risk sensitivity in order to make supervision less difficult. Otherwise, simplified capital adequacy frameworks would be meaningless or even likely to provide false conclusions. Therefore, we strongly disagree with the claim that the G-SII population is less diverse and lack of risk sensitivity is not anticipated to be an issue. Paragraph 61: We subscribe to the notion that the evolvement of the BCR needs to be closely observed after adoption. We consider it inevitable to conduct a thorough impact assessment in order to detect areas that need further refinement.

KPMG AG WPG	Germany	We do not understand what is meant by paragraph 56 of a breach to the BCR when the IAIS has not stipulated yet to what level the BCR will actually be set for capital/policyholder protection purposes.
AIA Company Ltd	Hong Kong	Para 54. The terms "backstop capital requirements" and "front-stop capital requirements" should be defined as well as the difference between each of them and "basic capital requirements" Para 55 and 61. We suggest that much more clarity be given with respect to the desired end state, as well as whether the BCR is intended as a minimum or a recommended level of capital. See our comments in response to Q1
Global Federation of Insurance Associations	International	Where Paragraph 58 mentions internal models, there is an implication that they increase complexity and make supervision more challenging. This runs contrary to the view of many in the industry, that internal models can be proper tools for measurement of insurers' risk exposures when appropriately designed and supervised. Paragraph 58 notes that a straightforward backstop is "inherently less reflective of risk profile differences between G-SIIs […] given that the G-SII population is not as diverse as the whole insurance sector, it is not anticipated this will be an issue." In this context the GFIA notes that the diversity and complexity that will need to be captured by the ICS is significantly higher. Though we understand that this will be examined during field testing, we hope that the IAIS takes into consideration that calibration of the BCR factors at an inappropriately high level could have a knock on impact on policyholders by requiring higher capital, and may distort the principle of a level playing field.
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	56: The IAIS should state specifically and clearly what the implications are for a breach in the BCR and whether a breach of the BCR would mean in any case a breach of the HLA considering the different scope of application for BCR and HLA. 57: The BCR calibration should be aligned towards the minimum capital requirement ensuring policyholders protection in going and gone concern situations. We agree that BCR should inform the ICS and represent a stepping stone towards a global capital standard. However, as mentioned earlier the major focus needs to be given at the moment to the BCR given the November 2014 deadline.
The General Insurance Association of Japan	Japan	Since the BCR will become the foundation for the HLA that will be applied to G-SIIs, it should be made clear that the BCR, which is calculated based on a simplified approach, will not be applied to IAIGs without any changes.
The Life Insurance Association of Japan	Japan	We understand the IAIS´s view that "The BCR will serve as the foundation for HLA requirements for G-SIIs. It is anticipated that its development and testing will also inform development of the ICS." as indicated in Paragraph 55.
NYC Bar Association -- Insurance Law Committee	New York	We reiterate our concern that the interplay between BCR and HLA is not self-evident. The term "HLA uplift" should be clarified. Furthermore, the concept of "High Loss Absorbency" may not be as relevant in this context as it is for, say, banks. We note that under

		U.S. state laws, obligations to policyholders are senior to virtually any kind of funding instrument that an insurer can issue, whether characterized as "debt" or "equity". Therefore, in a typical insurance company in the U.S., any stock or debt issued by it will "absorb losses" ahead of policyholders, making the concept of loss absorption perhaps less meaningful. Finally, we do not understand, and would seek clarification of, the following sentence in the 4th bullet of paragraph 58 of the proposal: "Another implication of the more straightforward nature of a backstop is that it becomes inherently less reflective of risk profile differences between G-SIIs."
KNF - Polish Financial Supervision Authority	Poland	There is still a lack of clarity as to the role of the BCR in the future (basic vs. backstop measure). KNF's current understanding is that the BCR is intend to play the role of "basic" rather than a "backstop" capital requirement. Clarification of this understanding would be much appreciated.
Association of British Insurers (ABI)	United Kingdom	As already mentioned, the purpose of the BCR should be consistent with the aims initially set by the FSB and this should be clarified as soon as possible. It would also be helpful if the consequences of breaching the BCR are clarified (particularly before the HLA is in place). We do not believe that the use of internal models would cause an inappropriate increase in complexity, as suggested in paragraph 58. Correctly designed and controlled internal models could be the most appropriate tool to measure risk and supervise firms with. Finally, paragraph 58 states that a backstop measure that is less reflective of the risk profile differences between G-SIIs is not anticipated to be an issue, given that the G-SII population is not as diverse as the whole insurance sector. We do not agree with this statement and consider that significant differences exist between G-SIIs. However, we do agree that there would be even greater divergence if the BCR was also to apply to IAIGs.
American Council of Life Insurers	United States	[55] If the BCR remains in effect once the ICS is developed and tested, it should be re-assessed to ensure congruency with the ICS. [57] A period of observation is essential before the BCR is applied. There must be a phase-in period while supervisors monitor its performance and usefulness over time. The BCR should not be used for supervisory purposes or disclosed to the public during the phase-in period. [58] The discussion of BCR as both "basic" and "backstop" is confusing. We believe that the BCR should signal when regulatory intervention is needed to protect policyholders but should otherwise allow flexibility of management's decision-making. [59] We agree that comparability should take into account such factors as differences in risk-free discount rates. We suggest adopting a principle-based approach so the discount rate can reflect the characteristic of the liabilities and assets. Specifically, the BCR should provide the flexibility to specify the yield curve(s) that is (are) being used to discount insurance liabilities and to document and disclose how the curve was derived. Further, as suggested in our comments on paragraph 62, BCR should recognize the role of discretionary payments to absorb losses. One way to do this is through the proper application of the discount rate. To the extent the best estimate liability includes discretionary cash flows that are dependent on best estimate expected asset returns, the determination of the discount

		rate should reflect that dependence.
NAIC	United States	Impact of discount rates on best estimates (Paragraph 59): The paper correctly implies that use of different discount rates can reduce comparability across companies. However, use of a single prescribed discount rate (especially a risk free rate) can lead to unintended consequences regarding the availability and cost of some insurance products should it become a target benchmark. If a prescribed discount rate is desired, it seems sensible to collect data using more than one prescribed discount rate.
National Association of Mutual Insurance Companies	United States of America	This discussion intermingles the concepts of "basic" and "backstop" capital requirements. The usage of both creates confusion as to the intended nature of the BCR. Is it a temporary standard until the HLA and ICS are created or will it continue to be used as an ongoing "backstop" capital requirement? Also capital is just one tool in the assessment of the solvency position of a G-SII. For this reason, we would propose that instead of adding granularity and complexity to subsequent capital formulas, that the basic capital analysis be used by supervisory colleges along with internal capital models, for an outcomes-based assessment of the capital levels, an assessment of insurance and non-insurance activities and an analysis of the solvency position of the company. This enables a more principle-based process that focuses supervisory college resources toward the companies in most need of attention. Comparability should be focused on the company's overall solvency and not solely on capital levels. This approach can resolve some of the natural tension noted in paragraph 16 between simplicity, comparability and risk-sensitivity. We agree with the comment in this section that "different circumstances, including economic circumstances, may apply in different jurisdictions . . . comparability needs to take into account economic differences, such as differences in risk free discount rates, and other relevant factors." This recognition further supports the idea that a formulaic factor-based approach is not going to address all of the issues for G-SIIs and risks being costly and difficult to implement consistently for companies in the varied global jurisdictions.
CNA	USA	CNA recommends temporarily aligning the BCR to the PCR and using it as a leading indicator for capital constraints of a group leading to increased regulatory scrutiny as a group moves closer to the BCR threshold.
Liberty Mutual Group	USA	This section states: "The pursuit of increased risk sensitivity, including internal models, can considerably increase the complexity of capital adequacy frameworks and makes the effective supervision of large complex financial institutions more difficult." We have a different perspective. Internal models increase the effectiveness of capital adequacy frameworks. Internal models do not make "the effective supervision of large complex financial institutions more difficult." Internal models result in supervision that is more accurate and reliable. Supervisors should and can assess the degree to which an insurer's model is coordinated with the insurance group's strategic planning process, how it is utilized for the ongoing evaluation of risks in the insurance group's enterprise risk management process, and how it is

		incorporated into the insurance group's stress testing. In so doing, supervisors may effectively assess a group's capital adequacy. This section also states: "The IAIS is aware that different circumstances, including economic circumstances, may apply in different jurisdictions or economic regions at any point in time. Hence, comparability needs to take into account economic differences, such as differences in risk free discount rates, and other relevant factors." We applaud the IAIS for making this observation and note the IAIS correctly recognizes that "adjustments" will be needed, because these "adjustments" will impact the comparability (as we understand the use of that term) the IAIS is trying to achieve. However, we believe the proposed factor-based approach has not sufficiently taken these differences into account.
New York Life International	USA	See response to Q10.
Northwestern Mutual	USA	We agree that the BCR should (only) serve as an interim basis for HLA requirements for G-SIIs. We also agree that when an ICS is fully developed it may be appropriate to revise HLA requirements to reflect the substitution of the ICS as the foundation for HLA. As noted, there is a natural tension between the objectives of simplicity, comparability and risk-sensitivity in the development of regulatory capital frameworks and an overemphasis on any one of these objectives may compromise the others. An overemphasis on simplicity (e.g., between 5 and 10 factors) will necessarily sacrifice the accurate measurement of risk. The need for the methodology to reflect the actual risks of an entity in order for the BCR to be useful and reliable outweighs the benefits of simplicity. Likewise, an emphasis on simplicity should not mean that the capacity of insurers to mitigate risk by passing experience to policyholders, at least partially, through the wide range of participating contract features should be overlooked. Such risk mitigation can increase available capital significantly when compared to best estimate liabilities. Without such an accurate portrayal of risk, comparability of risk between entities cannot be achieved.
3.6 - Comments on Qualifying capital resources		
Actuaries Institute Australia	Australia	We have no specific comments on this section.
Insurance Europe	Belgium	As indicated in paragraphs 62 and 63, further guidance on capital resources to serve the BCR purpose is given under ComFrame - Module 2. However, as highlighted in our response to the ComFrame consultation in December 2013 , we have strong concerns about ComFrame's approach to qualifying capital resources. For example, we consider that it should not contain specific definitions of which capital resources qualify, but that it should set out

		principles that permit the flexibility needed by various regimes. Furthermore, the definitions of core capital and additional capital are far too strict. One of the main aims of a regulatory capital standard should be the protection of policyholders. From this perspective, a much wider range of financial instruments than is envisaged by ComFrame can be viewed as loss-absorbing capital in protecting policyholders. While we expect ComFrame-Module 2 to be subject of major revisions as a result of the field testing exercise, we are concerned that, given the ambitious BCR timetable, finalisation is unlikely to happen before adoption and implementation of the BCR measure.
Association of Bermuda Insurers and Reinsurers	Bermuda	ABIR notes that how the requirements of qualifying capital are satisfied is a matter for the supervisors of each G-SII to address. ABIR would encourage a principles based approach where unique capital items can be discussed with a firm's supervisor and assessed on a case by case basis to ensure the most appropriate outcome. We believe that a rules based approach is highly unlikely to capture all possible arrangements appropriately either at a given point in time, nor over a period of time. As indicated in paragraphs 62 and 63, further guidance on capital resources to serve the BCR purpose is given under COMFRAME - Module 2. However, as highlighted in our response to the COMFRAME consultation in December 2013, we have strong concerns around the definitions of core capital and additional capital, which we find as being far too strict. We recommended that COMFRAME should contain principles for capital adequacy assessment and not be prescriptive as was presented in the last draft. The principles should define outcomes relating to capital adequacy and what an assessment of capital adequacy should demonstrate to the regulator. Whilst the particulars of core capital is yet to be defined, ABIR also expressed concern with respect to M2E5-7-7 which proposes that reinsurance will only be regarded as qualifying core capital for the IAIG to the extent that collateral has been posted to cover the liabilities given the current global consideration and work to reduce collateral requirements based on financial strength of the group and other determinants.
Catlin Group Limited	Bermuda	Capital resources: Whilst not a focus of this paper, we encourage a principle based approach where unique capital items can be discussed with a firm's supervisor and assessed on a case by case basis to ensure the most appropriate outcome. We believe that a rules based approach is highly unlikely to capture all possible arrangements appropriately either at a given point in time, nor over a period of time.
Canadian Life & Health Insurance Association Inc.	Canada	#56: We suggest the inclusion of the comment of "breaching the BCR could be material" be deleted as it is premature to include this comment in the context of the BCR goal of facilitating comparability. #58: To re-iterate, risk sensitivity should not be unduly sacrificed to achieve simplicity. For similar reasons to #56, we suggest the comments in (i) the third bullet that the BCR could "provide a floor and/or a sensibleness check of the results of the core measure" and (ii) the fifth bullet that the "backstop could provide some early warnings" both be deleted. We would challenge the notion in the fourth bullet that "the G-SII population is not as diverse as the whole insurance sector" and appreciate clarification as to what is meant by "diverse" in this context. #63: We welcome the definition of capital resources to include both core and additional elements. Differentiation of capital quality unnecessarily complicates the BCR and arguably is not necessary for insurance as we articulated in our submission to the IAIS on December 13, 2013 in response to the October 17, 2013 Consultation Document "Common Framework for the Supervision of

		Internationally Active Insurance Groups". In this section, there are quotes from the ComFrame pertaining to categories of capital that we believe should be deleted from the BCR document. At the same time, there should be clarity as to whether the BCR addresses the protection of only policyholders or both policyholders and creditors. To the best of our knowledge, most solvency regimes focus explicitly on the protection of policyholders. The distinction is important in its implications for the framework design, including any risk charges for non-policyholder liabilities and the definition of capital resources. Given the "basic" nature of the BCR, in our view the focus should be on policyholders only.
China Insurance Regulatory Commission	China	In the BCR proposal, the identification of "qualified capital resources" is guided by ICP 17 and ComFrame Standards M2E5. The market condition of each G-SII is different, i.e., developed insurance markets have more capital resources and more capital instruments while emerging markets have less. If BCR sets specific rules and high standards for qualifying capital resources, it may cause inequality between G-SIIs from developed markets and those from emerging markets, which will hinder the development of emerging markets. Meanwhile, the regulations on capital resources and the standards of identifying capital instruments vary across jurisdictions. If the capital identification standards in BCR vary from those in local regulation, there will be significant difference between the capital composition of an insurance institution under two regulatory systems, which will not only disturb insurance regulation but also cause confusion to the public. We suggest the BCR provide principle-based guidance for the qualifying capital resources, and the regulators of various jurisdictions develop detailed rules that follow the BCR principles and are suitable to the G-SII in their jurisdiction.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	Paragraph 64 comments on transferability and fungibility of capital. Clearly, allowing each G-SII supervisor to interpret these issues in their own way will significantly reduce the comparability of BCR ratios (or any other relevant measures).
European Insurance and Occupational Pensions Authority (EIOPA)	European Union	Considering that following its Public Consultation, ComFrame is undergoing significant changes, direct references to its Draft Standards and Parameters may not be appropriate. We also consider that one of the objectives of the BCR is to foster comparability. Therefore, the possibility for supervisory discretion in the assessment of capital resources fungibility and transferability (Paragraph 64) should be minimised.
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Paragraph 62: The reference to the current draft of ComFrame is not sufficient to address the issue of qualifying capital resources. Current drafting in this regard is deemed to be way too restrictive. Moreover, the IAIS itself deems Module 2 Element 5 as preliminary. We expect that it will be subject for major revisions as a result of the field test. This process is unlikely to be finalized until adoption and implementation of the BCR. Paragraph 63: The appropriate definition of qualifying capital resources is a challenging and demanding project that requires a timeline definitely longer than 2014. Moreover, the definition of capital resources to cover the BCR need to be identical for all firms in included in the scope of the

		framework in order to safeguard a level playing field. Comparable capital resource principles are as important as comparable valuation and capital requirement standards.
KPMG AG WPG	Germany	International consistency on capital resources should be achieved as far as possible. There are too many different approaches and allowances of instruments already in existence which further complicates the comparability of results across jurisdictions. We also consider that the statement made at paragraph 64 that transferability and fungibility are a matter for individual supervisors could be improved.
Global Federation of Insurance Associations	International	As indicated in paragraphs 62 and 63, further guidance on capital resources to serve the BCR purpose is given under ComFrame - Module 2. However, as highlighted in our response to the ComFrame consultation in December 2013, we have strong concerns around the definitions of core capital and additional capital, which we find as being far too strict. We continue to believe that tiering of capital is inappropriate at this stage. The focus for the BCR should instead be on total capital resources. Moreover, the IAIS itself considers Module 2 Element 5 as preliminary. We expect that it will be subject to major revisions as a result of the field test. This process is unlikely to be finalized until after adoption and implementation of the BCR.
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	See IIF and GA respective comments on ComFrame Module 2 Elements 5. 62 & 63: The restrictions around qualifying capital in the latest ComFrame draft are concerning. In our view: - The prescription of ''a priori' deductions from qualifying capital should be avoided. - Tiering is a concept designed for banks and may therefore not be appropriate for insurers. - The proposed criteria for qualifying capital are unjustifiably restrictive. However, as the valuation basis has yet to be determined for ComFrame and BCR it would be premature to draw conclusions on aspects related to qualifying capital at this time. This is because the details around the valuation basis have implications both for capital resources and requirements. In particular, whether the tiering or capital deductions proposed in ComFrame are needed or appropriate for ComFrame or the BCR will depend on the final valuation basis and the calibration and design of the ComFrame capital benchmark and of the BCR. It is essential that the valuation basis and subsequent qualifying capital reflect insurers' reduced exposure to losses from forced asset sales. By doing so, market volatility to which insurers are typically less exposed to will not unduly flow into the balance sheet and therefore affect qualifying capital. Failing to recognise the long term nature of insurance business appropriately will introduce incentives for pro-cyclical behaviours in times of stress. Elements of capital, such as those known as retained earnings/reconciliation reserves, prudential margins, the value in force, goodwill, intangible assets and deferred taxes and others should not be a priori subject to tiering or deducted from qualifying capital resources when the risk that they may not be fully available in times of stress or during winding-up is already captured through required capital. In particular, long-term debt is available to absorb losses and contributes to the financial strength of an insurer through periods of stress. Therefore, long-term debt should qualify as capital where it is de facto subordinated to policyholders, even if the security itself is not

		legally stated as "subordinated". The appropriateness of tiering for insurers needs to be re-considered. It is a concept that is inspired from banking regulation and it may therefore not be appropriate for insurers given the distinct features of their business model. In general, unlike banks, insurers cannot be forced into an accelerated liquidation of their balance sheet.
The Life Insurance Association of Japan	Japan	For capital resources, please refer to our comments as submitted to the current draft (October 2013) of ComFrame.
NYC Bar Association -- Insurance Law Committee	New York	The distinction between core and additional capital likely does not provide enough clarity to determine how specific instruments should be characterized. The capital markets have developed myriad products designed to qualify as equity for regulatory or rating agency purposes but debt for other purposes (e.g., taxes). By introducing the distinction between two types of equity instruments (core and additional), the IAIS may unwittingly be creating the potential for ambiguities here. Instead of aspirational principles such as "available," "free of mandatory distributions" and the like, the IAIS should consider more granular rules distinguishing core from additional capital. For instance, the IAIS should explain, among other things, (1) how "subordinated" an instrument must be in order to be counted as core or additional (e.g., could an instrument be senior to common equity and still qualify as core capital? Would the answer depend at all on whether the insurer was a non-stock entity?); (2) whether a dividend stopper over a certain period of time would qualify as "free from mandatory distributions;" and (3) whether the presence of a "replacement capital covenant" (as became commonplace in many bank hybrid security offerings in the 2000s) would affect the status of a capital instrument.
KNF - Polish Financial Supervision Authority	Poland	KNF does not support leaving a lot of discretion to the supervisors in determination and assessment of capital resources fungibility and transferability, as it may create competitive advantages for some markets.
Association of British Insurers (ABI)	United Kingdom	The eligibility and tiering requirements in ComFrame should not be applied to the BCR. We have strong concerns around the rationale for, and definitions of, core and addition capital under ComFrame and consider the rules significantly stricter than necessary (for example, hybrid debt does not count towards core capital, although it can be used under Solvency II). In addition, ComFrame is unlikely to be finalised within the timelines for BCR development. We also note that there are concerns relating to the fungibility and transferability of capital and would like to highlight the importance of ensuring a level playing field across G-SIIs.
American Council of Life Insurers	United States	[62] BCR should recognize the role of discretionary payments to absorb losses. These include participating long-duration products as well as adjustable products with one or more non-guaranteed elements where the policyholder shares in the risk. An emphasis on simplicity should not mean that risk mitigation (e.g., participation features, segregated accounts, reinsurance, and hedging) should be

		ignored. Without such reflection, an accurate portrayal of risk (and comparability of risk) cannot be achieved. It is also important to recognize the offsetting assets and liabilities for segregated account products, where policyholder values fluctuate directly with asset values. [63] We have serious concerns with using the October 2013 proposed definition of "qualifying capital resources' in the BCR. The definition fails to recognize instruments that have long been accepted as capital resources. BCR should use instead a total capital basis, which would meet the goal of simplicity.
NAIC	United States	Fungibility of Capital (Paragraph 64 and 2nd bullet point in paragraph 1 of Annex A): The issue of location of capital should remain independent from the calculation of capital requirements or capital resources in the BCR. Evaluation of location of capital should be left to the supervisory colleges, noting the resolution protocol briefly reference in Annex A of the BCR Consultation paper. The paper should state that the measurement of capital resources against the BCR will be made on the consolidated group level for the BCR, and not adjusted for location of capital. The calculation of a BCR ratio should not impact nor be impacted by existing jurisdictional entity based capital requirements.
American Insurance Association	United States of America	Paragraph 63 - Similar to the comments AIA submitted on ComFrame, the treatment of classifications of different forms of capital will differ by jurisdiction and certain instruments (e.g., surplus notes) that are legally and via regulatory structure subordinated to policyholder obligations need to be recognized. For example, Standard and Poor's definition of "qualifying financial resources" differentiates between "jurisdictions where enforcement of structural subordination is high and regulators allow holding-company debt to fund operating-company capital" and those where "structural subordination is low and regulators exclude holding company senior debt from group solvency capital". S&P classifies the U.S., Bermuda and Canada in the former and Europe, Asia-Pacific, and Latin America in the later).
National Association of Mutual Insurance Companies	United States of America	The reference to the ComFrame consultation on capital resources raises concerns we expressed regarding the ComFrame consultation draft. There is an unnecessary and overly complicated bifurcation of capital resources in ComFrame including core and additional capital. The definition of core capital is overly prescriptive and will create disparate impacts on companies with different organizational structures. The requirement that core capital must be permanent, available, subordinated, and free of both encumbrances and mandatory distributions that reduce shareholders' equity or members' surplus is a good example of this concern. There are two types of permanence in ComFrame: permanence with respect to maturity and permanence with respect to redemption. Our concern is that the proposed maturity threshold for core capital requires the instrument to exist in perpetuity, in order to qualify as core capital. Mutual insurers have limited sources of capital and they often use surplus notes with extended maturity periods. Surplus notes have unique, equity-like features: they are deeply subordinated to all policyholders and non-regulatory capital creditors and require regulatory approval prior to issuance. Supervisory approval is also required before a note is redeemed (payment of principal) or a distribution (payment of interest) is made. The requirement that core capital have no fixed maturity date seems to diverge from Insurance Core Principle 17's criteria for "permanence" in a way that unintentionally places U.S. mutual insurers at a competitive disadvantage to their stock company counterparts. This will create an unlevel playing field for insurers with different corporate structures that is inconsistent with the goal of

		"proportionality.' We would propose that the BCR use "total capital resources" as opposed to "qualifying capital" is more consistent with the simplicity goal and will produce more comparable results for companies with different corporate structures.
CNA	USA	CNA recommends that the two-tier approach to capital resources be eliminated from consideration for the BCR since it is to complex. In its place CNA suggests having only one tier of capital resources with percentage limits for various classes of capital resources where necessary. CNA believes that senior debt issued by the group's holding company and contributed to an insurance subsidiary, as capital should be included as capital resources when evaluating a group's capital resources. Our rational for this position is that since the capital resides within the insurance entity its repayment is contingent upon receiving supervisory approval which effectively makes it subordinate to policyholder claims thereby meeting the requirements of ICP 17.
Liberty Mutual Group	USA	We have concerns about the "core" and "additional" capital concepts, because we do not believe the classification of these terms in the ComFrame provisions cited in Section 3.6 is accurate. We are also concerned about the distinction between "core" and "additional" capital. The specific instructions about how to calculate the assessment of capital using both core capital and additional capital do not clearly distinguish between core capital compared to the benchmark. The parameters that purport to make this distinction must be better organized and more explicit. These provisions in ComFrame dictate that insurers must calculate core capital in the same way. This type of "check the box" approach is not advisable.
Metropolitan Life Insurance Company (MetLife)	USA	Paras 62 - 64 The BCR consultation refers to latest ComFrame draft, and as was pointed out in industry responses to the October 2013 ComFrame Consultation Draft, qualifying capital restrictions contained in that draft are bank-centric and of concern. The prescription of "a priori' deductions from qualifying capital should be avoided. Tiering is a concept designed for banks and may therefore not be appropriate for insurers. The proposed criteria for qualifying capital are unjustifiably restrictive. Qualifying capital should reflect insurers' reduced exposure to losses from forced asset sales. Failing to recognise the long term nature of insurance business appropriately will introduce incentives for pro-cyclical behaviours in times of stress. It is premature to determine qualifying capital at this stage given that work on valuation continues Valuation basis has implications both for capital resources and requirements. Appropriateness of tiering or capital deductions will depend on the final valuation basis and the calibration and design of the ComFrame capital benchmark and of the BCR. When determining qualifying capital, it would be helpful for the IAIS to be very specific about the instruments considered to be available capital (preferred shares, contingent notes, surplus notes, etc.).

Northwestern Mutual	USA	We agree with the IAIS conclusion that qualifying capital supporting the BCR should include core and additional capital. This is a welcome simplification when compared to the current ComFrame draft. Section 3.6 of the BCR proposal states: "The guidance in ComFrame ... also addresses the issues of transferability and fungibility of capital. How these requirements are satisfied is a matter for the supervisors of each G-SII to address." Local insurance regulatory requirements impact the availability of capital. Available capital under the BCR is likely to be overstated if, for example, best (current) estimate liabilities that are lower than local regulatory levels are used to measure available capital. Local jurisdictions will prevent capital flows that would violate local capital requirements. An approach utilizing legal entity capital as the basis for determining available capital could easily be coupled with an approach whereby the insurance risk component of required capital is measured on risk exposures, rather than liability measures. This combination would avoid: 1) creating a solvency measurement method of insurance risks that is likely to be inadequately sensitive to the actual risks of an entity; and 2) overstating available capital at the group level. We observe that such an approach, coupled with the use of Basel III rules for applicable non-insurance financial entities as already contemplated by the BCR proposal, is only a short step away from a simpler and more risk-sensitive "aggregate activities based approach."
PCI (Property Casualty Insurers Association of America)	USA	The draft ComFrame restrictions on allowable capital instruments are too narrow to be appropriate for the BCR. For example, surplus notes, which are deeply subordinated to all policyholders and non-regulatory capital creditors, require regulatory approval before to issuance, and also require regulatory approval before any payments of interest or principal are made, should be allowable as group capital for the BCR. Reinsurance recoverables should also be included in capital resources.
3.7 - Comments on Non-insurance activities		
Actuaries Institute Australia	Australia	(65) We suggest that "non-material activities" should be defined in relation to risk exposures rather than profit or balance sheet values.
Insurance Europe	Belgium	None
Canadian Life & Health Insurance Association Inc.	Canada	No comments.
Dubai Financial Services Authority	DIFC, UAE	No comments

(DFSA)		
European Insurance and Occupational Pensions Authority (EIOPA)	European Union	On Paragraph 65, it is stated that for Non-Insurance Financial Entities, the Basel III framework should apply. Furthermore, it is stated that, given previous considerations on the BCR objectives, this should be understood as referring to the Basel III Leverage Ratio. It is not entirely clear if this last statement has been considered in the context of the stated objective of modifying the purpose of the BCR from a "backstop" to "basic" capital requirements. Furthermore, we are not aware if due consideration has been given to the potential consequences it may have in terms of BCR calibration, given the need for consistency among the different BCR components.
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Paragraph 65: As stated above, much more guidance is needed as regards the treatment of NTNI-activities.
KPMG AG WPG	Germany	We remain unclear concerning the criteria that might be applied for what could constitute non-financial activities that are non-material. Further explanation would be helpful.
Global Federation of Insurance Associations	International	No comments
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	65: We agree that insurance entities should be reflected in the BCR, and that non-insurance financial entities should be covered by sectoral rules. In addition, we agree that material non-insurance, non-financial entities should be in scope of the BCR. However, further guidance should be given on what the IAIS considers as material NI, NF entities and on how such activities should be tackled within the BCR.
NYC Bar Association -- Insurance Law Committee	New York	No comments.
KNF - Polish Financial Supervision Authority	Poland	Para 65 should be redrafted once BCR role will be clarified.
Association of British Insurers (ABI)	United Kingdom	As noted in our answer to question 5, risks from NI activities should be addressed under relevant sectoral rules. NI should be reflected in a net adjustment to available capital, (available minus required capital determined according to relevant sectoral rules), and not in the BCR.
American Council of Life Insurers	United States	[65] We suggest that a non-insurance financial entity could be non-material. This would be true for financial products where all material risks are passed through to the customer, such as investment management, mutual funds, or retirement savings. The income streams from these entities could be viewed as a low-risk source of capital for the enterprise.

NAIC	United States	Composition for the BCR (Paragraph 65): We support the use of the Basel III leverage ratio for banking financial activities as described in paragraph 65. However the methodology for applying HLA uplift to the Basel leverage ratio will need further discussion and development.
CNA	USA	CNA agrees that Non-Insurance risks that pose a direct threat against an insurance group should be assessed in both the BCR and ICS. Examples of such direct risks should be clarified as ones arising from a direct contractual relationship with an insurance entity and a non-insurance affiliate, including insurance contracts, capital support agreements or guarantees.
Liberty Mutual Group	USA	The document provides no guidance regarding the treatment of non-insurance activities. Insurance companies that required capital infusions during the crisis did so because of their non-insurance activities, such as credit default swaps or embedded guarantees in life products tied to equity market indices. Consequently, determining how the proposed factor-based approach will evaluate NTNI is probably the most important element of this exercise. Until the proposed BCR addresses NTNI it will fail to consider the activities that contributed to the crisis and, instead, put in place a capital standard that applies only to traditional insurance activities.
Metropolitan Life Insurance Company (MetLife)	USA	Para 65. This para appears to try to clarify Para 27. However, further explanation of how many factors are intended would be helpful: Basel III where applicable (one factor or more?). BCR for financial NI activities not subject to Basel III (is this an additional factor?) and an additional for non-financial NI activities (an additional factor?).
Northwestern Mutual	USA	We note that for applicable non-insurance financial entities, the BCR is proposed to be the required capital under Basel III rules. For unregulated non-bank and non-insurance financial entities, bases and factors need to be developed to incorporate the material risks presented, as these entities have been the primary source of "insurance-related" systemic problems. Without a focus on unregulated financial activity, the usefulness of a global standard will be limited.
PCI (Property Casualty Insurers Association of America)	USA	How will material non-financial activities be handled (paragraph 65)?
4. - General Comments on Comparability of valuations		
Actuaries Institute Australia	Australia	(67) Given the broad nature of the BCR, we suggest that the need for various adjustments should allow for materiality of the potential adjustments.

Insurance Europe	Belgium	We believe that valuation cannot be seen as an isolated issue, but should be considered in conjunction with the eligibility of own funds (qualifying capital resources) and the manner in which these are derived. We support the use of market values for valuation of assets as indicated in paragraph 69 - but only if the liability measurement is able to recognise the long-term nature of the business and therefore can, where it is an appropriate reflection of product design, ALM or other risk management activities, reduce or eliminate the own funds' exposure to market value movements.
Association of Bermuda Insurers and Reinsurers	Bermuda	Valuation is a critical component and pending impediment to comparability and we would support the analysis of the field testing to focus on material differences that result from difference in valuation methodologies.
Canadian Life & Health Insurance Association Inc.	Canada	#67: Although we recognize the challenges, ideally for field testing, high level criteria would be set in advance to gauge "appropriateness" of valuation approach. #68: As per our comments to #19, the use of consolidated financial statements for the BCR needs to be modified to recognize the very material amounts of assets and offsetting liabilities pertaining to segregated funds (separate accounts). The associated guarantees, if any, that expose companies to contingent off-balance sheet risk should be, however, covered by the BCR. #69: We appreciate the desirability to base BCR computation on the audited balance sheet statements prepared using generally accepted accounting principles. However, the proposed adjustment to the actuarial liabilities alone is highly significant as it represents the replacement of the most material part of the balance sheet of insurance companies - actuarial liabilities. The only feasible adjustment to actuarial liabilities for purposes of the BCR, in addition to removing any margins, would be that of applying different discount rates to the current estimate cashflows. Even this in itself would be a major effort as reprojecting liability cash flows for different economic assumptions or contract boundaries will be prohibitively challenging for field testing. Also for field testing purposes, asset values as recorded on balance sheets, without any adjustments, should be used to avoid complexity. It will be impractical to model asset cash flows, and at least for Canada, the proportion of assets currently recorded at amortized cost is relatively minor. #70: We would propose to delete the comment that providing an economic balance sheet "should not be burdensome". Even companies that compute economic capital may not necessarily use the methodology that requires an economic balance sheet and its imputation may be burdensome. #71: Further to our comments above, this is an important and substantial adjustment that must be made to promote comparability of technical provisions among various financial accounting regimes.
China Insurance Regulatory Commission	China	At present, the BCR proposal is typically pro-cyclical. We suggest that counter-cyclical measures be developed in BCR's valuation principles progressively.

Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
European Insurance and Occupational Pensions Authority (EIOPA)	European Union	It should be made clear that the use of Current Estimates without any risk margins constitutes a preliminary simplified approach to obtain an increased degree of comparability in the calculation of insurance liabilities. It is expected that the issue of margins will be revisited in the future, once the base methodology for the calculation of current estimates becomes stable.
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Discounting of insurance liabilities is not mentioned in the current BCR-proposal. However, this is expected to be a material issue that needs to be addressed. If adoption of firm-specific yield curves reflecting the underlying liability structure is not considered as an option, the IAIS should define guiding principles which allow taking adequate account of the economic environment and characteristics of the liabilities. We refer to our proposal for a set of principles laid out in the general comments on the executive summary above, as well as to our comments on the envisaged market based valuation of assets/current estimates of liabilities stated therein.
KPMG AG WPG	Germany	We agree that the IAIS will have to first identify the most appropriate valuation approach for the BCR. However, given the achievement of such a global standard for valuation has been difficult within the insurance sector, we would have preferred to have seen this issue addressed first before undertaking the BCR itself. Given that a significant number of supervisors hold varying positions towards valuation issues, it remains to be seen how the BCR can fully proceed until critical decisions have been first secured.
Global Federation of Insurance Associations	International	We can support economic valuation as defined in ICP14, which recognises that this covers both the use of market valuation and amortised cost valuation. We emphasise, that any valuation approach must look at assets and liabilities together, making sure that long-term and illiquid characteristics of both assets and liabilities are appropriately reflected in the measurement approach and therefore the measurement system does not introduce artificial volatility into BCR measures. The BCR framework should acknowledge the loss absorbing capacity (risk mitigating features) of certain products, like adjustable products and participating policies, as well as reinsurance.
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	66: We believe that the following general valuation principles should apply in order to ensure the necessary degree of comparability of valuations which should be the starting point for a simple factor-based approach: 1. The insurance liabilities should be valued on a best estimate basis; 2. Available capital should be determined as the value of assets minus the sum of the best estimate of insurance liabilities and other unsubordinated liabilities; 3. For the purposes of the determination of available capital, investment assets should be fair-valued4. In accordance with BCR principles existing accounting or regulatory prudential margins should be included in available capital, and not in the current best estimate of insurance liabilities.

		67 to 71: The overall direction taken by the IAIS on valuation is in most aspects consistent with a principles based, economic, risk-based, globally comparable basis for valuation, whilst at the same time remaining inclusive enough to be workable for all - e.g. through the use of local GAAP or the valuation component of their internal capital models to the extent possible to determine available capital, adjusted as appropriate to ensure alignment with the valuation principles. Clearly though there remain a number of points on which further work is required (e.g. contract boundaries, yield curve definition, need for regular updating, treatment of options and guarantees). Contract Boundaries: We suggest that the IAIS relies on the practice of the G-SIIs supervisors and companies experience. For the purpose of BCR calculation, firms' existing approaches should be used. Model changes needed to adjust this fundament aspect of the valuation approach have in the past taken many months if not years. IAIS should request that firms explain how insurance contract boundaries are treated. Going forward we would hope that there is accounting and regulatory convergence towards an economically based approach in order to be consistent with the principles of a best estimate calculation and the way that firm's manage their business. It is important to note that an economic approach is based on best estimate assumptions of expected future premiums and associated cash-flows based on past experience. Yield curve definition: A principles based approach should be adopted allowing both top-down and bottom-up approaches to be used for the definition of the discount rate curve. Economic assumptions used in the best estimate calculation should be consistent with observable market information where such information is reliable, relevant and based on active markets. Where policyholder benefits are a function of the investment return on a designated pool of assets, the discount rate used to determine the present value of those policy benefits should be consistent with the investment return used to determine those policy benefits. The discount rate used to determine the present value of the policy benefits should take into account the liquidity characteristics of the insurance liabilities and the consequent reduced risk of losses from forced sales. We would not recommend IAIS specify yield curves as it will be practically difficult for IAIS to specify and firms to implement in context of a field test. Nevertheless testing of a single sensitivity to a prescribed yield curve would be less onerous if sufficient additional time was available, though may still not be feasible for all firms. IAIS can request firms to submit curves used and explanation as to how they were derived to be able to assess comparability of yield curves in a transparent manner. Options and Guarantees: The technical specifications should make clear that approximations and deterministic calculations for best estimates can be used, particularly where the time value of options and guarantees (TVOG) is not material relative to their intrinsic value.

		Guidance for specific products such as Variable Annuities (VA) where TVOG for Living Benefits will be material would also be helpful. The IIF/GA BCR Task Force is in the process of finalizing further input in this regard that will be shared with the IAIS in forthcoming weeks, including: - Approach to determine the best estimate of liabilities in instances where the TVOG is material (e.g., use of a stochastic valuation method) - Appetite and/or intent to: o Apply a capital factor distinct from other life insurance liabilities for VA Living Benefits o Distinguish capital requirements for variable annuities with significant guarantees like Living Benefits and those with no or minimal guarantees o Reflect the impact of hedging programs for material TVOG on capital requirements under the BCR. 69: We welcome that IAIS intends to develop the technical specifications for field testing in co-operation with the volunteer IAIGs and G-SIIs.
The General Insurance Association of Japan	Japan	As indicated in paragraph 55 that the role and form of the BCR will be reconsidered, revisions should be made where appropriate based on the results of field testing, which will be conducted next year and beyond after development of the BCR design, and further input from the industry.
The Life Insurance Association of Japan	Japan	We would like to ensure that the IAIS achieves an appropriate balance between the reality of each insurer's risk management practices and comparability on a valuation basis, without putting excessive emphasis on the comparability of valuations.
NYC Bar Association -- Insurance Law Committee	New York	We have no particular comments on Section 4. We would reiterate that, to the extent that Section 4 raises discrepancies between jurisdictions as an issue, our concerns expressed in Q.12 seem equally applicable.
KNF - Polish Financial Supervision Authority	Poland	In KNF's opinion the aim of the use of Current Estimates without any risk margins should be clarified and should be treated as a current basic assumption aiming for comparability in the calculation of insurance liabilities. KNF expects that the issue of margins will be revisited.
Association of British Insurers (ABI)	United Kingdom	Broadly, we believe that the IAIS' approach to valuation is sensible and is heading in the right direction. We agree that insurance liabilities should be valued on a best estimate basis and investment assets be fair valued, while local GAAP should be used to the extent possible in calculating available capital to ensure the framework remains workable. We also welcome that the IAIS intends to develop the technical specifications for field testing in co-operation with the volunteer IAIGs

		and G-SIIs and is encouraging the industry to contribute to a consistent valuation of current estimates of liabilities. We note, however, that considerable challenges remain in developing the practical details of the valuation framework. We strongly recommend that the effort to achieve consistency should be proportionate to the materiality of the various items on the insurers' balances sheets. We would also like to mention again that we strongly believe that the IAIS' work on valuation should, as far as possible, be consistent and comparable with standards already being developed across a number of jurisdictions (for example, Solvency II).
Aflac	United States	We believe that comparability of valuations should take into account the importance of the approach used to discount insurance liabilities. Specifically, a principle-based approach should be allowed for using discount rates. The discount rate should meaningfully reflect the characteristics of the liabilities. Currency and liquidity are key characteristics, which need to be reflected in the discount rate. Given that the discount rate affects the fair value of insurance liabilities, the currency characteristic must be addressed when determining the discount rate for large cross-border insurance operations. The liquidity premium for the insurance liability will be much higher as the market for insurance risk is narrower than the asset market. Because currency and liquidity can have a huge effect on the discount rate, companies should have the flexibility to specify the yield curve(s) that are being used to discount their insurance liabilities and document and disclose how the curve was derived. Having said that, should the IAIS choose to specify yield curves for major currencies, the best approach would be to construct the yield curve based on the assets (or the referenced asset portfolio) backing the liabilities. In theory, the discount rate using the characteristics of the insurance contract will generate a present value similar to that of fair measurement, reflecting the amount at which the liability could be transferred in the market. Therefore, we believe the asset yield rate or the asset yield rate of referenced asset portfolio will be most relevant and observable in considering the fair value of the insurance liability. Since life insurance companies with long-duration liabilities focus on matching their assets with their insurance liabilities, the asset yield rate should reflect the currency associated with the liabilities. In light of the complexity involved with specifying yield curves for major currencies and of the long history of difficulty in gaining consensus with regard to appropriate methodologies, it is very important that any methodology selected in the BCR context be released in complete detail prior to finalization and that Members and Observers be given meaningful opportunities to comment throughout the development process.
American Council of Life Insurers	United States	ACLI believes that the regulatory valuation of assets and liabilities must be appropriately tailored to the characteristics of long duration life insurance and annuity products. There must be a consistent application of valuation methods to assets and liabilities as well as appropriate adjustments to mitigate volatility in available capital to minimize false indicators of solvency or insolvency. The adjusted balance sheet approach proposed by the IAIS may create unnecessary volatility and stress on insurer balance sheets, particularly for life insurers and others writing long duration liabilities. We believe that a pure market-based approach is inappropriate for

		measuring long duration liabilities (including life insurance) and the related long duration assets. Because they will not mature for many years, using a market-based approach introduces volatility without any benefit in terms of identification or understanding of the group's risk. This approach is also procyclical. In a stressed environment, in which asset values are depressed, it will likely make life insurers look as though they are under more stress than is actually the case, thus exacerbating the underlying stresses. If the IAIS insists on market-based valuations, then adjustments affecting BCR available capital must be made to reduce pro-cyclical effects and overstated stress results. [67] This indicates that field testing will be used to identify the most appropriate valuation approach. It is not clear how the IAIS will determine which valuation approach is most appropriate. Current ALM decisions may be optimized for different frameworks and therefore risk sensitivity in each approach that is tested may differ significantly by company. [69] We believe that assets and liabilities should be valued symmetrically. The proposed approaches to valuation (fair value of assets and best estimate liabilities), if unadjusted, will from time-to-time create misleading regulatory indicators. Significant changes in value when measuring long-term insurance liabilities and the related assets are meaningful to supervisors only if they signify an inability, on the part of the insurer, to meet its policyholder obligations. Near term changes in valuations due to volatility in market interest rates or asset values can obscure supervisors' view of the insurance group's ability to meet its long-term policyholder obligations and mislead the public and other stakeholders.
NAIC	United States	There may be cases where a group does not prepare consolidated GAAP financial statements. In such cases, there should be flexibility to require consolidated data based only on the valuation bases used by the G-SII and volunteer IAIGs' own economic capital models as described in the second bullet in paragraph 68.
National Association of Mutual Insurance Companies	United States of America	If a formulaic requirement is the only option, we also urge flexibility in the accounting model utilized for valuation purposes. There are major differences among jurisdictions in accounting systems used in capital valuation of assets and liabilities. The BCR, HLA and ICS should account for these differences and allow the use of regulatory, GAAP or IFRS accounting systems. A separate valuation basis required for global capital requirements will create uncertainty, will add cost, will result in competitive discrepancies and will have other unintended consequences related to the actual risk assessment. All insurers in the United States file financial statements with their state regulators consistent with the U.S. Statutory Accounting Principles. Most mutual insurance groups that do not have a publically traded affiliate, file only statutory financial statements. Capital requirements prescribing a valuation approach that is inconsistent with the Statutory Accounting Principles would create an undue burden, and competitive disadvantage for U.S. mutual insurers found subject to the IAIG requirements. We strongly urge IAIS to resist any urge to introduce a more prescriptive tone regarding the use of a particular accounting regime for capital requirements.
CNA	USA	From a non-life perspective, CNA believes that comparability of technical provisions can be achieved by using the best estimate including management's judgment stated on a nominal basis without discounting or risk adjustment since this is the current standard used to analyze non-life business worldwide. This is because discounting liabilities that are subject to significant variability of timing and ultimate claim amount can be misleading. If technical provisions are to be discounted, we believe this should be accomplished through a

		high level adjustment to capital.
Liberty Mutual Group	USA	We agree, conceptually, that the beginning point for any capital assessment system should be the consolidated balance sheet to which an analyst may make certain adjustments. However, consistent adjustments to the balance sheet are not possible given that it is now quite clear that the FASB and IASB are not converging current global accounting standards. We respectfully disagree with the decision expressed in this section to "gather data on… [v]aluation bases used in the G-SII and volunteer IAIG's own economic capital models on a consolidated group-wide basis," but not to use this approach "as a basis for the BCR."
Metropolitan Life Insurance Company (MetLife)	USA	Para 71: We question whether the differences in technical provisions are the main source of lack of comparability in balance sheets. Differences in accounting regimes are also very significant, but this is not sufficiently highlighted in the document.
Northwestern Mutual	USA	Aspects of the proposed approach to valuation (fair value of assets and best estimate liabilities, as accentuated by a prescribed method) if left unrefined, will not fully suit the regulatory purpose and give rise to potentially misleading indicators. For example, significant changes in liability and asset values that will persist over time can be meaningful if they signify an inability on the part of the insurer to meet its obligations. But if such changes are temporary and used in solvency assessment they may mislead regulators, the public and management into making risk and capital management changes that are unnecessarily expensive and detrimental to all. Near term changes in valuations due to volatility in interest rates (market and credit), equity values or other capital market movements, if not addressed properly, can obscure an otherwise clear view of the insurer's ability to meet its long term liabilities, or the reverse. We recognize that the IAIS has examined this issue for some time and we offer comments throughout section 4 as refinements to what we understand are suggested in the BCR exposure document. We believe the permanency of increases or decreases in asset and liability values must be assessed to determine if the associated gains or losses will impact the ultimate payment of policy obligations. There is no optimal way of doing this. However, evaluating the persistency of changes in value over time provides insight into their permanency and thus a way of approaching how they should be factored into the measurement of available and required capital. An overly prescriptive attempt at "market consistent" valuation will sacrifice the measurement accuracy of risk for the sake of a comparability that is not appropriately sensitive to risk. An emphasis on simplicity should not overlook risk mitigation arising from the ability to pass experience, at least partially, to policyholders, in the wide range of participating contracts (especially those with discretionary payments) currently sold. Such risk mitigation can increase available capital when compared to best estimate liabilities. Without such reflection, an accurate portrayal of risk cannot be achieved. We believe any need for a simplistic methodology should be

		properly balanced with the greater need to have a methodology that reflects the actual risk of an insurer so that the BCR is reliable and useful to regulators. Volatility associated with a market consistent valuation, and accentuated by a prescriptive methodology, has the potential to dramatically alter the types of insurance, particularly long-duration products, available to consumers. Long-duration products are the core of the US insurance market and fill a great societal need. Traditional life insurance offers lifetime protection against untimely death to policyholders and beneficiaries. Longevity annuities and pensions provide retirement income in a time where people are living longer and society is stressed to find ways to support the retired population. In addition to creating a void in the insurance marketplace, reduced viability of long-duration insurance products likely would have broader implications. The insurance industry is an important investor for long-term corporate debt and equity, municipal bonds, and other long-dated securities such and commercial mortgage loans. If insurers choose not to offer long-duration products in order to avoid misleading balance sheet volatility, not only will consumers lose the ability to improve their financial security, but investments in long-term securities will decline, which will raise the cost of capital market-wide. Further, in times of financial distress, this could reduce the capital supplied by insurance companies to finance the economy. We ask that the IAIS seriously consider the potential impact to the economy and consumers of any measures that cause unnecessary and potentially harmful balance sheet volatility which may limit insurers' ability to sell long-duration products. Until these issues are appropriately addressed, the IAIS should not commit to a market-based approach, particularly if misapplied through prescriptive rules.
4.1 - Comments on Valuation of liabilities – current estimates		
Actuaries Institute Australia	Australia	(73) As noted in Q3, we suggest that current/best estimate insurance liabilities may not be the most appropriate measure for some business segments. For example, a business segment with future inflows that are expected to exceed future outflows will have negative current/best estimate liabilities. A more appropriate measure for this business segment might be expected outflows over the following year. (73) We also suggest that contracts with significant negative liabilities (as in the above example) should not be combined with contracts that have significant positive liabilities prior to applying a liability factor.
Insurance Europe	Belgium	Although discounting is not explicitly addressed in the BCR proposal, it is crucial that the discount rate used to determine the (present) value of technical provisions reflects the illiquidity (and often long-term) characteristics of insurance liabilities, as well as the consequent reduced risk of losses from forced sales of corresponding assets - and therefore reduced exposure to market value movements. Equally, both top-down, as well as bottom-up approaches for deriving best estimates should be possible, in order to ensure that the valuation methodology correctly reflects the overall balance sheet and does not create artificial volatility or pro-cyclical behaviour. A principles-based approach (such as the IFRS 4-Phase 2 framework) should be adopted for deriving yield curves to be used in the calculation of BEL. Yield curves that comply with the pre-defined principles should qualify as eligible for BCR purposes. As indicated under paragraph 75, risk margins, when calculated, should be treated as a component of capital resources for BCR

		purposes. Given that the MOCE appears to have no explicit role in deriving the BCR, it would maybe be useful, for simplicity reasons, to explicitly indicate that there is no need to calculate the MOCE. Regarding the definition of current estimate quoted in paragraph 73 from ICP standard 14.8, we agree that it is important to include all the future cash flows, without arbitrary exclusions. For the purpose of the upcoming BCR field testing exercise (and only for that purpose), firms should be able to use existing approaches and should be requested to explain how insurance contract boundaries have been treated.
Canadian Institute of Actuaries	Canada	4.1 Valuation of Liabilities - Current Estimates We agree that the use of best estimates is the most appropriate approach. However, we acknowledge that different countries have different approaches, and consistency will be difficult to attain. We support the development of additional guidance to limit the range of practice in this area, which will likely arise through the efforts of the IAA. We also note that best estimate results can be affected by the discount rate used in the calculation. Applying the same discount factor to different companies could consequently lead to different results. We would encourage the development of guidance in this area as well. We would also encourage the use of discounting for all insurance company best estimates, including those for property and casualty insurers. Any deferred acquisition costs (DAC) should be netted against liabilities before the calculations are performed.
Canadian Life & Health Insurance Association Inc.	Canada	We suggest that this section re-iterates the principle of proper balancing between the use of market data and recognition of the long-term nature of insurance business to mitigate excessive volatility of technical provisions. Choices of discount rates are of practical implication in this context. The document should recommend the use of deep and liquid markets only, with modelled rates based on long-term data series when such deep markets do not exist. At some stage during the BCR development process, consideration should be given to addressing differences among actuarial standards of practice in various jurisdictions as to how frequently actuarial assumptions are updated.
China Insurance Regulatory Commission	China	1. In the BCR proposal, the valuation of liabilities will take current estimate without margin. However, the valuation of liabilities should represent all the risks and liabilities of the insurance institution, and risk margin should be included in liabilities as it reflects the uncertainty of the current estimates. We suggest the valuation of liabilities include risk margin. 2. There is no indication of the relation between risk margin and the BCR. We suggest adding that in the proposal. 3. The BCR proposal puts technical provision on a current estimate basis. We suggest the BCR clarify whether the technical provision of non-life business allows not using of discount, as different jurisdictions have different discount rules in evaluating the technical provision of non-life business. 4. The valuation of liabilities should fully consider comparability. The proposal suggests that the valuation of liabilities take current

		estimates, which may result in lack of comparability among the outcomes of G-SIIs from different jurisdictions. We suggest the IAIS develop calibration standards and analyze the difference of the outcomes between the hypothetic and actual operation of the G-SIIs in future. We also suggest that before the liability valuation standards are fully tested, prudent principle should be in place when setting the standards to avoid being too aggressive.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
European Insurance and Occupational Pensions Authority (EIOPA)	European Union	Concerning footnote 23, please refer to our comments under Q3 (regarding footnote 5). Also, as previously commented, it should be mentioned under Paragraph 75 that the decision not to include margins in the calculation of Technical Provisions is only for the purposes of the first Field Testing Quantitative Exercise and can be revisited at a later stage of the BCR/ICS development.
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Paragraph 75: As part of the technical specifications it should be stated that the best estimate part of technical provisions determined under Solvency II principles satisfies the requirements.
KPMG AG WPG	Germany	As per our comments on the comparability of valuations, we believe that supervisors first need to achieve agreement on the valuation of liabilities if the BCR is to work properly. Making significant supervisory adjustments will work against the aim of achieving comparability.
AIA Company Ltd	Hong Kong	General - The consultation paper does not address determination of the discount rate for liability valuation. This is a fundamental issue that should be addressed head on. We believe that "current estimates of liabilities" implies that discount rates will be reassessed at each valuation date to ensure that they are "current", i.e. there will be no "lock-in" of such discount rates. This should be clarified. Following this, a reasonable basis for determining the discount rate should be described. Para 72. We believe that it is likely that the great majority of G-SII's and IAIG's do a liability adequacy test as part of their financial reporting process under IFRS for long duration life and health insurance business. Many, and perhaps all, calculate gross premium reserves for this purpose. For such companies, these gross premium reserves should be used as the starting point for the "current estimates of liabilities". If the IFRS 4 Phase 2 proposals are adopted in their current form, the present value of fulfillment cash flows (excluding risk margins) should be used.
Global Federation of Insurance Associations	International	Although discounting is not explicitly addressed in the BCR proposal, if discounting is part of the final standards, it is crucial that the discount rate used to determine the (present) value of technical provisions reflects the illiquidity (and often long-term) characteristics of insurance liabilities, as well as the consequent reduced risk of losses from forced sales of corresponding assets. In this regard, when determining discount rates used for measurement of liabilities, due consideration should be given to the specific context in each jurisdiction, potentially requiring the introduction of additional adjustments on interest rates or extrapolation measures.

		Equally, both top-down, as well as bottom-up approaches for deriving best estimates should be possible, in order to ensure that the valuation methodology correctly reflects the overall balance sheet and does not create artificial volatility or pro-cyclical behaviour. The BCR framework, in the valuation of liabilities, should take into account the impact ofkey management actions, such as discretionary payments and other profit sharing features which absorb losses As indicated under paragraph 75, risk margins, when calculated, should be treated as a component of capital resources for BCR purposes.
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	72 to 76: The following principles should apply to the calculation of Best Estimate of Insurance Liabilities (in conjunction with general valuation principles listed in our comments to 66): 1. The best estimate should be calculated as the expected present value of future cash-flows. a. The best estimate calculation should be based on up-to date and credible information; b. The best estimate calculation should be performed using adequate, applicable and relevant actuarial and statistical methods; c. The non-economic assumptions in the best estimate calculation should target mean values and include no allowance for margins for adverse deviation; d. The best estimate calculation should take into account all the cash-in and cash out-flows required to settle the insurance obligations; e. The best estimate calculation should take into account all expenses that will be incurred in servicing and settling the insurance contracts as well as inflation; f. The best estimate calculation should take into account all payments to policyholders, including any future discretionary payments that are expected; g. The best estimate calculation should take into account financial guarantees and contractual options; h. The best estimate should make full allowance for expected future premiums and associated future cash-flows; 2. Generally, the best estimate calculation described in principle 6 should be calculated deterministically. Firms may though choose on their own initiative to calculate the best estimate stochastically, if the time value of the options and guarantees is material relative to their intrinsic value. 3. Insurance obligations should be segmented into homogenous risk groups when calculating the best estimate. a. P&C only - The best estimate calculation for provisions for claims outstanding and premiums should be calculated separately; b. P&C only - Insurance liabilities should be segmented by line of business in a manner that is consistent with that used for existing purposes - e.g. accounting or regulatory purposes - and as a minimum sufficiently granular to support the application of the prescribed BCR best estimate of insurance liabilities risk factors; c. Life only - Insurance liabilities should be segmented by product type in a manner consistent with that used for existing purposes - e.g. accounting or regulatory purposes - and as a minimum sufficiently granular to support the application of the prescribed BCR best estimate of insurance liabilities risk factors.

		4. Economic assumptions used in the best estimate calculation should be consistent with observable market information where such information is reliable, relevant and based on active markets. a. Where policyholder benefits are a function of the investment return on a designated pool of assets, the discount rate used to determine the present value of those policy benefits should be consistent with the investment return used to determine those policy benefits; b. The discount rate used to determine the present value of the policy benefits should take into account the liquidity characteristics of the insurance liabilities and the consequent reduced risk of losses from forced sales. Where sufficient relevant and reliable market observable information is not available in active markets, other methods should be retained for the assumptions and further described to the IAIS. 5. The best estimate calculated for amounts recoverable from reinsurance contracts should be calculated in accordance with the principles above. a. When calculating best estimate for amounts recoverable from reinsurance contracts timing differences between recoveries and direct payments should be taken into account, if material; b. The result from the calculation shall be adjusted to take account of the best estimate of expected losses due to default of the counterparty, if material. 6. Proportionate simplifications should be allowed in the calculation of the best estimate. 75: The Solvency II Risk Margin (RM) is not part of the BEL but is an element of the Technical Provisions (TP). We agree that reserves such as risk margins or equalization reserves which may be required under certain local regimes to cover losses from unexpected events should fully count as qualifying capital as they serve the same purpose and provide the same protection against unexpected risks as does capital.
The General Insurance Association of Japan	Japan	By the end of the development phase of the BCR, the contents of the IFRS 4 will not have been finalized. There is a possibility that basic policies of respective G-SIIs and IAIGs as to how and whether to adopt the IFRS and develop corresponding systems will also not have been determined. Hence, if the BCR design is developed based on the re-exposure draft of the IFRS 4, the design should be reconsidered where appropriate after finalization of the IFRS 4, so that the workload of these groups will not be doubled or trebled.
The Life Insurance Association of Japan	Japan	We understand the IAIS´s view that a "current estimate may be called a best estimate or the statistical mean (commonly referred to as the ´average´)" as indicated in paragraph 74. In this regard, we believe that contract boundaries, for example, should be judged from the substance of contracts rather than from the form of contracts when developing the principles for current estimates of liabilities. We believe that it is desirable to consider potential measures for mitigating the impact on long-term guaranteed contracts when conducting market-consistent valuation from the perspective of reducing pro-cyclicality, in line with lessons learnt from the financial crisis. Particularly in determining discount rates used for the measurement of insurance liabilities, we request that the IAIS gives due

		considerations to the context of the situation in each jurisdiction, including the introduction of additional adjustments on interest rates or extrapolation measures. As indicated in paragraph 75, we agree with the IAIS´s view to treat prudential margins as a component of capital resources for BCR purposes.
NYC Bar Association -- Insurance Law Committee	New York	The ICP standard 14.8 appears to be focused on the future cash flow risks in life insurance or derivative type lines of business. Other risks such as mortality, frequency, severity and others present in both life and non-life lines of business will have to be incorporated in insurance liability valuation.
KNF - Polish Financial Supervision Authority	Poland	KNF acknowledge that exclusion of margin could be very problematic and complex for technical provisions calculated based on some GAAP reporting standards (technical provisions are not always calculated as a simple sum of best estimate and risk margin). On the other hand, simple approach for calculating best estimate of liabilities could lead to incomparability between results. Therefore KNF supports the proposed approach under condition that the issue of margins will be revisited after the results of the field testing are available.
Association of British Insurers (ABI)	United Kingdom	We agree that insurance liabilities should be valued on a best estimate basis. While not discussed in the consultation paper, challenges remain in relation to contract boundaries and the determination of the yield curves for discounting liabilities. At this stage, we believe that the use of extant, locally-specified yield curves should be encouraged where available (for example, those published by the European Insurance and Occupational Pensions Authority, EIOPA). This would allow firms operating across such jurisdictions to use accepted approaches and maintain consistency whilst not forcing other firms to carry out different approaches. Where curves are not specified, firms should be able to specify curves that are consistent with other reporting metrics (i.e., local solvency requirements). We would also like to highlight the importance of recognising where liabilities are of long-term nature and appropriately matched with assets. This would help to remedy the twin problems of artificial volatility and the creation of pro-cyclical effects. Regarding contract boundaries, we strongly believe that these need to reflect the economic realities of insurance business. The convergence between accounting and regulatory regimes towards an approach that reflects the economic realities of insurance business is of the utmost importance.
American Council of Life Insurers	United States	[72] This paragraph supports our view that the BCR must be observed over time before it is applied. There should be a phase-in period while supervisors monitor the BCR's performance and usefulness. Uncertainty about what the BCR is, what it means, how it will work, and whether it will apply to IAIGs will make trading markets uncertain. It is not therefore prudent to apply the BCR in the short-term as a supervisory tool or for it to be disclosed to the public. [73] If the IAIS adopts the current estimate approach, the concepts of "expected

		present value" and "unbiased, current assumption" should carry over to contract boundaries. In other words, contract boundaries should not be drawn to exclude cash flows that are actually "expected" to occur. However, changes to contract boundaries will make field-testing prohibitively complicated. Thus, no changes to contract boundaries should be made. [76] We appreciate the recognition that, if the BCR framework does apply to IAIGs, deriving a current (best) estimate may create a significant and unnecessary expense for some U.S. life insurance groups.
NAIC	United States	Valuation of Liabilities (Paragraph 73): Reporting of discounted future cash flows is not a common practice for many non-life insurers. Reserves that approximate undiscounted expected values should be acceptable for purposes of developing and testing the BCR exposure proxies and factors for non life insurance risk.
National Association of Mutual Insurance Companies	United States of America	While a definition may help with understanding of the terms, the use of a current estimate or best estimates approach set forth in this section seems to represent an example of the differences between the U.S. GAAP/Statutory Accounting approach and the IFRS approach. The footnote explaining the term is inconsistent with the nominal reserve valuation standards used in the United States at least for property-casualty companies. We would argue that liabilities valued on an incurred, nominal basis are more conservative than those valued on an expected present value basis. The difference is very significant and would represent a major shift for property-casualty insurers. For our members the requirement to move to a measurement model that requires expected present value of unbiased probability-weighted cash flows will change the way they estimate liabilities. The proposed unbiased probability-weighted cash flow methodology is not a comparable substitute for the existing incurred, ultimate claim reserve estimates. We suggest that this level of detail is not at all consistent with a simplistic approach to the BCR.
CNA	USA	From a non-life perspective we believe management judgment must be included within a group´s best estimate of its technical provisions. This judgment typically includes an added level of conservatism over the actuarial mean and reduces significant volatility from an insurer statement of operations making them easier to understand and analyze.
Liberty Mutual Group	USA	As stated above, one valuation model for BCR purposes cannot be established given that it is clear that accounting convergence is not occurring.
Metropolitan Life Insurance Company (MetLife)	USA	Para 76: We would note that current estimate of liabilities is available, but not necessarily with the same rigor, audit standards and transparency as technical provisions included in audited financial statements.
New York Life International	USA	There has been significant discussion among both regulators and industry concerning the potentially serious issues in terms of increased balance sheet volatility and pro-cyclicality resulting from a market-based approach to the valuation of long-duration liabilities. We agree with these concerns. However, since these technical concerns have been well documented by others, we want to focus here on the likely

		ramifications on availability of long-duration insurance products, and the likely broader economic impact. Field testing will test the current balance sheets of companies, but will not provide regulators a line of sight into the future, and how companies and the insurance market may evolve in response to the contemplated capital standards. As such, we believe it is crucial that these impacts be carefully considered at the outset so that the BCR can be designed in a way that minimizes unintended adverse consequences. Availability of Long-Duration Products We believe that a market-based valuation approach is likely to decrease the availability of long-duration insurance products, and increase the cost of such products to consumers to the extent they remain available. Long-duration products, which are supported by well-matched long-duration assets, are particularly sensitive to the balance sheet volatility inherent in a market-based approach. Because of this sensitivity, insurers writing long-duration liabilities will have to hold greater amounts of capital to back these products. Additionally, companies' cost of capital will increase, for no substantive reason. This, in turn, will increase the prices charged to consumers for such products, reducing the efficiency of products that provide financial protections to the population. Similarly, the pro-cyclicality inherent in a market-based approach will likely cause insurers with long-duration products to appear to be in greater danger of insolvency than they actually are in stressed environments. Even if there are grace periods or other adjustments to allow time for market correction, the damage could be caused by the appearance of insolvency risk. The perception of insolvency, though inaccurate, may very well become a self-fulfilling prophecy as markets and policyholders react and take money from the company, resulting in a realization of the short-term market view. This is a risk that management is unlikely to take. Companies seeking to maximize returns and minimize the potential for insolvency will likely avoid subjecting themselves to the ramifications of having long-duration liabilities on their books in a world that subjects them to excessive volatility and pro-cyclicality. As a result, insurers will shift largely to short-duration products. Economic Impact The implications of this shift in product focus go beyond the loss of long-duration insurance products from the market place. A product shift from longer to shorter duration products will have a dramatic impact on credit markets. Companies such as ours invest billions of dollars in long-term corporate debt and equity. If insurers choose not to offer long-duration products, demand for long-term investments will fall, raising the cost of capital for corporations and other issuers as well. Further, the lack of stable, long-term capital provided by insurers could exacerbate volatility in the credit markets during times of financial distress. If a market-based approach is ultimately considered for BCR, it is critical that the viability of long-duration products be debated and considered, ideally in a public setting, and in coordination with participants from the insurance industry. We also urge that the potential impact of market-based valuation on future product offerings be expressly included within the scope of field testing so as to provide the IAIS with greater clarity about the potential impact of this approach.
North American CRO Council Incorporated	USA	The Public Consultation contemplates an adjusted balance sheet approach to valuation, on a "market-based" basis. Although it is not yet clear how this market-based approach will be structured, we have fundamental concerns with the use of a market-based approach to

		valuation, particularly with respect to long duration liabilities. The adjusted balance sheet approach proposed by the IAIS may create unnecessary volatility and stress on insurer balance sheets, particularly for life insurers and others writing long duration liabilities. Many insurance companies have long-term liabilities and long-term assets to match these liabilities. A pure current market value view of assets is fundamentally inconsistent with the non-marketable nature of the offsetting liabilities, producing dangerously pro-cyclical and potentially false panic producing outcomes in periods of temporary asset market disruption. As such, insurers could be forced to engage in pro-cyclical selling of assets in a stressed market even though our liability profile enables us to hold assets and be a source of stability in the markets. For the same reasons, a market-based valuation approach will from time-to-time create misleading regulatory indicators. Significant changes in value when measuring long term insurance liabilities and the related assets are only meaningful to regulators if they signify an inability on the part of the insurer to meet its obligations to policyholders and others. Near term changes in valuations due to volatility in market interest rates or asset values can obscure for the regulators a view of the insurer's ability to meet its long term liabilities. Because of this volatility, use of a market-based approach has the potential to dramatically alter the types of insurance, particularly long-duration products, available to consumers. Long-duration products are the core of the U.S. insurance market and fill a great societal need. Traditional life insurance offers lifetime protection against untimely death to policyholders and their beneficiaries. Longevity annuities and pensions provide retirement income in a time where people are living longer and society is more stressed than ever to find ways to support the retired population. If a market-based approach is ultimately considered, it is critical that it be crafted in a way that will not undermine the viability of long-duration products. For example, the market-consistent valuation embedded in the Solvency II directive proved difficult to reconcile with stability objectives as the financial crisis emerged, and this has been cited as one cause underlying the delays and confusion surrounding implementation in Europe. In order to facilitate the availability of long-duration products, the BCR must be a stable capital measure. In addition to creating a void in the insurance marketplace, reduced viability of long-duration insurance products likely would have broader implications. As noted above, insurers invest heavily in long-duration assets to effectively match their long-duration liabilities. The insurance industry is an important investor for long-term corporate debt and equity, municipal bonds, and other long-dated securities, such as commercial mortgage loans as well as long-term infrastructure projects. As described above, a market-based valuation could put pressure on insurer balance sheets, and generate misleading balance sheet volatility, in stressed environments. If insurers choose not to offer long-duration products in order to mitigate this pressure and volatility, not only will consumers lose the ability to protect themselves, but long-term investments will dry up as well, which will raise the cost of capital for corporations, municipalities and entrepreneurs. In times of financial distress, this can further reduce a stable source of capital supplied by insurance companies to finance the economy. We ask that the IAIS seriously consider the potential impact to consumers and long term funding costs of any measures that cause unnecessary balance sheet volatility that may limit companies' ability to sell long-duration products.

Northwestern Mutual	USA	Our fundamental concerns are: - The BCR approach appears to leave the risk of variation around the mean unaddressed. - Best estimate liability calculations are also likely to be less transparent, and thus more susceptible to gaming. - Care must be taken to ensure the discount rate for best estimate liabilities is appropriate for the long-term nature (often decades) of many insurance contract liabilities where short-term fluctuations in value can temporarily overstate or understate the solvency of an insurer. - Because local regulatory regimes include margins to account for expected variation, and because local regimes will restrict movements of capital required for local regulatory purposes, a best estimate approach will, unless adjusted, overstate capital available at the group level. To address these concerns we suggest the following: - The determination of the discount rate and estimates of the cash flows should be principles-based, and not prescriptive, to ensure there is sufficient flexibility to appropriately reflect the characteristics of the liability and cover the wide range of products, yield curves, durations and risk sharing mechanisms. - The approaches used should be fully documented, maintained consistently from reporting period-to-period and where they depart from general purpose accounting standards such differences should be disclosed. - More specifically, whether a top-down or bottom-up discount rate is used, it should reflect long-term averages of both credit spreads for unexpected defaults and points beyond the observable yield curve, the liquidity characteristics of the insurance liabilities, the consequent reduced risk of losses from forced asset sales and the policyholder sharing of risk if discretionary payments (participating contract elements) are included within the best estimate liability. Without such an approach short term fluctuations in long term liability values may incent short term risk taking and other behaviours inconsistent with sound long term solvency management. - Overstatements of available capital should be eliminated, either through adjustments to the best estimate liabilities or through adjustments to qualifying capital (in effect a reclassification which could be avoided if local regulatory calculations were used in the first place) or through the denominator of the BCR Adequacy Ratio by somehow adjusting Required Capital.
PCI (Property Casualty Insurers Association of America)	USA	For valuation of non-life claim reserves, the BCR should use the nominal, undiscounted central estimates reported in US GAAP and most of the world's other accounting systems. This would provide simplicity and comparability without requiring the significant amount of work and time necessary to convert these values to probability-weighted best estimates. For liabilities for which discounting is required, companies should have the option to use either a top-down or bottom-up method to calculate the yield curve. The determination of yield curves for major currencies should be left to each company. The IAIS should develop high-level principles to assess comparability, and each company should be allowed to apply them.

4.2 - Comments on Valuation of assets		
Actuaries Institute Australia	Australia	(79) Given the current/best estimate approach to the valuation of liabilities, we support the use of fair values for invested assets when determining qualifying capital resources, subject to the recognition of materiality of the potential adjustments.
Insurance Europe	Belgium	Where an economic balance sheet is taken as basis for deriving the BCR, there should be no exclusion of assets (as suggested in paragraph 81) nor adjustments to best estimates (as suggested in paragraph 105).
Canadian Institute of Actuaries	Canada	4.2 Valuation of Assets We note that financial assets are addressed, but reinsurance recoverables are not. We suggest that reinsurance recoverables be put on the same discounted best estimate basis as the liabilities.
Canadian Life & Health Insurance Association Inc.	Canada	No comments.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
European Insurance and Occupational Pensions Authority (EIOPA)	European Union	Please refer to our previous comments under Q14.
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Paragraph 80: We support the conclusion that the total balance sheet approach leads to interactions between assets and liabilities with the resulting net effect being recognized in both capital resources and capital requirements. - This should particularly impact the yield curve used to value insurance liabilities. Paragraph 81: The principles regarding qualifying capital resources stated in ComFrame Module 2 Element 5-3 need to be sufficiently operationalized for purposes of the field test in order to achieve a level playing field.

KPMG AG WPG	Germany	It is not clear how a total balance sheet approach, as outlined in paragraph 80 will actually assist the IAIS in regards to the BCR. Further elaboration would be appreciated.
AIA Company Ltd	Hong Kong	Para 79. We agree with the intention to value invested assets at fair value
Global Federation of Insurance Associations	International	Where an economic balance sheet is taken as the basis for deriving the BCR, there should be no exclusion of assets (as suggested in paragraph 81) nor adjustments to best estimates instead of technical provisions (as suggested in paragraph 105).
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	77 to 81: For the purposes of the determination of available capital, investment assets should be fair-valued. 79&80 (same comments as for 22): BCR consultation suggests that the BCR field testing will focus on a total balance sheet approach. As a total balance sheet approach is commonly understood, capital requirements are based on the combined impact of specific stresses to assets and liabilities. However, paragraph 22 refers to separate factors applied to assets and liabilities. This seems contradictory to a total balance sheet approach. Accordingly, it is not clear what the IAIS means by a "total balance sheet approach." Applying separate factors to both assets and liabilities (and also NTNI risks) seems to inherently conflict with the total balance sheet approach, which should show the effects of natural risk offsets and explicit hedging. The proposed approach may still be acceptable, but only if the BCR is calibrated as a minimum.
NYC Bar Association -- Insurance Law Committee	New York	The second bullet of footnote 26 may not be correct. Even if a pool of assets is initially matched to a pool of liabilities on day 1 then market volatility will mean that they are no longer matched on day 360 or day 720, for example.
Association of British Insurers (ABI)	United Kingdom	We agree that the total balance sheet approach is a sensible starting point for the BCR.
American Council of Life Insurers	United States	[79] This paragraph and the next suggest that the BCR field testing will focus on a total balance sheet approach. As that approach is commonly understood, capital requirements are based on the combined impact of specific stresses to assets and liabilities. Paragraph 22, however, refers to separate factors applying to assets and liabilities. Is this consistent with a total balance sheet approach? We feel that it is not clear what the IAIS means by the phrase "total balance sheet approach" and respectfully ask for further clarification. [79] The proposed approaches to valuation will need to align the valuation of assets and liabilities. Misalignment will from time-to-time create misleading regulatory indicators. Significant changes in value when measuring long-term insurance liabilities and the related assets are meaningful to supervisors only if they signify an inability on the part of the insurer to meet its policyholder obligations. Near term changes in valuations due to volatility in market interest rates or asset values can obscure supervisors' view of the insurance group's ability to meet its long-term policyholder obligations and mislead the public and other stakeholders. [81] We have serious concerns with using the October 2013 proposed definition of "qualifying capital resources' in the BCR. The

		definition fails to recognize instruments that have long been accepted. BCR should use instead a total capital basis, which would meet the goal of simplicity.
National Association of Mutual Insurance Companies	United States of America	We agree that liability, asset and asset-liability matching risks should be incorporated into the capital framework. We also assert that reinsurance and risk participation features should also be recognized in the formula. The specific treatment of asset classes should be determined after thorough field testing is complete and may differ between life and property-casualty entities.
Liberty Mutual Group	USA	This section appears to propose a framework based on the valuation of assets in liquidation and presumes that insurance liabilities can be called, such that they become instantaneously due and payable. This perspective is inconsistent with property and casualty liabilities for the following reasons: 1) Liabilities of property and casualty insurers are not callable. Claims liabilities result from an insurable event. Payments on claim reserves are made over time. Policyholders cannot unilaterally demand immediate payment. A "run" on an insurer cannot occur the way a "run" on a bank could occur. 2) Third parties (customers or capital markets participants) cannot create a liquidity crisis for a property and casualty insurer. An insurer's payment obligation is the result of an insurable loss for which a customer has coverage, such as an auto accident, a fire, or a severe storm. Absent a loss event, an insurer has no obligation to make any payment to a customer, nor can the customer demand payment from an insurer. A liquidation view (treating unrealized and realized losses on the asset portfolio similarly) in effect ignores one of the greatest differences between property and casualty insurance and banking. The BCR needs to differentiate defaults and permanent asset impairments (i.e., realized losses) from temporary fluctuation in the valuation of assets due to market movements (i.e., unrealized losses) with respect to the impact of such events on solvency. The BCR also must specify the degree of asset liability matching that will be allowed. This is particularly important for property and casualty insurers, whose asset liability matching impacts the ability of an insurer to meet cash flows related to liabilities, but is not conducted as precisely as the manner in which life insurers match their assets and liabilities.
Metropolitan Life Insurance Company (MetLife)	USA	Footnote 26 to Para 79: The 2nd bullet in footnote 26 is a significant over-simplification. Duration matching of assets and liabilities is not sufficient to eliminate the impact of market volatility on net assets. For example, convexity could be a meaningful factor. Also, credit spreads, in addition to changes in market rates, are likely to be very impactful. It isn't sufficient to address pro-cyclicality in the context of basic interest rate movements and otherwise ignore it.
Northwestern Mutual	USA	For solvency purposes our fundamental concern with respect to assets is their ability to satisfy liabilities through the generation of cash flows arising from an earnings process or sale proceeds. For the sake of consistency and to promote common understanding we believe that general purpose accounting standards should form the basis of asset valuation. However, we recognize that in order to serve regulatory purposes like those previously mentioned, adjustments may be needed.

		The BCR proposal references various adjustments including those in the current ComFrame draft Module 2 Element 5. Following are our comments on those "inclusions, exclusions, deductions, adjustments and limits" recognizing that for the BCR a distinction between core and additional capital is not being made: Deferred tax assets (DTAs) - The current ComFrame draft allows in available capital those DTAs, net of deferred tax liabilities (DTLs), which are not reliant on future profitability or will be realized in a "winding up". As tax laws and the process of "winding up" differ from jurisdiction to jurisdiction we believe that the BCR treatment of DTAs must remain principles based. In particular, the approach to determining the realisable value of DTAs for the BCR, and the amounts to be included in available capital, must benefit from the tax expertise of the insurer and relevant supervisor. This should be explicit in the final BCR standard. Unrealized gains and losses - We support the economic valuation as defined in ICP14, which recognizes the use of market valuation and amortized cost valuation. These gains and losses arise from the fair value requirement and should be excluded from the BCR available capital in certain cases. We believe, as do the International Accounting Standards Board (IASB) and other accounting standard setters, that for certain insurer assets an amortized cost valuation is the most accurate representation of the economic present value the insurer will realize by holding such assets to their maturity or for the collection of cash flows which are matched to liability cash flows. These assets are typified by many bonds and whole mortgage loans. This is because the balance sheet under a properly applied amortized cost valuation reflects the fair value at acquisition, adjusted over time for the difference between the coupon and prevailing rates at acquisition, minus any other-than-temporary impairment in value (which in part is reflective of current credit spreads). This method produces the most consistent valuation with the best estimate long term liabilities that are backed by such assets - so long as the liability valuation fully reflects the characteristics we describe in that section of our comments. With respect to other assets, any fluctuations in fair value must be evaluated for their relevance to the insurer's ability to meet its cash payment obligations (short and long term). - To the extent that the insurer reflects an unrealized loss but does not require the sale of assets to meet near term policy benefit payments, such unrealized losses should be reduced by adjustment in the BCR. - To the extent that the insurer reflects an unrealized gain, it should be reduced by adjustment in the BCR.
5. - General comments on Factor-based approach		
Actuaries Institute Australia	Australia	We have no general comments on this section.
Insurance Europe	Belgium	Please refer to our comments on Approach.

Association of Bermuda Insurers and Reinsurers	Bermuda	ABIR would support a factor based approach but would not be supportive of the disallowance of the use of internal models all together for BCR purposes. ABIR would argue that any group capital requirements that are created should not negate the impact of regulatory approved economic capital models for the calculation of group capital in jurisdictions where models are allowed since they are appropriate tools for the measurement of risk exposures. Various jurisdictions have invested heavily in building internal models which are part of the regulatory toolkit and as such can be viewed as a key component of assessment of group capital.
Canadian Life & Health Insurance Association Inc.	Canada	No comments.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
KPMG AG WPG	Germany	We agree with the decision not to apply a scaling techniques/approach to the BCR. We do not think in practice this would have been workable. We remain uncertain as to how the IAIS believes the BCR risk factors remain simple and no more than 10, yet can still accommodate factors such as on-and-off balance sheet traditional and non-traditional items. More clarification concerning this would be helpful.
AIA Company Ltd	Hong Kong	AIA believes that scenarios should be used to assess certain risks, such as asset / liability risk. Management actions should be allowed for. A static factor based approach may not be adequate, especially in times f stress, for example when equity markets have already fallen by large amounts or interest rates have fallen to very low levels, such as happened in the financial crisis.
Global Federation of Insurance Associations	International	Given both the limited time-table and the temporary nature, GFIA supports a factor based approach as the basis for the BCR. A key challenge will however be to find a reasonable trade-off between simplicity and accuracy in order to serve as an appropriate basis for the HLA. The reasonable level of the balance to be achieved should be considered through the field testing process.
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	See general comments and comments in section 5.1.
The General Insurance Association of Japan	Japan	Given the purpose of the BCR (simple and basic capital requirements) and the short timeframe, we would support the IAIS for adopting a factor-based approach.
The Life Insurance	Japan	Although we understand that it will be examined in the field testing process, we would like the IAIS to take into consideration that the

Association of Japan		level of risk factors should not be calibrated at an excessively conservative level in an attempt to avoid unnecessary impact on policyholders' benefit from capital cost increases.
NYC Bar Association -- Insurance Law Committee	New York	As stated earlier, we endorse a factor-based approach. To the extent that Section 5 sets out generic examples of how BCR level would be determined, and discusses the general application of factors and "levels of granularity," we generally support these approaches as outlined, noting that they are broadly stated and in need of refinement in order to be actionable. We view the discussion of "next steps" as purely logistical and administrative.
Association of British Insurers (ABI)	United Kingdom	We agree that a simple factor-based approach is the most appropriate model for the BCR.
American Council of Life Insurers	United States	We believe that limiting the BCR to a few factors makes it too blunt an instrument to be useful. We strongly encourage the IAIS to consider ways to make individual factors more granular. We also urge the IAIS to monitor the BCR's performance and usefulness before applying it.
American Insurance Association	United States of America	The fact that the IAIS selected a Factor-based Approach for the BCR as opposed to an approach designed to aggregate existing regulatory capital requirements suggests a preference for risk sensitivity over simplicity. However, this conclusion is not supported by the Construction Principles. At a minimum, it would be helpful for the IAIS to clearly articulate the reasons why a factor-based approach was selected as it would also illuminate the preference ordering between risk sensitivity and simplicity. If the primary goal is risk-sensitivity and the development of a new, minimum risk-based capital standard, then a factor-based approach is feasible, but the design and level of granularity for the risk factors would need to be increased and hybrid factors may need to be included. For example, just from the perspective of the property-casualty industry, a risk-based capital standard would likely require at least 10-12 risk factors just for the reserving risks associated with the various underlying lines of insurance (e.g., property, auto, liability) in each jurisdiction. An equal number of risk factors would be needed for underwriting risk (e.g., property, auto, liability) and asset risks (e.g., government bonds, corporates, asset-backed securities), with a preference for even more to reflect the risk characteristics within these risk classes (e.g., insurance vs. reinsurance, asset maturity and ratings profile). Moreover, with respect to particularly complex risks such as catastrophes and asset-liability management, a hybrid approach may be needed, allowing risk-based required capital to capture individual stress tests associated with catastrophes or asset-liability mismatch. The health insurance and the life & annuity insurance industries would require a comparable level of granularity in the design of their factors. The risk factors for each of these risk drivers would have to be calibrated within each jurisdiction using industry data, aggregated with an appropriate correlation adjustment (as discussed below) and compared with an estimate of the group's available economic capital which will be estimated based on principles established by the IAIS. Each GSII would then compare the BCR with their internal capital model and estimates of available economic capital as part of the GSII's ORSA report. If the available economic capital of the group is less than the minimum acceptable level of group capital based on this risk-based BCR, the GSII would be subject to a higher loss absorbency loss amount (HLA).

		Unfortunately, the ultimate design of the BCR depends critically on the relative priority that the IAIS assigns to the attributes of simplicity vs. risk sensitivity. AIA would suggest that if the goal is really to create minimum risk-based capital standard for GSIIs, the IAIS should take the additional time required to develop an effective risk sensitive BCR rather than simply rushing to develop something within a possibly unrealistic timeframe. If the IAIS elects to utilize a simple factor-based approach as an interim measure or capital adequacy for GSIIs, AIA would argue that such an interim measure should only be indicative and lack regulatory force until a more permanent, risk-sensitive and appropriately tested approach is developed and implemented. Moreover, any new, permanent measure would have to differentiate between the capital requirements for GSIIs (the objective of the BCR) and IAIGs (the objective of the ICS). AIA would endorse the suggestion that more time is required to develop a robust regulatory capital measure for GSIIs and would support this concept if implemented as a non-binding view of capital strength. Explicit Incorporation of Diversification -- Assuming that the IAIS pursues a risk sensitive, factor-based model, our next observation relates to the treatment of diversification within the model. An important feature of the property-casualty business model is diversification, through which loss exposures are spread over a myriad of projects, products, areas, or markets. Diversification can be incorporated either implicitly or explicitly in a factor-based model, as noted by IAIS. Incorporating an implicit treatment of diversification is generally accomplished by calibrating individual risk factors to a lower shock value to offset the conservative misstatement of risk when the required capital elements of non-perfectly correlated risk factors are simply added to develop a final estimate of required capital. An explicit treatment of diversification is usually modeled by including a formulaic diversification adjustment directly in the model. Given IAIS's goal of transparency, the likely challenges associated with gathering robust data for individual shock values across all jurisdictions, and the fundamental role that diversification plays in reducing risk for an insurance company, AIA recommends an explicit treatment of diversification. AIA would note, however, that there are many approaches for explicitly recognizing diversification and, in this case especially, simplification may be a good guide. Recognition for Existing Regulatory RBC Models - Whether the IAIS ultimately adopts a simple approach or a risk sensitive factor-based approach, AIA believes that the BCR should leverage existing risk-based capital models to the greatest extent possible. Under an aggregated BCR approach, the utilization of the local jurisdiction risk-based capital models would be direct. However, even under a factor-based approach, the IAIS can use the local regulatory process to implement the factor based approach. For example, once the IAIS publishes the final principles for defining the relevant risk factors, the level of shock or stress to be used in the factors (e.g., calibrated to the nth percentile) and the process for adjusting for diversification, then the IAIS should rely (where possible) on the local regulators to implement the factor-based approach consistent with these principles. For some jurisdictions, existing factor-based minimum risk capital charges may require little or no adjustment. In other jurisdictions more significant changes may be required. In either case, however, the local regulator will have far superior information on the nature of the underlying risk and the major risk drivers to which the regulated companies are exposed. Qualifying Financial Resources - Once the BCR has been established as a minimum risk-based capital threshold, regulators will have to assess a GSIIs capital adequacy by comparing the required capital to the insurer's qualifying financial resources. Echoing AIA's

		comments on the IAIS Valuation Questions, we believe that Qualifying Financial Resources should be defined in principle by the IAIS but computed locally using a conversion from home country GAAP/IFRS capital to an estimate of available economic capital. In this way, regulators can develop a reasonable estimate of available economic capital for their solvency assessment without requiring the production of a new, confusing balance sheet on a valuation basis that differs materially from those used for external reporting. The process for estimating available economic capital would be fairly straightforward, with adjustments to reported capital to remove non-cash items such as deferred acquisition costs and goodwill, adjustments for deferred taxes, and recognizing the difference between carried reserves and the present value of the best-estimate of reserves in capital instead of a prudent reserve margin. While the main principles and adjustment categories can be established globally, the actual adjustments should be reviewed by each local regulator to ensure an accurate translation from home country accounting to an estimate of economic capital and to make sure that capital includes both equity and debt instruments, provided that such instruments are subordinated in structure (e.g., enforceable holding company structures like U.S., Bermuda and Canada) or security design to policyholder obligations.
National Association of Mutual Insurance Companies	United States of America	The difficulty of bringing together a capital requirement that is nuanced enough to provide value at the G-SII level and that is basic enough to avoid disruption in local jurisdiction capital systems may represent an unsolvable challenge. The factor-based approach proposed illustrates this very well. While IAIS has proposed the factor-based approach to balance the interests between risk sensitivity and maintaining consistency with most local capital standards, they will not satisfy either goal with this approach. While attempting to avoid over-emphasis on any one of the principles --simplicity, comparability, and risk sensitivity–the IAIS has not accomplished its goal of setting a basic capital approach appropriate for the G-SIIs. Each company, even each G-SII is different. They are subject to unique laws and regulations in their local jurisdictions. They are subject to different insurance and NTNI risks and different consumer expectations. The factor-based proposal is a one-size approach to capital that does not capture the unique risks of each G-SII. The best solution to these concerns is to accept that a formulaic capital requirement is not the answer. Instead, by providing the local capital requirements and the internal capital models of these G-SII companies to their Supervisory Colleges for assessment, global regulators can achieve their goals of simplicity and risk-sensitivity while maintaining a level of consistency among the G-SIIs.
CNA	USA	CNA supports a factors based approach but needs additional information as to how the factors will be developed, calibrated and the valuation basis that will be used in order to provide more detailed comments.
Liberty Mutual Group	USA	This section does not explain the design and use of the specific factor-based approach the IAIS is considering in sufficient detail to allow for a complete and informed comment. We offer the following comments based on our general experience with the inefficiency of a factor-based model. We do not believe that a single set of quantitative capital requirements can provide the flexibility and sophistication to account adequately for the endless complexity and variation in risks and capital needs within insurance companies. Risks differ from company to company and supervisors should assess the appropriate capital needs of individual insurers. As an alternative, we support the use of a stochastic model that determines available capital at various thresholds and, as a result, is more effective in achieving an accurate measurement of

		capital needs. Others, specifically A.M. Best, have certainly acknowledged the limitations of a factor-based model, and we applaud their efforts in developing a stochastic model. The key limitation of a factor-based model is that such models typically do not capture the risks associated with each insurer's unique risk profile. Therefore, factor-based models can misstate the capital position of insurers and do not provide an effective assessment of a company's risk. A factor-based model will only produce a "false comparability" among companies. In particular, the goal of simplicity in the BCR factor-based model will introduce greater model error, unjustifiably sacrificing precision for ease of use, thus exacerbating the degree of "false comparability." Examples of issues with factor-based models are: 1) Utilization of industry assumptions vs. company specific risks. A factor-based model may penalize a company by applying an industry-wide assumption to that specific company without the appropriate analysis of how the individual company is affected. The following three examples highlight this issue: a) Assume that the calculation of the factors for reserves incorporates a deficiency charge for a line of business, such as asbestos and environmental coverage. Utilizing an industry assumption for reserve deficiency in this coverage will result in ineffective capital assessments for specific companies. This approach assumes a company's asbestos and environmental reserves are deficient, simply because this appears to be the case for the industry overall. This may be inaccurate for a company that consistently analyzes reserve levels and has strong ERM processes. Without an adjustment to the charge that evaluates company-specific risk, the company with robust reserves will be unduly penalized. b) Theoretically, all lines of business could be assigned a generic charge to evaluate the riskiness of reserves in a factor-based model. However, in practice this would not properly assess the risk within the company's balance sheet as the riskiness for certain lines will have been understated and others overstated. Depending on the business mix of a company, this could result in extremely skewed results. c) Risk-mitigating actions, such as obtaining reinsurance coverage, should be evaluated. Reinsurance can minimize the riskiness of the balance sheet and, thus, should change certain factors to be company-specific. For example, evaluation of required capital should take into consideration reinsurance for adverse development on a certain line of business. However, the existence of reinsurance, in this example, may not be obvious from a simple review of the company's balance sheet. Pre-determined factors would not incorporate a credit for this risk-reducing coverage. 2) Prescribed assumptions that are not relevant to a company, such as discount rate and duration for calculating economic value of reserves. Prescribing specific assumptions for use in a generic capital model will not produce effective results. One should base assumptions on

		company-specific characteristics. Deviations from this will skew the capital output. The following examples illustrate this point: a) A company's actuarially determined weighted-average duration should be the basis for the duration of the reserves. If available, the model should be adjusted to be consistent with actuarial studies by line of business that have been prepared to determine the estimated duration of the reserves associated with each line (and ultimately, an overall duration for the portfolio). A company's capital position can be impacted significantly by using time periods that are not commensurate with the underlying policies, resulting in a time value of money calculation that is inaccurate. b) Prescribing a discount rate for evaluating the economic value of reserves also would lead to ineffective results. Determining a specific rate that would work globally is nearly impossible. Further, a generic global rate would be inappropriate for every insurer. At a minimum, the model must contemplate geographic mix before assigning a yield. Flexibility and less prescriptiveness in determining discount rates are key. Both bottom-up and top-down approaches should be permitted, although the most pragmatic solution is to allow companies to set their own yield curves, documenting the curves and methodologies in order to give supervisors insight regarding how they are set. 3) Proper inclusion of diversification credit. Diversification relates to a number of areas, including, but not limited to geographic mix, product mix, distribution channel, and investment strategy. Diversification is a pillar of enterprise risk management. It must be a significant component of the capital model. The level of diversification benefit assigned to a specific risk is based on the nature of the other risks against which the risk in question is diversified. The alternative of using an implicit diversification benefit is faulty, because it presumes that a given risk group (such as a line of business) has some level of inherent diversification benefit. An implicit diversification benefit can only incorporate diversification of a risk against some "average" portfolio of risks. The resulting benefit will be inaccurate and, more importantly, the level of accuracy will vary from insurer to insurer. Some level of imprecision is acceptable, if the level of imprecision is consistent for all insurers. This will not be the case for an implicit diversification benefit, which will likely put those insurers who have chosen the strategy of creating the most diverse business models at a disadvantage relative to others. Determining the appropriate way to incorporate diversification is a challenge that all factor-based models encounter. In order to properly analyze capital, a model must reflect the risk profile of the specific company and not broad assumptions used for the industry. Using factors that are not relative to the company whose risks are being evaluated decreases the integrity of the factor-based model. Utilizing the insurer's internal model can address this capital modeling weakness. At a minimum, in order to maximize the effectiveness of the factor-based capital evaluation, supervisors must ensure that individual company evaluations are based on company-specific risks and not general assumptions made for the industry.
North American CRO Council Incorporated	USA	See response to Q32.

Northwestern Mutual	USA	A factor-based approach can produce a very good diagnostic high level indicator of capital adequacy, but more factors than ten will be needed for the BCR to meaningfully reflect the diversity of risks and products in all major sectors of the insurance market (life, health, P&C, etc.).
5.1 - Comments on Context		
Actuaries Institute Australia	Australia	(92) We agree that applying a leverage ratio (capital measure/exposure measure) is not appropriate for insurance business. (95) We agree that a sole focus on capital requirements does not provide a full picture when assessing the financial condition of G-SIIs. We support the development of a framework of policy measures that includes consideration of strategic, liquidity and operational risks.
Insurance Europe	Belgium	* We agree that it is important that the BCR be risk sensitive as stated in Paragraph 89, however we do not agree that the aim should be that it is "not overly so". While achieving simplicity in the BCR measure may result in less risk sensitivity - this is not an aim per se. If it can be both simple and risk sensitive this is obviously ideal - even if very difficult to achieve in practice. * Paragraph 90 highlights the importance of aligning "incentives to G-SIIs consistent with their risk management activities and decisions." However, risk management activities and decisions are strongly influenced by internal governance and existing regulatory valuation and capital requirements. Accordingly, the creation of a simplified measure of the type envisaged for the BCR, even if risk sensitive, must not be considered as the measure that drives risk management behaviour. * As indicated in paragraph 91, consideration could be given to implicit allowances for detailed diversification benefits through the calibration of factors. However, we would like to highlight that diversification is important, at the very least for composite insurers, between the life and non-life businesses. * As already indicated, we strongly welcome recognition in paragraph 94 of the irrelevance of the Basel III leverage ratio in an insurance context. We believe that it's of paramount importance to understand that, given the significantly different balance sheets and business models that insurers and banks have, imposing banking-inspired risk measures is not appropriate to the insurance business model.
Canadian Institute of Actuaries	Canada	5.1 Context We suggest that a credit be available to reflect diversification benefits, which could be initially achieved through calibration of the formula. We also suggest that a calibration approach could be used to reflect more complicated risks such as asset-liability matching risk, operational risk, and others.
Canadian Life & Health Insurance Association Inc.	Canada	#89: We do not agree that the direction of the change is necessarily "more important" than the quantum of the change. #91: The preclusion of explicit diversification benefits unnecessarily limits the flexibility of the BCR design. Also implicit allowance is less transparent and more difficult to calibrate than explicit recognition of diversification. We suggest the statement be modified to read:

		"It is preferable to explicitly allow for potential diversification benefits between different risk factors in the BCR unless it is concluded, through the calibration process used in the development of the BCR, that an implicit allowance approach is feasible."
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
Institut des Actuaires	France	Comments on point 91: The diversification between risk factors is the core business of insurance, and must be taken into account in order to properly reflect the risk profile of groups. Not doing it could lead to ambiguous situations where an activity fully exposed on one risk could be less risky than the same activity considered in a diversified group.
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Paragraph 85: We understand that there is a need not be overly granular. However, the risk measures and factors explicitly addressed in the consultation paper are deemed not to be sufficiently described in order to assess whether they are sufficiently granular. This depends on the proposal within the technical specifications regarding detailed segmentations of liabilities and assets for purposes of defining exposure measures. Paragraph 86: Off-balance sheet items should only be taken into consideration if material. Paragraph 87: It would be helpful if the IAIS identifies the business risks which are not supposed to be recognized in the BCR-design. Paragraph 91: It would be helpful if the IAIS specify the reasons why an explicit allowance for diversification effects is not considered to be an option. We believe that a thorough consideration of diversification aspects can be achieved without creating high complexity. Paragraph 93-95: While we agree that the adoption of a "Leverage Ratio" for the BCR is out of question, we are surprised to see the ratio for this conclusion described in extensive detail. We believe it comes somewhat naturally that standards for banking supervision are not suitable for insurance.

KPMG AG WPG	Germany	We support the statement that internal models will not be used for BCR purposes, but we do consider internal models to be an important part of the overall set of supervisory requirements and would encourage further IAIS developments in this regard. The factors used also need to be quite simple and straight-forward. With hindsight, Solvency 2 was over-complicated. The IAIS therefore should accept that a simple BCR will not, in the first instance, be that sophisticated and a strong set of ERM and governance requirements will likely need to be accommodated or be formally part of the BCR. It seems that the IAIS has decided that the BCR only includes quantifiable measures by way of a risk-based factor model, but this could have been supplemented with strong ERM and governance requirements. Indeed, it would arguably have been more important to seek agreement on these supplements for the prudential supervision of G-SIIs. We support the non-use of measures such as "leverage ratios' for the reasons as outlined in the paper.
AIA Company Ltd	Hong Kong	Para 91. Diversification benefits should be explicitly recognized. Diversification benefits are both real and significant.It is not feasible to recognize such benefits implicitly because different insurers will have different risk profiles so that the actual diversification benefits will differ among insurers. Individual risk charges that are implicitly adjusted for diversification cannot properly recognize such differences in risk profiles. We suggest a simple variance / covariance approach with a pre-defined correlation matrix. Notwithstanding the known shortcomings of this approach it reduces capital requirements of well-diversified insurance groups compared to those with large risk concentrations.
Global Federation of Insurance Associations	International	* We agree, as highlighted in Paragraph 90 with the importance of aligning "incentives to G-SIIs consistent with their risk management activities and decisions." However, risk management activities and decisions are strongly influenced by internal policies and existing regulatory valuation and capital requirements. Given the intended simplicity and aim of the BCR to be a "basic " capital measure, it should be ensured that the BCR does not act as a driver on risk management, incentivise poor risk management, or send misleading signals to the market. As indicated in paragraph 91, implicit allowances for diversification benefits would be reflected in the calibration of factors.
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	A factor-based approach for the BCR should be based on applying factors to exposure measures such as BEL segments. One alternative is to cover market and credit risk implicitly through the calibration of the factors applied to each BEL segment. Another alternative is to cover these risks explicitly by introducing separate factors and exposure measures. There is currently no industry consensus as to whether there should be an explicit factor on assets or not. The joint IIF / GA BCR Task Force is currently considering a number of options and may follow up with further input at a later stage. Whichever option is selected it is crucial that the link between insurance liabilities and assets is adequately considered and in particular the reduced exposure to the risk of losses from the forced sales of assets. This may require to further segment the BEL according to their degree of illiquidity, the extent to which market risk is borne by or otherwise hedged. As noted in our answer to question 1, the structure and segmentation of the BCR should be sufficiently granular to ensure that NT activities that are materially systemically risky can be separately identified to facilitate the targeting of HLA.

		Risks from NI activities should be addressed under relevant sectoral rules, should be reflected in a net adjustment to available capital, (available capital minus required capital determined according to relevant sectoral rules), and not in the BCR. 85: We welcome the focus on simplicity. However, it is important that the BCR strikes the right balance between simplicity and risk sensitivity. It needs to be as simple as possible while capturing key features of insurers' risk profile. 91: Diversification is at the heart of the Insurance business model and risk management. It could be taken into account implicitly or explicitly. A number of members very much prefer to reflect diversification explicitly.
The General Insurance Association of Japan	Japan	- Given the difference in and nature of the business models of banking (that takes risks mainly on the asset side) and insurance (that takes risks mainly on the liability side), we would support the IAIS for not introducing elements of leverage ratio regulation which may not be an appropriate capital regulation for insurance. - If potential diversification benefits between different risk factors are not explicitly allowed as stated in paragraph 91, it is possible that the BCR may become excessively conservative. On the other hand, we do not believe that comparability of outcomes and the simplicity of BCR calculation would be jeopardized even if diversification benefits are applied. Hence, we would like to propose that the treatment of diversification benefits be decided after their effects are examined in the field testing process, etc. in the future. - P&C insurers conduct risk control, taking diversification benefits by region, peril, etc. into account regarding underwriting risk. Hence, such benefits should be appropriately reflected. A standard that would hinder the incentive for insurers to conduct risk control should not be created.
The Life Insurance Association of Japan	Japan	We agree with BCR Principle 4 "Simple design and presentation", and recognize the statement of paragraph 91, that: "It is not intended to explicitly allow for potential diversification benefits between different risk factors incorporated in the BCR. Implicit allowance could be made through the calibration process used in the development of the BCR." However, as for risks that are clearly correlated with other risks (at least mortality risk and longevity risk), the amount of risk should be allowed to reflect those correlations, within BCR Principle 4.
NYC Bar Association -- Insurance Law Committee	New York	Again, we concur with the observation that Basel III should not apply to insurers and that leverage ratios are unlikely, in and of themselves, to be useful tools for evaluating the adequacy of G-SIIs.
KNF - Polish Financial Supervision Authority	Poland	In calculation of BCR potential diversification benefits between different risk factors should be taken into account explicitly. To calculate properly the whole risk related to insurance contracts, the correlation between risks should be included in the formula. Otherwise the final result would be too high or incomparable between groups.
Association of British Insurers (ABI)	United Kingdom	It is important that appropriate credit is provided for groups which seek to diversity risk. We agree that, at this stage and given time constraints, G-SIIs' risk diversification should be taken into account implicitly.

American Council of Life Insurers	United States	[82] Once the BCR is implemented, we believe that it is appropriate for group-wide supervisors or supervisory colleges to have some flexibility to determine how they respond to movement that impacts a company's ability to meet the BCR. [90] This paragraph highlights the importance of aligning "incentives to G-SIIs consistent with their risk management activities and decisions." A group's risk management activities and decisions are strongly influenced by internal risk management as well as by existing regulatory valuation and capital requirements that vary by jurisdiction. Consequently, the BCR may not align with risk management activities. [91] We believe that the BCR framework should consider diversification. The use of a simple diversification matrix should not be precluded as it may be the simplest way in which to recognize natural offsets among certain risks.
NAIC	United States	Diversification (Paragraph 91): Given the lack of explicit diversification credit as described, as factors are developed for testing, clarity should be provided as to whether and how diversification credit will be implicitly applied in the BCR.
American Insurance Association	United States of America	Paragraph 82 - Robust factor-based models do not simply sum the underlying risk capital charges, but make adjustments for the lack of perfect correlations across risk categories, especially in the field of insurance which is predicated on a lack of correlations/diversification. Within insurance, catastrophe risk would be treated differently - in a way that does not lend itself to a factor-based approach. Across insurance and other risk types (e.g., NTNI and asset risk), the correlation is again clearly not one and is generally very low. The form of the correlation adjustment can be explicit or implicit (e.g., hold individual risks to a lower capitalization standard to compensate for the fact that simply adding up the final results by category will create a higher solvency threshold). As discussed before, AIA believes that the correlation adjustment for the BCR should be explicit. Paragraph 87 - "The focus of the design and development of the BCR will be on the risks directly associated with the contingencies insured and other sources of risk for the G-SIIs." Since traditional insurance risks are not systemic, we find this focus at odds with the mandate for ensuring the adequate capitalization of G-SIIs. At a minimum, if we are designing a basic capital requirement, it should span all material activities, per Paragraph 86, and then add the HLA for additional capital needs for NTNI activities. However, if it is going to focus in any way, the BCR should focus on NTNI risks that may not be captured in local jurisdictional capital requirements. Paragraph 88 - We agree that it is not feasible to rely on internal models for the BCR. Paragraph 91 - "It is not intended to explicitly allow for potential diversification benefits between different risk factors incorporated in the BCR." If the intent is really to develop a risk sensitive measure of required capital, the failure to incorporate adjustments for diversification is a major design flaw and would represent a significant step backwards in the evolution of risk capital standards in insurance.
Liberty Mutual Group	USA	For the reasons stated elsewhere in these comments we disagree with the statement that "the need for simplicity and comparability means that internal models will not be used for BCR purposes." A factor-based approach is overly simplistic. An approach using internal models will result in more accurate assessments of capital and will lead to greater consistency in the capital assessments of different

		insurers.
Metropolitan Life Insurance Company (MetLife)	USA	Paras 92 - 94: Please see our comments to Paras 10 and 29 above.
Northwestern Mutual	USA	While a factor-based approach can be developed that satisfies the IAIS goals, we are concerned that producing one in such a limited timeframe and with a limited number of factors can result in a BCR that produces misleading indications, both positive and negative. We are also concerned that ignoring local capital requirements will overstate available capital for some G-SIIs. We agree that it is important to align incentives to G-SIIs consistent with their risk management activities and to discourage unintended consequences and "gaming". However, in order to accomplish these goals, the factors must recognize real risk mitigation strategies and product designs that reduce risk such as products with material risk-sharing mechanisms (especially those with discretionary payments). We agree that a leverage ratio approach is inappropriate for G-SIIs for all the reasons mentioned in the Consultation Document. We note that the IAIS has determined for now not to pursue an "aggregate activities based approach" for the BCR. In our response to Question 14, we suggest an alternative to the proposed BCR structure which uses legal entity capital as the basis for determining available capital and uses risk exposures, rather than liability measures, as the basis for determining the insurance risk component of required capital. We note that this combination would avoid: 1) creating a solvency measurement method of insurance risks that is likely to be inadequately sensitive to the actual risks of an entity; and 2) overstating available capital at the group level. We observe that such an approach, coupled with the use of Basel III rules for applicable non-insurance financial entities as already contemplated by the BCR proposal, is only a short step away from an "aggregate activities based approach."
5.2 - Comments on Major risks		
Actuaries Institute Australia	Australia	(100) As noted in Q5, we support the inclusion of more business segments, together with appropriate risk measures and risk factors. As noted in Q17, we suggest that the possible proxies for current estimates (premiums, claims and sums insured) may actually be more appropriate risk measures. (103) Given the broad nature of the BCR, we could accept a simple categorisation of assets into "insurance matching' and "other'. However, we suggest that the BCR needs to allow for the effective duration of both assets and liabilities.
Insurance Europe	Belgium	Please refer to our comments on Approach and Key risks addressed.
Association of Bermuda Insurers and	Bermuda	Segmentation: Paragraph 100 lists example non-life segmentation buckets as "non-life short tail insurance, non-life long tail insurance and non-proportional reinsurance". We support the treatment of non-proportional reinsurance within a separate segment given the

Reinsurers		difference in its risk characteristics from insurance business and proportional reinsurance business. We would however encourage segmentation of short tail insurance business in a way that better allows for catastrophe risk exposure. The absence of this level of segmentation could cause a firm's risk profile to be dramatically over or under estimated depending on the nature of its exposures.
Catlin Group Limited	Bermuda	Segmentation: Paragraph 25 lists example non-life segmentation buckets as "non-life long-tail insurance, non-life short-tail insurance and non-proportional reinsurance". We support the treatment of non-proportional reinsurance within a separate segment given the difference in its risk characteristics from insurance business and proportional reinsurance business. We would however encourage segmentation of short-tail insurance business in a way that better allows for catastrophe risk exposure. The absence of this level of segmentation could cause a firm's risk profile to be dramatically over or under estimated depending on the nature of its exposures. Volume measure: It is unclear whether "current estimates" are expected to include earned reserves only, or unearned reserves as well. Whilst the latter would give some degree of a forward looking volume measure, it is still primarily useful as a measure of reserve risk, missing the other key risk to non-life insurance companies that is underwriting risk. Combining a technical provisions measure with a premium or sum insured measure would better allow for this. Absence of a distinction between reserve risk and underwriting risk could cause a bias in the capital assessment towards / against long-tail insurers (whose risk is primarily a reserve risk) and short tail insurers (whose risk is a primarily an underwriting risk). Volume measure: Key risk mitigation tools used within non-life insurance are tail / catastrophe non proportional reinsurance and tail non proportional reserve protection such as adverse development covers. Net technical provisions or net premium measures will give little or no credit to this risk mitigation and could therefore discourage companies from use of these key risk mitigation tools. It is therefore our view that a process for agreeing specific adjustments should be allowed for in the instances of material weakness in the measurement of risk when the tools are in place. For example, an adjustment to the risk factor, or an adjustment to the output required capital amount. The BMA's BSCR factor based formula approach provides such an adjustment process if explicitly agreed with the regulator and works extremely well.
Canadian Institute of Actuaries	Canada	5.2 Major risks The risk factors should reflect pass-through features, such as those seen with participating policies. It is important that the factors recognize any features where risk is passed on to the policyholder. Taking this into consideration, along with all the other indicated risk characteristics, again leads us to suggest that ten factors may not be adequate.
Canadian Life & Health Insurance Association Inc.	Canada	#100: The approach is too simple, and may not behave properly for positive versus negative current liability estimates. #102: Consistent with our comments on #17, 22, 27 and 49, we view the BCR intention to identify NTNI risks as unnecessarily distracting to the project and potentially posing a risk of defining NTNI without sufficient thoughtfulness and discussion. Issues raised in this section can be readily addressed at a later stage of the IAIS work, as part of the HLA framework. #103: As per our comments on #28, caution needs to be taken with respect to ALM risk in order not to double-count it through factors

		developed for liabilities and assets, and to also recognize the benefits and risk reducing aspects of asset-liability management where appropriate.
China Insurance Regulatory Commission	China	1. We suggest adjustments be conducted to the categories of non-life insurance business. In the BCR proposal, insurance liability risks are listed as: life insurance with minimum guarantees; life insurance without guarantees; non-life short tail insurance; non-life long tail insurance; and non-proportional reinsurance. Although short tail risks and long tail risks of insurance liabilities represent one aspect of the risks of non-life insurance business, for example liability insurance is considered riskier business because of its long-tail risk distribution, distinctions between product categories in non-life insurance business impose more significant impacts to liability risks. Some categories have shorter tails, yet higher risks, such as agriculture insurance, aviation insurance, etc. We suggest non-life insurance business be divided into different product categories, such as auto insurance, liability insurance, credit insurance, agriculture insurance, aviation insurance, etc. among which categories with similar risks may use same risk factors when calculating risk capitals. 2. In the BCR proposal, the BCR is required to reflect three major risks: insurance liability risk, asset risk and NTNI risk. The NINI risks are mainly considered from three aspects: NT business, NI business and other business. We suggest further risk classification be conducted to NI business so that risk profiles be more accurately reflected.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	Please see earlier comment on ALM risk.
European Insurance and Occupational Pensions Authority (EIOPA)	European Union	Regarding Paragraphs 100 to 103, please refer to our comments under Q5.
Institut des Actuaires	France	Comments on point 96: To take into account non-insurance subsidiaries seems consistent for financial activities, but for non-financial businesses, the BCR does not seems to be the adequate regulation method, as it does not consider operational risks. Comments on point 100: As described previously, the minimum segmentation of businesses, after the life and non-life differentiation, should be to consider savings/pensions liabilities and protection liabilities, which are completely different from a risk point of view. Comments on point 103: The BCR should not have a too much normative effect on risk management policies, e.g. limiting risk management to a single "best" approach. Defining a proxy method for ALM risks based exclusively on either duration or cash-flow matching techniques could lead to an increased use of the chosen technique, even if it is not the best one in a more detailed approach (e.g. full internal model approach).

KPMG AG WPG	Germany	As per previous comments, if the BCR is to remain "simple', then the application of risk-factor charges against the various risks (liability, asset and NTNI) should be kept to a minimum as possible. It seems that inevitably, the risk-factors grow exponentially once such an exercise commences - notwithstanding the good intentions at the commencement of such an exercise as this one. Solvency 2 remains a good example where a simple risk-based factor approach ended up being considerably too detailed and complex for the original intended aims that is was apparently addressing.
AIA Company Ltd	Hong Kong	Para 99. The description of major risks is not accurate as applied to life insurers. See our response to Q5. Para 101. Asset risk should be differentiated more finely than investment vs. non-investment grade. AAA and BBB rated bonds, for example, are both investment grade, but their risks are materially different. Not distinguishing could have the potential for driving companies to lower the quality of their investment portfolios. In developing markets especially, it is crucial that It is important that asset risk be assessed in the context of the jurisdiction in which a company operates. For example, government bonds issued in the local currency that are used to back local liabilities should have no asset risk charge regardless of the credit rating assigned by international credit agencies. Local ratings should be used where available. When no external rating is available, the company's internal rating should be used. Para102: There are significant differences in the risks embedded in different types of unit linked insurance and annuities with guarantees. For example a minimum guaranteed death benefit, which is not subject to policyholder anti-selection post issue has significantly less risk than a guaranteed accumulation benefit. Para 103. Please refer to our response to Q5
Global Federation of Insurance Associations	International	Our comments here largely reiterate our comments on paragraph 24-28. We agree that liability and asset risk, and also ALM should be incorporated into the factors/framework. The impact on overall risk profile of key risk mitigation mechanisms such as asset-liability management, profit sharing, participation features, hedging and re-insurance should also be recognised in the framework. Without such reflection, an accurate and/or comparable view of risk cannot be achieved. As mentioned in paragraph 100, proxies for current estimate calculations should indeed be considered in the field testing.
International Actuarial Association	International	Paragraph 100; One possible risk factor to consider is to split pre- and post-claim event liabilities. The pre-event risk includes event risk, underwriting risk, and pricing risk. The post-event risks involve mostly estimation risk. For claim liabilities with a longer settlement lag the post-event claim liability ends up with a high concentration of the more problematic claim liabilities (more so than the pre-claim liability). The easier to settle claims are normally settled faster, so the claim liability at any point in time tends to include many policy years of claim tails.

		Paragraph 101; The risk factors should reflect pass-through features, such as those seen with participating policies.
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	102: As noted in our answer to question 1, the structure and segmentation of the BCR should be sufficiently granular to ensure that NT that is materially systemically risky can be separately identified to facilitate the targeting of HLA. Risks from NI activities should be covered using sectoral rules. It would not be appropriate to address NTNI through the use the risk weighted assets (RWA) or the total exposure of the leverage ratio of Basel III, other than where those measures would already apply to non-insurance activities. It would also be inappropriate to reflect NTNI risks through factors akin to the G-SII methodology as this would be too complex given that the BCR is intended to be straightforward. Rather consideration should be given to ensuring the segmentation of the BCR takes into account the three NTNI principles set out in the IAIS's Global Systemically Important Insurers Policy Measures paper of July 2013. In this respect, Principles 1 and 2are aligned with the segmentation proposed and the treatment of NI. Principle 1 would require the inclusion of a credit guarantee insurance segment. This is something we should explore further in our engagement. 103: In general, the fact that insurance companies hold assets to match liabilities should be reflected in the design of the BCR.
The General Insurance Association of Japan	Japan	We support the IAIS for its idea to allow certain proxies as risk measures for current estimates of insurance liabilities as stated in paragraph 100. If the effects of risk control by ALM are not considered, insurers' risks cannot be reflected appropriately. We understand the time constraints, but the perspective of ALM should be taken into account in risk calculation.
The Life Insurance Association of Japan	Japan	Where insurance products transfer all of the risk to policyholders, approaches should appropriately reflect the risk profiles of those products. However this is dependent on the regulatory purpose of supervisory measures and the framework in cases where the BCR is breached. Even if some insurance products bore the same insurance risk, the amount of insurance liabilities calculated by current estimates would not be the same, due to the proportion of margin to premium or the premium payment options (single/regular payment). In the above mentioned cases, we are concerned that comparability might not be ensured in terms of the amount of risk. Accordingly, there might be cases where other proxies would be more appropriate for risk measures regarding insurance risk, rather than current estimates of insurance liabilities, as indicated in paragraph 100. The most appropriate choice for risk measures should be determined by scrutinizing this with the utmost care during the field testing process.
NYC Bar Association -- Insurance Law Committee	New York	No specific comments.
KNF - Polish Financial Supervision Authority	Poland	In KNF's opinion splitting insurance liabilities only to life and non-life business seems to be insufficient. Insurance liabilities risks (also regarding reinsurance impact) should be split at least into:

		- life excluding unit- and index-linked (with and without longevity risk) - unit-linked, life insurance with guaranties - non-life (with short tail, with long tail).
Association of British Insurers (ABI)	United Kingdom	As noted above, asset and ALM risks should be implicitly included within the factors applied to the insurance liabilities recognising the linkages between insurance and assets. The last bullet point in this paragraph 102 includes the possibility of using Risk Weighted Assets (RWA) or the Basel III framework for NTNI risks. We strongly believe that it would not be appropriate to address NTNI through the use of RWA or the total exposure of the leverage ratio of the Basel III framework, other than where those measures would already apply to non-insurance entities subject to Basel rules, due to differences between banking and insurance environments (as recognised throughout the paper). We suggest that consideration should be given to ensuring the segmentation of the BCR takes into account the three NTNI principles set out in the IAIS's Global Systemically Important Insurers Policy Measures paper of July 2013.
Aflac	United States	Paragraph 100: As the IAIS considers how best to segment insurance products to develop risk factors for the BCR calculation, it is essential that any approach–regardless of the level of granularity–segments accident and health products into a third, broad category, separate from typical life and nonlife products, given that the risk profile of such products differ substantially from those of typical life and nonlife products. Voluntary supplemental products–i.e., accident and health (?A&H?) products, including products designed to protect individuals from depletion of assets (accident, cancer, critical illness/ critical care, hospital intensive care, hospital indemnity, fixed-benefit dental, and vision care plans) and loss-of-income products (life and short-term disability plans)–are overwhelmingly fixed indemnity and long duration. Accordingly, the risk profile of such products differs substantially from that of typical health or life products. Since most A&H products either have no cash surrender value or limited cash surrender value, interest rate risk is minimized. This fact differentiates such products from typical death benefit products of most insurers. Therefore, for it to meaningfully capture the risks associated with those products, insurance liabilities risk factors for the BCR calculation should reflect separately the risks associated with accident and health products, such as cancer, disability, hospital indemnity, etc. Even though one of the life risk factors that have been proposed relates to ?life insurance without guarantees?, this factor would not capture accident and health products in a manner necessary for the BCR calculation to meaningfully reflect the risks of this very broad, very important market segment. In this context, segmentation, for example, could include "health (A: long term with or without material surrender risk; and B: short term with or without material surrender risk)" offered by life or non-life companies.
American Council of Life Insurers	United States	[96] The BCR framework should acknowledge the loss-absorption capacity of participating long-duration products and of adjustable products with non-guaranteed elements (policyholders have agreed to share risk). An emphasis on simplicity should not mean that risk mitigation (e.g., participation features, segregated accounts, reinsurance, and hedging) should be ignored. Without such reflection, an accurate portrayal of risk (and comparability of risk) cannot be achieved.

		[100] Segmentation of insurance liability risks should be sufficiently granular to ensure that the BCR will be comparable and risk sensitive. However, we are concerned that none of the proposals (the "most basic" and "more detailed" proposal) are sufficiently risk sensitive or likely to provide a comparable basis for certain major product types, including accident and health products which contain a fixed indemnity. The lack of granularity in the factors means that some risks will not be adequately represented in the BCR calculation. [102] We agree that the BCR should capture all material risks, including NTNI risks. We urge against distinguishing NTNI, however, since those systemic risk aspects will be addressed by HLA. The short BCR development time-line also supports deferral of the NTNI risk segmentation determination at this stage. With respect to NI risks, a deduction and aggregation approach may be necessary to complete the assessment for an entire group.
NAIC	United States	Segmentation (Paragraphs 28/103; 27/102): - Given the desired level of simplicity in the BCR, it is unlikely that asset / liability mismatch (ALM) can be included in the BCR except under the crudest of measurements. In such case, measurement of ALM should be deferred and more fully developed for inclusion in the more granular and risk sensitive explored for the ICS. - Separate proxy(ies) should be identified for systemic NTNI activities in the BCR in order to facilitate the calculation of HLA which is intended to address such activities. As indicated in the first bullet of paragraph 102, NT activities can be captured in the BCR by using existing insurance exposure proxies. Therefore, the NT reference should be removed from the third bullet in paragraph 102 which will then be focused solely on identifying NI activities (to the extent that are not picked up by the second bullet of the paragraph). The last bullet in paragraph 102 seems redundant and should be deleted.
American Insurance Association	United States of America	The BCR Proposal´s lack of focus on Non-traditional and Non-insurance risks (NTNI) is somewhat surprising. The traditional business of property-casualty insurance does not create systemic risk, but spreads risk within the economy through risk pooling. In particular, we were somewhat surprised by an apparent de-emphasis on the need to create robust capital requirements for so-called "non-traditional" risks. AIA would have expected that any new minimum capital requirement for systemically significant insurance companies would have a strategic focus on NTNI activities, notwithstanding the additional role of the Higher Loss Absorbency (HLA) provisions to be developed. Further, the IAIS should be more explicit with respect to the relationship of BCR and HLA; in other words, HLA should only apply to the non-traditional parts of the BCR, not the whole of BCR. Perhaps our reaction is a result of the lack of clarity on how the BCR and the HLA will interact in practice.
National Association of Mutual Insurance Companies	United States of America	We agree that liability, asset and asset-liability matching risks are elements of a capital framework, but there are limitations to this restricted factor-based analysis. A few important considerations include: - Risk mitigation like reinsurance and risk participation features should also be recognized as critical aspects of any capital analysis. - Diversification credits should be incorporated within the capital analysis as companies spread their risks at multiple levels including on a geographically, product based and through investment strategies. - Industry assumptions do not apply to the risk analysis for individual companies. Industry assumptions are, by necessity, averages of all

		behavior across all companies and not appropriate when considering the narrow subset of companies subject to the G-SII designation.
Liberty Mutual Group	USA	No comment
Metropolitan Life Insurance Company (MetLife)	USA	Paras 100 and 102: Please see our comments at Q5 Para 27 above which apply equally to Paras 100 and 102 Para 101: As regards the second bullet, use of the term "exact duration matching" is misleading as in practice any duration matching is unlikely to be exact but can still be effective.
Northwestern Mutual	USA	We agree that all major risks need to be included. We believe that in order for the BCR to serve the purpose for which it is designed, no major risk should be ignored. In order to do this many more than ten factors will be needed. - Insurance companies have a wide range of assets available for investment with a wide range of risks (common stock, equity real estate, private equity, below investment grade bonds, commercial mortgages, residential mortgages, leveraged leases, etc.). - Insurance risks are diverse (mortality, morbidity, longevity, catastrophic, medical inflation, etc.). - Interest rate risk, as distinguished from credit risk, also needs to be included. For example: interest rate guarantees and disintermediation risk. - Other risks need to be considered, such as counterparty (reinsurance and derivatives), operational, general business, etc. Insurance risks - that is, the variability of claim costs - are not typically a multiple of the liability measure. The liability measure is typically a function of the degree of prefunding in the contract (term life insurance vs. permanent life insurance). An alternative approach to the BCR which focuses on insurance risks and avoids some of the difficulties using a liability measure would be to calculate required capital as risk factors times risk bases indicative of insurance risk. Such economic indicators would be independent of the insurer's regulatory or general purpose accounting basis. Examples include: - Life Insurance risks are related to amounts of insurance at risk or expected claims or both; - Disability income and long term care risks are related to claim costs or expected claims; and - Disintermediation risks are related to available cash values. Asset/liability management is an important risk mitigation activity of any major insurance company. In addition to the two methods suggested in paragraph 103, a factor determined by the degree of sensitivity to interest rate risk could be developed. A simple durational analysis will not capture the degree to which certain risk sharing features within products, such as discretionary participating features,

		can be used to absorb interest rate shocks. However, a test could be constructed that would evaluate a block of business's susceptibility to interest rate shocks and an appropriate factor can be assigned to different levels of risk.
5.3 - Comments on Factor-based approach calculation		
Actuaries Institute Australia	Australia	We have no additional comments on this section.
Insurance Europe	Belgium	Where an economic balance sheet is taken as basis for deriving the BCR, there should be no exclusion of assets (as suggested in paragraph 81), nor adjustments to best estimates (as suggested in paragraph 105).
Catlin Group Limited	Bermuda	Capital resources: Whilst not a focus of this paper, we encourage a principle based approach where unique capital items can be discussed with a firm's supervisor and assessed on a case by case basis to ensure the most appropriate outcome. We believe that a rules based approach is highly unlikely to capture all possible arrangements appropriately either at a given point in time, nor over a period of time.
Canadian Life & Health Insurance Association Inc.	Canada	No comments.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
European Insurance and Occupational Pensions Authority (EIOPA)	European Union	It should be clarified that adjustments may also emerge from the revaluation of other Balance Sheet items other than Technical Provisions (e.g. reinsurance assets or financial assets) as well as from the consideration in the Balance Sheet of elements which were previously off-balance sheet (due to full balance sheet approach). The starting point for the assessment of admissibility of Capital Resources elements should be the amount of Capital Resources under the fully recalculated Balance Sheet, under the comparable valuation basis as defined for BCR purposes. In this regard, the first sentence of the 6th bullet point of Paragraph 105 can be misinterpreted, in the sense that it leads to the construction of the following equation, which is incomplete: Qualifying Capital Resources = Existing Capital Resources under current valuation basis +/- Adjustments from Technical Provisions revaluation - Adjustments due to inadmissible items

		A factor referring to "+/- Adjustments from Assets and Other Liabilities revaluation" is missing.
Institut des Actuaires	France	Comments on point 105: The additive method, as explained before, is too simple and must be improved in order to take into account dependencies between assets and liabilities, at least. The valuation of assets and the computation of the qualifying capital must be standardized through an international accounting standard. Local GAAPs allow too much variation to ensure the comparability purpose of this project. The solvency approach based on a ratio is too much focusing on a single point (passed/not passed). It would be preferable to have a tail distribution approach (groups with the same BCR ratio could have completely different risk positions if looking at the tail distribution). Finally, the BCR must be compared to the group local capital requirements (e.g. group SCR) and be sure that the resulting levels are coherent.
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Paragraph 107: The structure of the BCR formula as well as the number of factors should allow for differentiating the risk profiles of G-SIIs in order to facilitate the appropriate construction of the HLA according to such different risk profile as next step.
KPMG AG WPG	Germany	It is not clear whether there will be allowance for diversification and this should be addressed.
Global Federation of Insurance Associations	International	Where an economic balance sheet is taken as basis for deriving the BCR, there should be no exclusion of assets (as suggested in paragraph 81), nor adjustments to current estimates instead of technical provisions (as suggested in paragraph 105).
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	105: Bullet point 6 creates a lot of confusion: It should be made clear that the starting point for qualifying capital is the fair value of assets minus the sum of the best (current) estimate of insurance liabilities and other de facto unsubordinated liabilities.
NYC Bar Association -- Insurance Law Committee	New York	No specific comments.
KNF - Polish Financial Supervision Authority	Poland	In KNF's opinion the balance sheet for the calculation of BCR needs to take into account adjustments from Assets and Other Liabilities revaluation.

American Council of Life Insurers	United States	[105] The sixth bullet states: "The Qualifying Capital Resources is obtained by starting with the allowable capital resources and adjusting this to reflect the use of current estimates instead of technical provisions." It seems illogical to suggest that the technique used to calculate liabilities should impact the determination of Qualifying Capital Resources.
American Insurance Association	United States of America	Paragraph 105/Paragraph 116 & 119 - "factors are not proposed to be entity specific". We agree with this comment, but we also believe that the point is underappreciated in the remainder of the document. Within the insurance sector, size is not a determinate of systemic activity and insurance GSIIs may not represent the largest companies. As such, we would strongly de-emphasize the comments under the Field Testing Section (5.6) regarding the need for data from the GSIIs themselves. To create an effective and robust BCR, the risk factors need to be calibrated to broad industry data/experience and not just the experience of the small populations made up of GSIIs.
National Association of Mutual Insurance Companies	United States of America	See other comments on factor-based approach.
Liberty Mutual Group	USA	The factor based approach, particularly one using a very limited number of factors, is a blunt instrument which has the potential for large errors due to the high-level nature of the estimation of required capital. If the BCR is going to use such a model, the BCR must be set as only a minimum capital threshold. This section suggests that a great deal of work must be done in field testing before the IAIS will be able to select proxy measures and determine the calibration of factors. We commend the IAIS for recognizing the importance of field testing to the successful completion of this project. However, as a volunteer, we need to know as soon as possible how this "selection" and "calibration" will be conducted in field testing.
Northwestern Mutual	USA	We agree with the methodology to determine the "Required Capital" provided the risks are robust enough and the risk measures are appropriate. We agree that the factors should be related to the risk and not the entity; however, recognition of the differentiation of risk between entities is important, so more factors are needed than seem to be anticipated. We are concerned with the determination of the Qualifying Capital Resources because it may tend to overstate truly available capital by ignoring local regulatory constraints.
5.4 - Comments on Level of granularity		
Actuaries Institute Australia	Australia	(110) As noted in Q5 and Q21, we support the inclusion of more business segments
Insurance Europe	Belgium	None.

Catlin Group Limited	Bermuda	Segmentation: Paragraph 25 lists example non-life segmentation buckets as "non-life long-tail insurance, non-life short-tail insurance and non-proportional reinsurance". We support the treatment of non-proportional reinsurance within a separate segment given the difference in its risk characteristics from insurance business and proportional reinsurance business. We would however encourage segmentation of short-tail insurance business in a way that better allows for catastrophe risk exposure. The absence of this level of segmentation could cause a firm's risk profile to be dramatically over or under estimated depending on the nature of its exposures.
Canadian Life & Health Insurance Association Inc.	Canada	#110: Consistent with our comments on #30, the explicit quotation of the number of factors to be considered as part of the BCR is unnecessarily constraining.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
European Insurance and Occupational Pensions Authority (EIOPA)	European Union	Concerning Paragraph 110, discussing the appropriate number of factors to be included in the BCR, please refer to our previous comments under Q6 (second paragraph).
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Paragraph 110: The desirable number of factors should not a priori be limited to 10 or less - given the diversity in risk profiles of insurance products and assets.
KPMG AG WPG	Germany	We support the proposed approach to have 10 or fewer factors as there is simply insufficient time to derive a more advanced BCR. Having less factors should reduce the possibility of an inappropriate BCR being established in the first instance.
AIA Company Ltd	Hong Kong	Too coarse a level of granularity may lead to material mis-estimation of risk. There is no practical benefit to aggregating disparate types of business or asset classes.
Global Federation of Insurance Associations	International	No comments
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	

The General Insurance Association of Japan	Japan	Although the concept of the BCR includes a simple design, determining the required capital for all risks (asset risks, insurance liability risks and NTNI risks) by using only 5 to 10 factors would produce greatly deviated capital requirements compared to what should be practical, appropriate capital requirements for each G-SII. Therefore, factors and measures, which are made more granular to a certain degree and enable an evaluation of actual risk conditions, should be initially considered for the field testing process, with the possibility of integrating and streamlining them during the course of the examination.
NYC Bar Association -- Insurance Law Committee	New York	No specific comments.
KNF - Polish Financial Supervision Authority	Poland	In KNF's opinion the proposed number of risks in the model seems to be insufficient. It may lead to inadequacy and incomparability of BCR.
Association of Financial Guaranty Insurers (AFGI)	U.S.	Basic Capital Requirements Proposed by the IAIS Should Include a Proper Level of Granularity Given the business model and activities of financial guaranty insurers, as described above, we submit that, in the unlikely event that a financial guaranty insurer were designated as a G-SII, the IAIS will need to revisit its proposed basic capital requirements, recognizing the unique business model and activities of the financial guaranty insurance industry. Indeed, having an additional level of granularity beyond the "life insurance and non-life insurance" space will be essential in determining proper capital requirements applicable to any financial guaranty insurer designated as a G-SII. In turn, having sufficiently granular capital requirements will be critical to ensuring the continued stability of the global financial system, as intended by the IAIS. As it moves forward in assessing the systemic importance of the insurance industry worldwide, AFGI encourages the IAIS to continue its open dialogue regarding the proper assessment methodologies and, if necessary, basic capital requirements, applicable to niche insurance business models such as the financial guaranty insurance industry. AFGI stands ready to work alongside the IAIS in ensuring that proper measures are in place to control the potential risks to the stability of the global financial system.
Association of British Insurers (ABI)	United Kingdom	As noted previously, the segmentation of the BCR needs to be sufficiently granular to enable HLA to be appropriately targeted at material systemically relevant activities. We believe that segmentation beyond the life/non-life split would be appropriate. At the very least, the life and non-life business should be segmented into homogenous groups with the factors applicable to these groups reflecting the risks.
American Council of Life Insurers	United States	[110] We believe that limiting the BCR to a few factors makes it too blunt an instrument to be useful. We urge the IAIS to consider ways to make individual factors more granular.
National Association of Mutual Insurance	United States of	We agree with a simple approach that does not incorporate significant granularity for the BCR proposed at this time. We assert that capital is just one tool in the assessment of the solvency position of an insurance company. For this reason, we believe that instead of

Companies	America	adding granularity and complexity to subsequent capital formulas (HLA and ICS), that the basic capital analysis and internal capital models should be provided to supervisory colleges for an outcomes-based assessment of the capital levels, insurance and non-insurance activities, diversification and the solvency position of the company. This enables a more principle-based process that focuses supervisory college resources on the companies in most need of attention. Comparability should be focused on the company's overall solvency and not solely on capital levels. This approach can resolve some of the natural tension noted in paragraph 16 between simplicity, comparability and risk-sensitivity.
CNA	USA	CNA recognizes the possibility that more factors than ten may be needed for the BCR to meaningfully reflect material risks in the various sectors of the insurance market. We recommend that the IAIS observe the field-testing process before attempting to establish a specific quantity of risk measures.
Liberty Mutual Group	USA	As noted previously, use of between five and ten risk measures and factors oversimplifies the evaluation and will not produce meaningful information for supervisors. Any attempt to achieve meaningful "comparability" or to produce an effective capital assessment based on such a limited number of factors will fail because differences among insurers cannot be discerned using so few factors.
North American CRO Council Incorporated	USA	Field testing should be conducted with a goal of developing a simple yet effective approach. Given that a factor-based approach will be used, field testing should identify the least number of factors needed for a meaningful calculation. There is no advantage to predetermining an arbitrary number of factors at 10 or fewer.
Northwestern Mutual	USA	We agree that all major risks need to be included. We believe that in order for the BCR to serve the purpose for which it is designed, no major risk should be ignored. In order to do this many more than ten factors will be needed. - Insurance companies have a wide range of assets available for investment with a wide range of risks (common stock, equity real estate, private equity, below investment grade bonds, commercial mortgages, residential mortgages, leveraged leases, etc.). - Insurance risks are diverse (mortality, morbidity, longevity, catastrophic, medical inflation, etc.). - Interest rate risk, as distinguished from credit risk, also needs to be included. For example: interest rate guarantees and disintermediation risk. - Other risks need to be considered, such as counterparty (reinsurance and derivatives), operational, general business, etc. Insurance risks - that is, the variability of claim costs - are not typically a multiple of the liability measure. The liability measure is typically a function of the degree of prefunding in the contract (term life insurance vs. permanent life insurance). An alternative approach to the BCR which focuses on insurance risks and avoids some of the difficulties using a liability measure would be to calculate required capital as risk factors times risk bases indicative of insurance risk. Such economic indicators would be independent of the insurer's regulatory or general purpose accounting basis. Examples include:

		- Life Insurance risks are related to amounts of insurance at risk or expected claims or both; - Disability income and long term care risks are related to claim costs or expected claims; and - Disintermediation risks are related to available cash values.
5.5 - Comments on Generic example		
Actuaries Institute Australia	Australia	We have no additional comments on this section.
Insurance Europe	Belgium	Please refer to our comments on Generic example and Key risks addressed. * We believe that the statement under paragraph 113 regarding the fact that risk sensitivity will always increase by including additional factors needs a caveat saying that risk sensitivity will increase if and only if the factors themselves are predictive of risk.
Canadian Life & Health Insurance Association Inc.	Canada	#113: As per our comments on #17, 22, 27, 49 and 102, the NTNI category should be removed from the formula. The risks pertaining to all activities, including these identified in the future as NTNI, will be still covered under "liabilities" and "assets" and potentially "other".
China Insurance Regulatory Commission	China	1. In the BCR proposals the BCR calculation formula is listed, the calibration outcomes of assets, liabilities, NTNI and other risks are multiplied by its risk factors respectively and summed up to reach the BCR result, which reflect the risks of assets, liabilities, NTNI and other risks, but ALM risk and other major risk categories are not reflected. We suggest ALM risk and other major risk categories be added. 2. In the proposal, when calculating several components of the BCR, ie. insurance liability risk, insurance asset risk, NTNI risk and other risks, NT risk is presented in the calculation of both insurance liability risk and NTNI risk. Therefore, there's a high possibility of NT risk be double counted in the BCR risk categories. We suggest further study be conducted to avoid double counting. 3. In the Generic example, "BCR Adequacy Ratio = Qualifying Capital Resources / Required Capital" is listed. We suggest multilevel standards for BCR Adequacy Ratio be constructed to differentiate different risk profiles of G-SIIs.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
Gesamtverband der Deutschen	Germany	Paragraph 113:

Versicherungswirtschaft		The definition of risk measures and the calibration of factors should ensure that risks are not double counted by being included in more than one exposure base. Paragraph 114: Any adjustments made to capital resources should take into account that those adjustments should be reflected in required capital in order avoid double counting of risks (if items are deducted from capital resources, then there must not be a capital requirement for such items at the same time).
KPMG AG WPG	Germany	As mentioned, we remain concerned over how the NTNI and "other' measures will be used to derive appropriate factors and further work is required.
AIA Company Ltd	Hong Kong	Para 113. Please refer to our response to Q4
Global Federation of Insurance Associations	International	Our comments here reiterate our comments on paragraph 21-23. It is difficult to judge if the proposed generic example will work in practice until measures for the Liability, Asset, NTNI and Other categories are determined. Alongside this approach, some GFIA members believe that other approaches to the one proposed in the generic example should also be considered. For example it may be possible to base a simple BCR on a system where the total liabilities are split into segments, with factors applied to the liabilities in each segment. The factors applied to the liabilities would be calibrated to implicitly or explicitly reflect liability and asset risks, and also ALM. Such an approach would need more granularity than simply life/non-life liabilities to work, and would need to take diversification and risk mitigation into account. Other GFIA members believe that the framework could be based on asset and liability factors, as the Generic Example suggests.
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	As noted in our answer to question 6, calibration of the BCR within the timescales available will be very challenging. We therefore recommend that available standards (e.g. Solvency II MCR) are used to benchmark the BCR capital requirement. The Solvency II MCR is a simple factor based approach, based on a similar valuation framework that has been tested. In addition the MCR is designed to be a minimum capital requirement and therefore is a suitable base for HLA. Given that there is a trade-off between simplicity and risk sensitivity the benchmark for the BCR should be set as a minimum capital requirement, and avoid becoming a blunt front stop to ensure that it does not conflict with risk management incentives. In order for companies to implement BCR in systems and processes an indication of the expected reporting frequency would be helpful.
NYC Bar Association -- Insurance Law Committee	New York	No specific comments.

Association of British Insurers (ABI)	United Kingdom	Please refer to our response to question 4.
American Council of Life Insurers	United States	[113] We agree that all material risks should be included within BCR. However, we believe that it is not necessary to distinguish NTNI risks within BCR, especially given the short-time line. The next step (HLA) will define activities and measures for purposes of a systemic risk charge for NTNI; that is not the purpose of the BCR. [113] We believe that the BCR framework should consider diversification. The use of a simple diversification matrix should not be precluded as it may be the simplest way in which to recognize natural offsets among certain risks. [114] We have serious concerns with the October 2013 proposed definition of "qualifying capital resources,' as set out in our comments on the ComFrame consultation. We believe that the BCR framework should be built on a total capital basis.
NAIC	United States	Given that the consultation paper states in several places that the primary purpose of the BCR is as a uniform base upon which to apply HLA for G-SIIs, the examples shown in Section 2.3 and again in Section 5.5 should be modified to include HLA so as to adequately illustrate that the BCR will be calculated in conjunction with HLA for G-SIIs. In addition, paragraph 56 stating that the BCR is not expected to be breached infers that in the short run the BCR will have a limited role on its own. This combined with its primary purpose being to provide a comparable base for HLA uplift for G-SIIs would indicate that it is a capital standard for systemic insurers only in combination with HLA and thus would only apply to G-SIIs.
National Association of Mutual Insurance Companies	United States of America	Discussion on how the BCR is applied is included under the key provisions relating to the components of the ratio.
Liberty Mutual Group	USA	As noted previously, this section describes a very simple ratio to determine whether an insurer satisfies a "BCR Adequacy Ratio." Until we know the details about the "factors" that will be used and the "adjustments" that will be made to an insurer's "capital resources" in order to determine its "qualifying capital resources," an accurate evaluation of whether this ratio makes sense is not possible. If the factors or adjustments are unreasonable this simple ratio will not be satisfactory.
Northwestern Mutual	USA	A review of the factor development documentation of other seasoned risk-based factor systems, including US RBC, confirms the extraordinary amount of analysis that goes into a quality factor-based capital indicator. The IAIS cannot practically perform that level of analysis within the time allotted to complete the BCR. Given this practical reality, we urge the IAIS to remain mindful of the potential for unintended consequences as it applies the BCR.
5.6 - Comments on Field testing process		

Actuaries Institute Australia	Australia	(118) We support the inclusion of more granular data in the field testing.
Insurance Europe	Belgium	As already mentioned, we believe that the field test design needs to be sufficiently flexible with regard to the granularity of segmentation. Given the limited timeframe to complete the BCR, we recommend that the IAIS focus only on this during the initial field testing and on the valuation basis to be used for it. Field testing should be organised such that those participating will be able to assess the structure and quantitative impact of the BCR, allowing also time for further refinement and testing in order to deliver an appropriate and workable measure.
Canadian Life & Health Insurance Association Inc.	Canada	#117: We applaud the intention to consider the stability over time of the BCR methodology and data inputs. We believe that the BCR also needs to be stress-tested and subject to a general sensitivity analysis in response to a variety of shocks to address upfront any potential unintended consequences of this measure.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
Institut des Actuaires	France	Comments on point 122: It is necessary to avoid situations where the BCR computation indicates to the group a "best risk management approach" contradictory with the local group required capital. This could lead to a situation where a group, whether its risk management policy is, will increase either its BCR or its local required capital (e.g. SCR).
Gesamtverband der Deutschen Versicherungswirtschaft	Germany	Paragraph 118: An impact analysis of the resulting BCR calibration should be made is order to assess the appropriateness of aggregation of risks within the resulting formula. Paragraph 120: Clarification and implementation of confidentiality arrangements is an indispensable prerequisite of participation in the field test.
KPMG AG WPG	Germany	While we appreciate the sentiment of the comments being made at paragraph 118, the IAIS should be careful not to be perceived as going on a "fishing exercise' in terms of the amount of data collected. There are significant costs for the industry in participating in this exercise (even for those firms who are not formally within the FTTF), and we urge the IAIS to consider such issues fully.
Global Federation of	International	We believe the field-testing should allow for the greatest possible diversity of participation and seek to limit the workload on participating

Insurance Associations		companies by allowing estimations, proxies and generally accept a best efforts approach. This includes for example allowing, insurers to report their undiscounted central estimates for claim liabilities as reported under national GAAP or equivalent, rather than best estimates. The field test design needs to be sufficiently flexible with regard to the granularity of segmentation to allow the testing of different approaches as indicated in our comments on the Generic Example. In particular this means gathering data on liability segments more granular than life/non-life. The inclusion of ComFrame within the field testing risks insufficient attention being given to the development of the BCR and its valuation basis. Given the limited timeframe to complete the BCR, we recommend that the IAIS focus only on this during the initial field testing. The GFIA urges the IAIS to organise the field testing in a way which allows for firms to assess the quantitative impact of the BCR, and consequently allow for further refinement and testing. This would require going beyond data collection exercises, and would include testing of at least one of the models. This would help ensure that the balance between simplicity and accuracy is appropriately struck.
International Actuarial Association	International	Paragraphs from 116 to 123; We appreciate the balance between extra work on the field test and being able to understand the impact of the proposals. And we appreciate that the field testers and regulators are best suited to decide this. Would it be of value to include a team of contributors (or have it be included in the additional data request) to back test via assessing the historical results of known stressful periods (i.e. 2007-2009)?
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	Combining BCR and ComFrame/ICS development within the field testing risks that insufficient focus is given to the development of the BCR. Given that the BCR needs to be completed within a number of months the field testing should have a strong focus on the BCR. The testing of the BCR should be sufficient to allow G-SIIs to assess the structure of the BCR and also to assess its quantitative impact allowing time for further refinement and testing in order to deliver an appropriate and workable measure. The timescales for this development are exceedingly challenging and we would urge the IAIS to seek agreement with the FSB that delivery of a framework approach by November with further development of the calibration during 2015 would be an appropriate outcome.
NYC Bar Association -- Insurance Law Committee	New York	No specific comments.
Association of British Insurers (ABI)	United Kingdom	The timescales for this development are exceedingly challenging and we would urge the IAIS to seek agreement with the FSB that delivery of a framework approach by November with further development of the calibration during 2015 would be an appropriate outcome.

		Combining BCR and ICS/ComFrame development within the field testing risks insufficient focus being given to the development of the BCR. Given that the BCR needs to be completed within a number of months, the field testing should primarily focus on the BCR. Further, the testing should be sufficient to allow G-SIIs to assess the structure of the BCR and also to assess its quantitative impact, allowing time for further refinement and testing in order to deliver an appropriate and workable measure.
American Council of Life Insurers	United States	[120] ACLI welcomes IAIS Members' attention to confidentiality concerns in field testing. We would appreciate any further statements that could feasibly be made at this time about the nature of the confidentiality protections to be provided for data collected during field-testing and for any data or results retained after field testing, which we assume will include critical protection against any disclosure of BCR field testing data or results to the public.
American Insurance Association	United States of America	Paragraph 105/Paragraph 116 & 119 - "factors are not proposed to be entity specific". We agree with this comment, but we also believe that the point is underappreciated in the remainder of the document. Within the insurance sector, size is not a determinate of systemic activity and insurance GSIIs may not represent the largest companies. As such, we would strongly de-emphasize the comments under the Field Testing Section (5.6) regarding the need for data from the GSIIs themselves. To create an effective and robust BCR, the risk factors need to be calibrated to broad industry data/experience and not just the experience of the small populations made up of GSIIs.
National Association of Mutual Insurance Companies	United States of America	We agree that informed decision-making will require well-developed field testing. We believe that testing over two months and analysis over two-three months will not be sufficient to produce the necessary results to design and support a global capital standard. In addition, field testing should be conducted in a manner that welcomes participation from all countries and all insurance sectors. Testing that is not open to representation from all significant sectors of all significant markets subject to the BCR, will necessarily be insufficient to identify the disadvantages and advantages of the process. This will require flexibility in the accounting standards and measurement techniques for the field testing participants.
Liberty Mutual Group	USA	As noted throughout these comments, a robust and informative field testing process is an essential element to the development of any capital assessment methodology. Ensuring the information provided in field testing remains confidential is a critical element of that process. We appreciate the recognition of this essential interest in this section.
Northwestern Mutual	USA	The risk of harm that an overly aggregated "simple" system with few factors will generate misleading results is greater than any likely benefit to avoiding more factors. The simplification of assumptions that will be necessary to get to a ten-factor system will likely lead to misleading results.
5.7 - Comments on Next steps		

Actuaries Institute Australia	Australia	(125) We note that the timeline is extremely short.
Insurance Europe	Belgium	None
Canadian Life & Health Insurance Association Inc.	Canada	#125: The timetable seems very aggressive, in particular given the experience with similar projects such as IFRS Phase II, Solvency II or our own in Canada where the design and implementation of a new solvency framework is acknowledged to take several years and entails several quantitative impact studies to ensure appropriateness. However, the Canadian insurers are committed to do our best to assist IAIS in meeting the timelines. Annex A - Relationship with other IAIS initiatives We highly recommend that at the initial stage both BCR and HLA are used for comparative purposes, with no hard-core limits imposed on levels of either, and no initial public disclosure. The measures should be used for comparative purposes until more experience is gained with their behaviour. A formal statement should be issued in this regard to markets in order to reduce uncertainty on action required. Such uncertainty could be harmful for insurance companies accessing markets and obstructive to orderly planning of capital and risk action by companies. Accordingly, we do not only agree with the IAIS that the management of breaches are beyond the scope of BCRs, but in fact believe that no limits should be imposed on the BCR for the time being so that the very notion of a "breach" does not apply.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
KPMG AG WPG	Germany	As previously stated, the IAIS has decided that in response to the FSB's request for a straightforward capital backstop measure that it has decided to adopt an approach which is now designed to build a risk-based factor model (albeit simple). While we support a BCR that has these elements long-term, we think the timetable provided to the industry could result in a sub-optimal outcome that could be proven counter-productive over the longer-term. We believe the IAIS would have been better suited to apply a set of minimum stress and scenario tests as basic requirements whilst they first addressed issues concerning valuation - of both assets and liabilities.
AIA Company Ltd	Hong Kong	Para 126. Please refer to our response to Q1. Also, we suggest that there be continued public consultation by the IAIS, particularly with industry, on the development of the BCR, HLA, ICS and other proposals to increase the level of transparency in respect of these initiatives.
Global Federation of Insurance Associations	International	No comments

NYC Bar Association -- Insurance Law Committee	New York	The schedule seems highly compressed considering the amount of work that needs to be done. The U.S. experience in producing uniform regulations among the 50 states informs us that the process will take longer and require more rounds for comment. In another example of this type of process, the Basel Committee on Banking Supervision was formed in 1974 but did not publish its capital standards until 1988. While 14 years is too long, we respectfully submit that the proposed schedule may be too ambitious.
American Council of Life Insurers	United States	[124] Given the novelty of this measure, we believe it should be for the time being used solely for comparative purposes, with no limits attached and no disclosure to the public. Both the industry and regulators need to understand through testing and time analysis how the BCR behaves over time and under different shocks, and how it interacts with the existing national regimes. The BCR document should be clear on this intention to avoid substantial uncertainty in the markets (rating agencies, analysts, investors) regarding the implications of the BCR, which could be quite disruptive for companies and raise costs of accessing the markets.
NAIC	United States	The 2nd bullet point in paragraphs 38 and 126 notes that a decision is pending on whether the BCR will apply to IAIGs. Since the goal is to have the ICS replace the BCR with the implementation of ComFrame, and the ICS will apply to all IAIGs including G-SIIs, the rationale for applying the BCR to IAIGs at this time is unclear. Based on the following, there does not seem to be much rational for applying the BCR to all IAIGs: - A stated goal in the paper is to have the ICS replace the BCR as the basis for HLA (see paragraph 12), and that the ICS will apply to all IAIGs including G-SIIs starting in 2019. - It seems likely that there may be an overlap in timing between the BCR and the ICS for G-SIIs for some period starting in 2019 and ending with application of recalibrated HLA based on the ICS. - A reconsideration of the structure of the BCR is planned to see if it can serve as a true backstop to the ICS (see paragraph 12). - As a basic limited factor approach, the BCR may not be sufficiently risk-sensitive for a larger pool of entities.
National Association of Mutual Insurance Companies	United States of America	While we understand that the timetable for the project was not driven by the IAIS, we believe that it is too aggressive for IAIS to create, adequately field test and sufficiently analyze the results for a project at this level of importance for an industry as significant as the insurance industry. A rushed project will not produce quality results. Please note that the Basel III global capital requirement for banks took several years for significant acceptance and still it not adopted in all jurisdictions. Note also that Basel III was preceded by Basel II and Basel I that were in development and revised multiple times over more than three decades. Insurance has never had a global capital standard and rushing this process over a year or two is critically insufficient. At a minimum, informed decision-making will require well-developed field testing. We believe that testing over two months and analysis over two-three months will not be sufficient to produce the necessary results to design and support a global capital standard.
Liberty Mutual Group	USA	As we indicate in our response to Question 7, the IAIS has proposed an overly ambitious time frame. Rather than merely adhering to a time frame imposed by the FSB, the IAIS should be most concerned about taking sufficient time to develop a proposal that makes sense,

		is workable, and is one that jurisdictions are likely to adopt.
North American CRO Council Incorporated	USA	It will be important that the BCR be monitored as experience emerges and the ICS is developed. As a capital floor, any shortcomings that are uncovered may be addressed along the way without potentially severe consequences to the risk management practices of organizations or the market's view of their health.
Northwestern Mutual	USA	If the IAIS meets this very aggressive schedule, it is unclear how the BCR will be used going forward. Will the BCR be published? If not, will it be available to local regulators or just the global group-wide supervisor? The limited time available between now and September makes it practically likely that, in the best case, the BCR presented to the FSB will be only a rough directional approximation of an appropriately risk sensitive, effectively calibrated capital requirement for G-SIIs. Accordingly, should a version of the BCR be completed this year, it will need to be fully reassessed. This is one reason why it is important that the IAIS make clear that the BCR is intended only to be a minimum, not a target capital level (with HLA applied for G-SIIs to the extent additional capital is required to address systemically risky activity). In addition, given the inevitable limitations of the BCR in the form that it can be completed this year, it would be inappropriate to put it to any purpose beyond being an interim basis for applying HLA to G-SIIs. This BCR should not be applied to IAIGs.
- 1. Is the purpose of the BCR clear enough?		
Actuaries Institute Australia	Australia	The purpose of the BCR is clear, but we suggest that a conceptual "holding period' and degree of sufficiency would help G-SIIs, volunteer IAIGs and home supervisors when comparing results with existing benchmarks.
Insurance Europe	Belgium	Please note that our answers and comments on the questions are for information only as we consider that it is premature, at this stage, to be more specific in the absence of more detailed information on the BCR. As already noted, we are confused by the indication that the scope of the BCR might be extended beyond G-SIIs. Our understanding, emerging from the policy measures put forward by the IAIS and the FSB in July 2013, is that 1) the role of the BCR is to provide a basis for the computation of the HLA for G-SIIs and 2) is a temporary measure. We have taken this as a hypothesis in our input and we strongly believe that this is the most appropriate way to regard the BCR, especially given the significant time constraints and simplicity objectives. We however agree that work in the BCR debate will provide useful insights and conclusions to inform the developments of the ICS - and the relevant MCR/PCR measures already defined via ICPs.

Catlin Group Limited	Bermuda	No. This is currently still very unclear in particular - who it will apply to, at what level it will be calibrated and how it will interact with existing and future capital regimes. Calibration and who the BCR will apply are characteristics that should heavily influence the design and it is difficult to provide comments without knowing these. We encourage the use of the BCR alongside a range of measures to assess risk including it prompting conversation with regulators rather than used as a blunt tool.
Canadian Life & Health Insurance Association Inc.	Canada	We find the BCR purpose clearer, now that the "backstop capital requirements" were replaced conceptually by the "basic capital requirements". However, several important questions would need to be addressed in due time, including the relationship of BCR to the jurisdictional and regional capital standards, action required in response to the BCR level once any limits are put in place, the scope of its applicability (GSII or IAIGs).
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
European Insurance and Occupational Pensions Authority (EIOPA)	European Union	We support the expressed intention to further explore the future potential role of the BCR and a clarification of the differences in its potential application to G-SIIs and also IAIGs. On this question, our understanding was that in the immediate future the intention would be to use the BCR with the purpose of "Basic" Capital Requirements, mainly to serve as a comparable basis for the calculation of HLA and to abandon the concept of "Backstop" Capital Requirements, which can be interpreted as representing an absolute minimum level of capital serving as a backstop to a more sophisticated front-stop capital requirement. However, as highlighted in the first part of our comment to Q13, we find some inconsistent messages across the Consultation Document, which introduce some lack of clarity around this topic.
KPMG AG WPG	Germany	As sated, while we support a BCR that has a risk-based factor model, long-term, we think the timetable provided to the industry for the development of the BCR could result in a sub-optimal outcome that could be counter-productive over the longer-term. We believe the IAIS would have been better suited to apply a set of minimum stress and scenario tests as basic requirements whilst they first addressed issues concerning valuation - of both assets and liabilities. This is especially relevant given the level of policyholder protection. . We do not understand how the IAIS can proceed to develop a BCR in the absence of a decision on this issue.
AIA Company Ltd	Hong Kong	No. Please refer to our response to Q1
Global Federation of Insurance Associations	International	No comments

International Actuarial Association	International	We have combined some responses that might also have been made in earlier sections as well as in Questions 5, 6 or 8 below in order to make a more succinct submission. We think there are some important, not fully developed, aspects to this project, in regards to this question. Much of the initial input from our members showed that the objectives and desired outcomes need clarification. Thus we provide the following comments: 1. Which regulatory function(s) is the BCR intended to serve? Three important functions are surveillance, enforcement and modification of industry activities. The intended weighting of each of these is not clear and impacts the following questions: a. Is the intent to only act as an approximate early warning system that would invite further review and dialogue between supervisors and the company? Rating agencies and many local jurisdictions have developed their own sets of factors and indicators. But these are confidential to the regulator and to the company. When triggered, they invite dialogue and in some cases there are sound reasons why the trigger/factor was not reflective of the underlying soundness of the company. And in other cases, it does indicate an important area of concern. This would be an example of a surveillance type focus. b. Or is the intent for the measures to be public and to result in regulatory actions being taken (also in a public manner and with an enforcement type focus)? c. A third focus could be to assess why and when false indicators occur (or when there was no indicator that appeared such as for new NTNI activity). This would result in actions to impact the kind of behaviors, products and risk activities of the companies and/or to modify the framework. 2. Another question left open is what is meant by the objective to set the BCR to a going concern level. This usually implies a much higher level than that of just meeting policyholder obligations and, perhaps, is driven by the desire to avoid a G-SII that might fail its creditors. Given that factors are being used that are simplifications of risk, this might suggest setting a lower BCR to avoid false positive indicators. Other factors we expect to impact the setting of the standard include: a. There is no diversification credit contemplated. Yet there are non-financial insurance risks that are independent of the markets. b. If and how a factor is set for interest rate risk and the value of options and guarantees. c. Possible exclusion of operational risk. While this is very difficult to translate to a factor, it is an additional risk exposure to the company and may or may not be well addressed via a capital charge. 3. This pertains also to Question 5 & 8 - (Will the proposed approach to valuation of assets and liabilities provide sufficient global comparability & How should supervisors enforce the BCR in a consistent manner across jurisdictions?) We appreciate the challenges inherent in this project. We expect the standards will evolve and be reviewed not only over the next couple of years, but even more so after implementation in order to understand and enhance comparability. We would suggest the following principles to be considered in setting the reporting bases. a. Are there Robust Rules? b. Is there Reliable Reporting? This means that there are adequate company controls and expertise to prepare the information in a

		consistent manner. c. Is there a Rigorous Review? d. And most importantly, is there a Report that includes the context around what the numbers mean/don't mean or the key assumptions they are based on? As the BCR and ICS Rules are developed the other three principles can be used to assess the soundness of the framework. For example, there will always be important considerations in setting best/central estimates to assess the comparability across organizations. The IAA has already organized a group to define the professional actuarial role for actuaries that are preparing information needed for an IAIS defined reporting requirement in order to support principles c and d above. Any framework put forward will be a compromise between what is ideal vs. practical with simplifications that will miss something important or magnify something to be more important than it should be. Thus items c and d become important safeguards to ensure that the framework can evolve appropriately over time. We point out, for example, an important consideration for many non-life non-financial hazard risks. For example, the risks associated with motor insurance in Mexico with national health care are very different from the risks associated with motor insurance in the U.S. without national health care. Similarly, the risk from commercial property business written on the coast of Australia may not be "comparable" to commercial property business written in an inland location like the U.S. Midwest. As a result, comparability may not be directly achievable in the manner envisioned in this paper for non-life non-financial risk. The risk factor applied to the premium for a certain product in one jurisdiction may not be appropriate for the premium for the same product in another jurisdiction. Mitigating this problem requires evaluating the riskiness of each product separately by jurisdiction, as opposed to applying the same factor to a product's premium regardless of jurisdiction This is an issue for groups in which financial market risk may not be material. And is an excellent example of the kind of information that could be provided via an actuarial report on the appropriate context to be given to the reported BCR numbers, The focus should be the identification of G-SIIs that are in vulnerable financial condition, rather than the comparison or ranking of strong G-SIIs. A focus on comparing strong G-SIIs is a different goal than the identification of weak G-SIIs and will lead to a different BCR. The IAIS will need to be more explicit on the level of expenses it expects to employ, focusing on direct versus indirect and then again in wind-up versus going concern. In addition, is comparability realized at the minimum level, or is it meant to apply across the scale? Achieving comparability at the base level is likely doable, at best, in only an approximate sense. Trying for comparability across the full spectrum of BCR possible values is not likely to be meaningful.
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	The purpose of the BCR as initially set out by the FSB is clear: the BCR is a foundation for HLA requirements for G-SIIs in the absence of a global capital standard, and therefore it is a temporary measure until the ICS is developed. However, the IAIS has indicated that they have yet to decide whether it should be extended to non-G-SIIs and that it will be used to inform the development of the ICS. This indecision makes it difficult for the industry to confirm the scope for the BCR. Other items which need further clarification are whether the BCR will be a target or minimum capital requirement and whether it will be a temporary or permanent measure.

		There should be no extension to the initial aims of the BCR it should remain a temporary measure to provide a foundation for HLA requirements until the ICS is developed. The IAIS should clarify its statement that the BCR has to be reported in 2015 to the supervisor. It should also elaborate on how the BCR will be further developed up through 2019 when HLA and ICS is planned to come into force. We propose that the BCR data are kept confidential during the period 2015-2018.
The General Insurance Association of Japan	Japan	We think it is hard to say the purpose of the BCR, as shown in the draft consultation paper, has been made clear. We believe the relationship between the BCR and the ICS should be streamlined down the road.
The Life Insurance Association of Japan	Japan	We are concerned that the purposes of the BCR are unclear in many respects. Even if the specifics of supervisory measure in cases of breaches of the BCR were the responsibility of the supervisors involved, it would be desirable to clarify the regulatory purpose and framework of supervisory measures before considering the criteria for assessing the financial position of G-SIIs. If the regulatory purpose and framework of the supervisory measures remain unclear, G-SIIs may pursue risk-averse behaviors, assuming that excessive supervisory measurers will be taken. In addition, if supervisory measures varied widely across supervisory jurisdictions, it would result in regulatory arbitrage. Therefore, we request a clarification of the purpose of the BCR and the framework of supervisory measures in the next public consultation. We believe that it is beneficial to use market consistent valuation for insurance liabilities for the purpose stated in paragraph 47: "The BCR will be developed with the goal that G-SIIs continue as ´going concerns´." On the other hand, from the perspective of relevance, it might not necessarily be appropriate to apply the same criteria for assessing the financial position of G-SIIs under different regulatory purposes. Therefore, when considering the introduction of the new regulations for other purposes (e.g. from a run-off and/or winding-up perspective), amortised cost valuations, as well as market-consistent valuations, might provide practical and useful information in a certain situation, as stated in ICP 14, in contrast with the proposed approach in this consultation document.
NYC Bar Association -- Insurance Law Committee	New York	We believe that additional clarification of the role of BCR, and in particular its relationship to HLA requirements, would be very helpful.
Association of British Insurers (ABI)	United Kingdom	The purpose of the BCR as initially set out by the FSB is clear, i.e., that it is a foundation for HLA requirements for G-SIIs in the absence of a global capital standard. Therefore, it is implicitly a temporary measure until the ICS is developed. The IAIS should as a priority develop the BCR to be consistent with the mandated aims of the FSB, i.e., as a foundation for HLA requirements in the absence of a global capital standard.

American Council of Life Insurers	United States	No, it is uncertain in 4 aspects. Is it a minimum or a target? Is it temporary or permanent? Is it intended to apply to GSIIs only or to have a broader application? To what balance sheet will the factors be applied?
National Association of Mutual Insurance Companies	United States of America	At this time it is unclear if the BCR will be applied only to G-SIIs or to all IAIGs this clarity is very important and should be provided. The other significant issue is whether the BCR is a temporary requirement put in place until the HLA and the ICS are developed or if it will be converted to a "Backstop" capital requirement. Clarification of these issues is important to the interested party's ability to evaluate the proposal.
CNA	USA	The purpose of the BCR and how it will be used is not clearly defined which makes it difficult to provide constructive feedback.
Liberty Mutual Group	USA	No. The proposal states in Section 3.5 "[t]here will be a need to consider how the BCR may evolve after 2014 in light of the development of the ICS, and also to consider whether and when it may apply beyond G-SIIs. These considerations will be commenced after the field tests are conducted in 2014." The explanation provided about the purpose of the BCR simply does not offer any possible grounds as to why the BCR should ever apply to IAIGs. On numerous occasions the IAIS has acknowledged that traditional insurance activities do not create or contribute to systemic risk. Therefore, the IAIS must now give insurers more guidance as to what factors will be considered in deciding whether the BCR should "apply beyond G-SIIs."
North American CRO Council Incorporated	USA	Additional clarity is required regarding the intended application of the BCR and its interaction with other proposed capital measures.
Northwestern Mutual	USA	While it is clear that the BCR is intended primarily to be the foundation for HLA for G-SIIs, the IAIS should make clear that this is the only purpose for the BCR. The practical limitations on developing an appropriately risk-sensitive, effectively calibrated capital requirement in the allotted time mean that this BCR will not be fit to apply to IAIGs.
- 2. At what level should the BCR be calibrated compared to existing national benchmarks?		
Actuaries Institute Australia	Australia	We have no specific suggestions at this stage.
Insurance Europe	Belgium	Given the tradeoff between simplicity and risk sensitivity, the benchmark for the BCR should be calibrated as a minimum capital requirement. In this respect, the Solvency II MCR would provide a useful reference point for calibration of the BCR, given that it is a simple factor-based approach based on a similar valuation framework, which has been tested.
Catlin Group Limited	Bermuda	This depends entirely on its purpose. Based on our current understanding of the measure and its simplistic factor based approach then a

		calibration similar to the Solvency II MCR seems appropriate.
Canadian Life & Health Insurance Association Inc.	Canada	We do not believe it is feasible to calibrate the BCR upfront to existing national benchmarks as meaningful comparisons need to take into account a normal course of business, through time, as well as responses to various shocks and stress scenarios. This question should be addressed at a later time once sufficient analytical work is completed comparing the BCR requirements to those of the existing regimes.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	Given the application only to G-SIIs, the calibration should be higher, to reflect systemic risks.
KPMG AG WPG	Germany	We note that a BBB measure (or equivalent) used by rating agencies to assess the capital adequacy of an insurance firm generally purports to represent a confidence level of 99.5%. Anything below this level of capitalization, the rating agencies consider the entity stock to be "junk'. A rated insurer who falls below BBB (or equivalent) can no longer obtain reinsurance cover. In effect, the market has concluded that the insurer is no longer viable. It therefore seems consistent, from a regulatory capital perspective, that the setting of basic capital requirements (or minimum capital requirements) i.e. BCR, could use this level as a target for an appropriate calibrated level. However, it remains unclear from the IAIS whether "basic' is equivalent to "minimum'. Further clarity from the IAIS is required.
AIA Company Ltd	Hong Kong	Capital requirements vary substantially from jurisdiction to jurisdiction. An economic standard may be greater or less than a particular national standard. Therefore the BCR requirement as applied in any particular jurisdiction could be more or less than the local standard. It is important that local requirements not serve as a floor for the BCR. This would only ensure that the BCR is stronger than current required levels on a group basis. It would not assure appropriate capital levels.
Global Federation of Insurance Associations	International	No comments
International Actuarial Association	International	Given the business model behind both the business and regulation of insurance, it has been our experience that regulatory capital targets work best when set as a floor based on policyholder protection of guarantees. The nature of insurance as a conservative approach to managing risk means that companies will target their business operations at a going concern level well in excess of regulatory action requirements to maintain the ratings and sales goals needed to remain a viable, ongoing operation. Regulators and companies research, set up and track early warning indicators that are more aggressive/sensitive so they can more clearly distinguish between measures that are truly emerging risks and those that just trigger false noise. We suspect that a floor set at a lower level heightens the focus and awareness of all involved to be on the lookout for emerging indicators. A target set too high leads to micro managing of the business (and regulatory process) and a lessened focus on more fundamental emerging risks
Institute of International Finance - IIF / The Geneva Association	International (USA / Switzerland)	As noted in our answer to question 24, given that there is a trade-off between simplicity and risk sensitivity the benchmark for the BCR should be set more toward a minimum capital requirement (e.g. similar to the Solvency II MCR), and should avoid becoming a blunt front stop. This will ensure that it does not conflict with risk management incentives. In addition, the BCR should not conflict with the outcome

(GA)		of a more refined framework.
The General Insurance Association of Japan	Japan	A sufficient amount of calibration work should be conducted appropriately, so that, at least, the BCR will not broadly deviate from the current level of capital standards in respective jurisdictions where insurance groups participating in the field test are located.
The Life Insurance Association of Japan	Japan	We believe it should be determined from the perspective of the consequential impact of capital cost increase on policyholder benefits.
NYC Bar Association -- Insurance Law Committee	New York	The question is not altogether clear to us because we understand the BCR to be a trans-national standard. While BCR should have an internal consistency (which itself presents challenges, as discussed elsewhere herein, particularly in our responses to Q.12 and Q.16), we do not understand the motivation for or feasibility of "calibrating" any BCR results to national benchmarks.
Association of British Insurers (ABI)	United Kingdom	Given that the BCR will involve a trade-off between sensitivity and simplicity, and to avoid creating a requirement that discourages sound risk management and provides encouragement for inappropriate risk taking behaviors, it is important that the factors are not calibrated too high. We consider that the BCR should be calibrated as a backstop and therefore should be akin to a minimum capital requirement (MCR). In this respect, the Solvency II MCR could provide a useful reference point for calibration of the BCR given that it is a simple factor based approach based on a similar valuation framework that has been tested. In addition, the MCR is designed to be a minimum capital requirement and is therefore a suitable base for HLA.
American Council of Life Insurers	United States	Given the potential for negative market impacts, we propose that no formal limits be attached to the BCR for the time being. Additionally, given the uncertainty about the BCR, the IAIS should ensure that the measure is parallel to national benchmarks and does not create (or at least attempts to limit) directional conflict with all national benchmarks. The IAIS should focus on policyholder protection clearly for the BCR, and not create conflict with national regimes that focus on policyholder behavior. The definition of capital resources should not conflict with this focus. For example, if policyholder protection is the focus, then debt would be allowed as part of the capital. The focus of the current BCR appears to be the policyholder and the creditor, which is a very different focus than policyholder protection.
National Association of Mutual Insurance Companies	United States of America	It will be important to know if this is a temporary measure or a permanent measure to respond to this question.
Liberty Mutual Group	USA	In order to answer this question, the IAIS must provide more information as to whether the objective is to develop a minimum capital standard or a target capital standard.
New York Life International	USA	See response to Q10.

Northwestern Mutual	USA	Existing local insurance regulatory capital requirements are designed to provide triggers for regulatory intervention when necessary to protect policyholders. They are not designed to protect creditors. Likewise, the BCR should be calibrated as a minimum capital threshold, not a target that would interfere with the responsibilities of the insurer's board and management. Systemic risk concerns should be addressed with the addition of HLA for G-SIIs. Regardless of the level of calibration of the BCR, it needs to account for the impact of local insurance regulatory requirements. Local jurisdictions will prevent capital flows that would violate local capital requirements. Accordingly, available capital under the BCR is likely to be overstated if, for example, best (current) estimate liabilities that are lower than local regulatory levels are used to measure available capital.
- 3. Is the BCR expected to be a temporary measure, until the risk-based group-wide global insurance capital standard (ICS) is in place, or will it continue to apply?		
Actuaries Institute Australia	Australia	We suggest that the role of the BCR will depend on the nature of the ICS.
Insurance Europe	Belgium	As already indicated, we believe that the BCR should be a temporary measure. Moreover, we expect the BCR to be calibrated as a "basic" level, for example, significantly below the level set by the SCR under Solvency II, because otherwise the simpler BCR would create conflicting requirements relative to the sophisticated Solvency II requirements.
Catlin Group Limited	Bermuda	Expectation is that the BCR will continue to apply as a "back stop" to the ICS amount.
Canadian Life & Health Insurance Association Inc.	Canada	The relationship between the BCR and ICS should depend on methodologies underpinning the two capital metrics. If the ICS is a more advanced form of BCR, for example, using more factors, then we would find the BCR redundant. If, however, the ICS is not simply a more refined form of BCR, there might be the case for applying both measures.
China Insurance Regulatory Commission	China	There is certain gap between the maturity of China's insurance market and its risk categories and that of the developed markets. We suggest the application timeframe of BCR be extended to some extent. After the HLA is constructed, the BCR may still be applied while also referring to the indicators of HLA and ICS. This could be changed when all conditions are ready.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	Should be permanent and should be set at the commensurate level to systemic risk posed by G-SIIs.

KPMG AG WPG	Germany	In your paper, you argue that the BCR will be used as the basis for development of the ICS - so it is not clear to us what the intent of this question is.
AIA Company Ltd	Hong Kong	We think the IAIS should clarify this. However, we believe that once the ICS is developed, there should be no need for a BCR, and certainly not one applicable to IAIG's.
Global Federation of Insurance Associations	International	No comments
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	While it is premature to answer this question, it is clear that the initial aims as communicated by the FSB are that this is a temporary measure. Given that ICS and ComFrame are being developed as a comprehensive framework building on the ICPs, and that the ICPs envisage both a front stop (PCR) and backstop (MCR) capital requirement there is no rationale for retaining a separate BCR once the new capital framework is in place.
The General Insurance Association of Japan	Japan	We believe that consideration should be given to having the ICS play the role as the foundation of the HLA, and use the BCR as a temporary measure until then.
The Life Insurance Association of Japan	Japan	If the IAIS gives the highest priority to developing the BCR within the assigned time frame, the BCR would inevitably be a temporary measure at this time.
NYC Bar Association -- Insurance Law Committee	New York	In view of the significant management resources that an insurance group must devote to determining and monitoring its compliance with capital standards, ICS should replace BCR not supplement it or apply simultaneously. Also see our response to Q.30.
Association of British Insurers (ABI)	United Kingdom	Yes, as per our answer to question 27 above, the BCR should only be a temporary measure. As the ICS builds on ICPs, which already define backstop (MCR) and front-stop (PCR) requirements, the BCR will not be necessary once the ICS is in place.
American Council of Life Insurers	United States	This question is difficult to answer until we see the exact form of the Basic Capital Requirement and the Insurance Capital Standard (ICS) because the answer could vary depending on the structure of the ICS. If the ICS is just a more advanced version of the BCR formula, there is no need to maintain the BCR.
National Association of Mutual Insurance Companies	United States of America	We have stated this same question in our concerns about clarity of purpose. At a minimum the continued need for the BCR should be re-evaluated after the HLA and the ICS have been developed.

CNA	USA	After the development of the ICS we recommend that the necessity of the BCS be re-evaluated to ensure consistency in approach and calibration. We make this comment without the benefit of understanding how the ICS will be developed and used in practice. Although we suggest that the ICS be developed to include various layers of regulatory intervention so that it could solely meet the requirements of the PCR and MCR. For example the PCR could be calibrated to be a multiple of the MCR in the ICS model. This would ensure consistency in concept between the two capital thresholds while making it less likely that a group could "game the system" to avoid regulatory scrutiny.
Liberty Mutual Group	USA	We need more information about the objective of the BCR in order to answer this question. However, if the BCR becomes only a temporary measure, one can infer that the BCR standard, which is presumably still meant to apply only to the G-SIIs, has been expanded to apply to all IAIGs. We strongly disagree with that potential result.
New York Life International	USA	See response to Q10.
North American CRO Council Incorporated	USA	Given the deliberately simplistic approach to the BCR, it would be inappropriate to use the same approach to develop the ICS without serious consideration of other approaches and methodologies or an expansion of granularity. Ultimately, once the ICS is developed, the form and function of the BCR may need to be reconsidered.
Northwestern Mutual	USA	This BCR should be temporary and limited in purpose to being an interim basis for HLA for G-SIIs.
- 4. Should a backstop capital measure be introduced to complement the proposed ICS, in addition to or instead of the BCR? If so what should the purpose of such a backstop capital measure be, compared to the BCR?		
Actuaries Institute Australia	Australia	We suggest that the need for a backstop capital measure will depend on the nature of the ICS
Insurance Europe	Belgium	Please refer to our responses to questions 1, 2 and 3. * However, we believe it would be helpful to clarify if, as we have assumed, the backstop capital measure referred to in the consultation is the same as the Minimum Capital Requirement (MCR) defined in ICP 17. If not, their different purpose should be defined.
Catlin Group Limited	Bermuda	It does not seem practicable for both a BCR and a backstop capital measure to be in existence. Whether the BCR is reasonable to use as a backstop amount to the ICS or whether it needs to be replaced depends on the development of the BCR and the development of the ICS and the degree to which they work suitably together.

Canadian Life & Health Insurance Association Inc.	Canada	Similar to the banking requirements, if ICS is based on methodologies that are not readily comparable between companies, for example internal models, there may be the case for either retaining the BCR or developing a backstop capital measure. We would find, however, the introduction of backstop capital in addition to the BCR redundant and even risky. Insurance companies do not have experience with being measured in a comparable manner globally for solvency purposes and the introduction of multiple metrics may result in conflicting signals which would be challenging to explain and overall unmanageable.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
KPMG AG WPG	Germany	It is unclear at this stage whether the IAIS is asking, in this question, whether the BCR is aimed to be a "backstop' measure, as in a last resort minimum requirement, or whether it is saying that in addition to this measure, a more adequate level of capital might be required. It is likely to require more analysis as to where the level of policyholder protection is set for the BCR before any further views can be given.
AIA Company Ltd	Hong Kong	We see no need for a "back stop" if the "front-stop" has been appropriately designed.
Global Federation of Insurance Associations	International	No comments
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	We do not see a reason to have both a backstop and a basic capital requirement in addition to a comprehensive ICS. In developing an ICS that builds on the ICPs the BCR and MCR effectively should serve the same purpose. Therefore once the new capital framework has been developed there will be no rationale need for a separate BCR and MCR.
The General Insurance Association of Japan	Japan	The existing entity-based capital requirements of respective jurisdictions practically play the role of "backstops", and supervisors of these jurisdictions can implement necessary supervisory intervention. We do not believe that additional group-wide backstop capital requirements to supplement the group ICS would be necessary.
The Life Insurance Association of Japan	Japan	It depends on the final standards of the ICS whether additional measures are needed. The IAIS should firstly completely develop the ICS, and then consider the necessity of introducing a backstop capital measure.
NYC Bar Association -- Insurance Law Committee	New York	Regardless of whether a "backstop" capital measure is implemented to "complement" the ICS, any co-existing ICS and BCR rules should be fully integrated with each other (and also integrated with any distinct HLA requirements).
Association of British Insurers (ABI)	United Kingdom	No, see our answer to question 29 above.

American Council of Life Insurers	United States	No, a backstop capital measure should not be introduced in addition to the BCR. The BCR should be reassessed if and when there is an ICS, and efforts should be made to align it with ICS as much as possible. We believe that the IAIS should minimize the number of solvency standards that groups are subject to.
National Association of Mutual Insurance Companies	United States of America	It depends on the intended application of the requirement. To respond we still need confirmation that the BCR will apply only to G-SIIs.
CNA	USA	After the development of the ICS we recommend that the necessity of the BCS be re-evaluated to ensure consistency in approach and calibration. We make this comment without the benefit of understanding how the ICS will be developed and used in practice. Although we would suggest that the ICS be developed to include various layers of regulatory intervention so that it could solely meet the requirements of the PCR and MCR. For example the PCR could be calibrated to be a multiple of the MCR in the ICS model. This would ensure consistency in concept between the two capital thresholds while making it less likely that a group could "game the system" to avoid regulatory scrutiny.
Liberty Mutual Group	USA	There is no need for a backstop capital measure to apply to IAIGs which are not also G-SIIs. The IAIS should decide (and do so promptly) that the BCR is redundant and unnecessary (for IAIGs) if there is an ICS.
New York Life International	USA	See response to Q10.
North American CRO Council Incorporated	USA	See response to Q29.
Northwestern Mutual	USA	Accepting for argument that there should be an international capital standard for insurers, there is no conceptual reason, if that standard is developed prudently, why it should need a backstop.
- 5. Will the proposed approach to valuation of assets and liabilities provide sufficient global comparability?		
Actuaries Institute Australia	Australia	We believe that the use of fair value asset and liability valuations should provide a reasonable degree of global comparability.
Insurance Europe	Belgium	We believe that a more clear idea on comparability will be achieved once field-testing is concluded.
Canadian Life & Health Insurance Association	Canada	As it is challenging to accommodate within a simple framework asset-liability management benefits and to recognize long-term nature of insurance products, the BCR needs to be viewed as a very high level measure of comparability. To somewhat address these challenges,

Inc.		we believe that the choice of discount rates determining best estimate liabilities, should make use of market information only when markets are very deep and liquid, with a reasonably fast grading to modelled long term rates determined based on a long time series of observations aligned with the long term insurance liabilities. Similarly, more explicit guidance should be provided on the rigour of updates to actuarial assumptions and their application to both the inforce and new business.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	No comments
KPMG AG WPG	Germany	Unlikely. Only a true global standard used by all jurisdictions will there be true global comparability. Anything less than this position will always be a compromise and remain the subject of dispute concerning sufficiency of comparisons.
AIA Company Ltd	Hong Kong	There will need to be more specificity around liability valuation, but the overall direction as stated in the Consultation Paper is appropriate. In particular, the following need to be explicitly addressed: (i) discount rate, (ii) time value of options, and (iii) treatment of non-guaranteed benefits. For the BCR, it is unlikely that the time value of options can be accurately measured except for certain well-defined calluses of business such as variable annuities with guarantees. For business with non-guaranteed benefits, such as policyholder dividends, we suggest a simply approach would be to base the valuation on guaranteed benefits only and classify non-guaranteed benefits as available capital. Both of these suggestions should be subject to refinement when the ICS is developed.
Global Federation of Insurance Associations	International	No comments
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	This question is premature to answer at this stage as the consultation is not specific enough on IAIS approach to valuation of assets and liabilities. The IAIS will need to be pragmatic in what is specified and what reliance is placed on existing practice in order to deliver a workable solution within the timeframe required. We think some sacrifice of comparability should be made for operational purposes achieving the goal to deliver a BCR by November 2014. In addition, comparability is linked to the existing frameworks that companies need to manage to and therefore the extent to which the valuation basis developed by the IAIS reflects the actual risk management choices of companies. Accordingly, IAIS valuation should be generally linked to economic and IFRS approaches and avoid unnecessary prudence or the prescription of yield curves to which companies do not currently manage.
The Life Insurance Association of Japan	Japan	We basically understand that the proposed approach of using current estimate liabilities as a basis for valuation of liabilities might increase comparability as opposed to an approach using the liabilities of G-SIIs in accordance with national accounting standards. On the other hand, because current estimate liabilities are to some extent measured at the discretion of G-SIIs, the allowance level of discretion should be examined and considered through the field testing process, in order to ensure comparability.

NYC Bar Association -- Insurance Law Committee	New York	We express no view at this time.
Association of British Insurers (ABI)	United Kingdom	Yes, although the IAIS will need to be pragmatic in what is specified and what reliance is placed on existing practice if a workable approach is to be developed within the timeframe.
American Council of Life Insurers	United States	The sufficiency of comparability will depend on how supervisors use the resulting metrics. The BCR is admittedly blunt, and it is important that it not become a crude constraint on markets until a more sensitive measure is designed. If supervisors use the BCR in a way that is similar to how ratings agencies use their own internal metrics, the BCR may be sufficiently globally comparable for the purposes of providing insight to supervisors. Supervisors can use this insight provided by BCR results to learn and investigate before taking action. However, if regulators were to use the results to act precipitously, without investigating the cause of the results, they could ignite a global contagion without cause.
National Association of Mutual Insurance Companies	United States of America	Comparability may not be the correct term for the analysis. Perhaps consistency is the better term to capture the differences between companies operating under completely different regulatory structures.
CNA	USA	For non-life insurers if nominal best estimate with management judgment is used comparability can be achieved since this approach is what most insurers use currently to report and analyze their results.
Liberty Mutual Group	USA	No. It is not sufficiently granular and a factor-based approach that would, theoretically, have high enough granularity to provide comparability is simply not workable. A better approach is to ensure that there is global consistency in the development of internal models and not to force global consistency on outputs, in light of the unique nature of each insurer's own business and risks.
New York Life International	USA	See response to Q10.
North American CRO Council Incorporated	USA	Global comparability will be difficult to accomplish and subject to rapidly declining incremental benefit versus the effort involved. We suggest applying an "80/20 rule" with a focus on key adjustments that provide comparability across major risk categories.
Northwestern Mutual	USA	No. The comparability of process the IAIS proposes may, for a variety of reasons, create non-comparable portrayals of insurers' risks: - An overly prescriptive attempt at "market consistent" valuation will sacrifice measurement accuracy and lack appropriate sensitivity to risk. - An overemphasis on simplicity may overlook risk mitigation arising from the ability to pass experience, at least partially, to policyholders, in the wide range of participating contracts (especially those with discretionary payments) currently sold. Such risk mitigation can increase available capital when compared to best estimate liabilities. - A disregard for local regulatory capital requirements will overstate available capital for some G-SIIs.

		We believe any desire for simplicity should be properly balanced with the greater need to have a methodology that reflects the actual risks of an insurer so that the BCR is reliable and useful to regulators.
- 6. Can a reasonable balance of risk sensitivity and simplicity be achieved using a factor based approach?		
Actuaries Institute Australia	Australia	We suggest that the supervision of larger organisations should have a strong focus on risk sensitivity and a lesser focus on simplicity (and vice versa for smaller organisations).
Insurance Europe	Belgium	We believe that an appropriate balance is achievable for the BCR purpose, but is extremely challenging given the time-table. Striking the right balance between simplicity and appropriate risk-sensitivity should be an outcome of the field testing exercise and requires collecting more data than will potentially be used for the scope of the BCR framework.
Catlin Group Limited	Bermuda	We believe this can only be achieved if the factor based approach is used alongside a range of risk measures, including discussion with regulators. Used as a single blunt tool it will not be able to achieve a reasonable level of risk sensitivity. This is also dependent on the quality of the factor based approach. Our key concerns currently are: - Approach to allowing for risk mitigation tools (particularly, tail reinsurance cover). - Segmentation of business to appropriately allow for Catastrophe Risk exposed business - Volume measure and the degree to which is incorporates a forward looking measure
Canadian Life & Health Insurance Association Inc.	Canada	We believe it can, with simplicity being subordinate, however, to the objectives of risk sensitivity and comparability.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	A balance can be achieved, but to be practical it will probably have to favour simplicity over risk sensitivity. This may well be sufficient given the other work IAIS will be doing on HLA and ICS.
KPMG AG WPG	Germany	In a global context, this remains to be seen. Further FTTF analysis will be required to properly respond to this question. How relevant such a simple BCR will be for G-SII's remains another issue.
AIA Company Ltd	Hong Kong	The results of the field testing should provide an answer to this question.
Global Federation of Insurance Associations	International	No comments

International Actuarial Association	International	Mere summing of individual risks assumes perfect correlation of all risks with financial market risk. The formula as written disregards interactions between risk measures. As such, we suggest including an adjustment to recognize that claims and financial risks are not correlated or recognizing this issue in setting either the level of the BCR factors or in assessing a HLA.
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	The level at which the BCR is calibrated is key in this respect, as noted in our answers to question 24 and 28, given that there is a tradeoff between simplicity and risk sensitivity the benchmark for the BCR should be calibrated as a minimum capital requirement, and avoid becoming a blunt front stop to ensure that it does not conflict with risk management incentives. We suspect that more than ten factors will be needed to capture risk sensitivity.
The General Insurance Association of Japan	Japan	Since whether a reasonable balance of risk sensitivity and simplicity can be achieved depends on the factors and the formula to be used, it is hard to evaluate it until the results of the field tests are examined.
The Life Insurance Association of Japan	Japan	Achieving a reasonable level of balance should be a consideration during the field testing process.
NYC Bar Association -- Insurance Law Committee	New York	Yes, subject to the various concerns raised in this response.
Association of British Insurers (ABI)	United Kingdom	There is a trade-off between sensitivity and simplicity and the level at which the BCR is calibrated is key in this respect. The benchmark for the BCR should be set as a minimum capital requirement, to avoid conflicting with proper risk management incentives, as noted in our answer to question 28 above.
American Council of Life Insurers	United States	Possibly, but we are deeply concerned that the limited number of factors will prevent the measure from being adequately risk sensitive. We cannot truly answer this question without knowing the factors or what items on the IAIS balance sheet they will apply to. It is equally important to know how the factors will be calibrated and to impact test the factors. Without those answers, it is truly impossible to gauge if the factor-based approach will achieve a reasonable balance of risk sensitivity and simplicity.
National Association of Mutual Insurance Companies	United States of America	No we think not. We believe that the better approach is one that is principle based and provides the local capital risk-based assessment and internal capital models to Supervisory colleges to make appropriate capital assessments of the G-SIIs.
CNA	USA	With the simple factor-based approach contemplated for the BCR, there will undoubtedly be certain high-risk activities that are not initially contemplated or accounted for, which may incentivize improper behavior. It will be a serious challenge for the IAIS to balance the need for simplicity with the risk of unintentionally incentivizing risk-taking behavior. Further, with only limited time for testing, and given the BCR is not being constructed from a previously existing and successful factor-based regime, there is increased uncertainty surrounding

		the initial reliability of the BCR. There will no doubt be aspects of the BCR that are stronger than others. No high-level factor-based approach designed for use with many insurers can be made sensitive enough to fully capture all of the important differences between companies.
Liberty Mutual Group	USA	A factor-based approach achieves simplicity, but at the cost of risk sensitivity. We do not believe that is a reasonable trade-off, because the more simplistic a model is, the more error in the estimation of the required capital. Risk measurements must be company specific and at a high enough level of granularity to ensure that the appropriate level of risk is evaluated. Failure to account for this level of detail will lead to inaccurate capital assessments. For example, suppose (i) a simple factor based model has an estimation of 40% for capital required to support an insurer's portfolio of risks; and (ii) an internal model has an estimation error of 10% the capital required to support the same portfolio of risks. The use of each model must be consistent with the level of precision of the model. If a factor-based model is used, the BCR must be set to take into account the estimation error of the model by setting the BCR at a level so that an insurer's capital will not be considered insufficient solely due to the estimation error of the model. Therefore, a factor-based model must set only a minimum capital standard. This will be much lower than the capital needs that are determined using an internal model, which seeks to calculate operating capital level.
New York Life International	USA	See response to Q10.
North American CRO Council Incorporated	USA	With the simple factor-based approach contemplated for the BCR, it will be a serious challenge for the IAIS to balance the need for simplicity with the risk of unintentionally incentivizing risk taking behavior. Further, with only limited time for testing, and given the BCR is not being constructed from a previously existing and successful factor-based regime, there is increased uncertainty surrounding the initial reliability of the BCR and its ability to fully capture all of the important differences between companies.
Northwestern Mutual	USA	A factor-based approach can produce a very good diagnostic high level indicator of capital adequacy, but undue emphasis on "simplicity" in the form of an arbitrarily limited number factors will prevent the BCR from meaningfully reflecting the diversity of risks and products in all major sectors of the insurance market (life, health, P&C, etc.).
- 7. How should the BCR be integrated into national or regional frameworks which are in the process of being implemented or modified?		
Actuaries Institute Australia	Australia	We suggest that there would be significant operational and transparency benefits in aligning the BCR and national/regional frameworks, particularly in the area of granularity of assets and business segments.

Insurance Europe	Belgium	The implementation and integration of the BCR can represent a significant challenge for the currently set timing targets. All efforts should be made to avoid the emergence of global capital rules that conflict with local/regional ones. We therefore believe that interaction between global and local/regional rules should be carefully assessed.
Catlin Group Limited	Bermuda	Consistency between measures is critical. For the output to be useful to policyholders and investors it needs to be clear how the measures interact and how they should be compared. Ideally, the BCR would be calibrated at an existing level (e.g. Solvency II MCR) such that it provides a Group view of a measure that is comparable to those used within the Group already.
Canadian Life & Health Insurance Association Inc.	Canada	Until analytical and practical experience is gained with the BCR, we believe it should be used for comparative purposes only. The solvency limits should continue to be defined by the current authorities. The integration of BCR into the national framework should be communicated in advance with sufficient time provided for companies to take any action that may be required by the introduction of BCR as a binding metric to which they need to manage. The clarity of communication and advance notice is important in order to mitigate market uncertainties.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	That will depend on the national/regional framework, but ideally it should be incorporated.
KPMG AG WPG	Germany	It would seem the BCR would need to be adopted by each member of the IAIS into their local frameworks, if there is to be any realistic hope of achieving consistency across jurisdictions.
AIA Company Ltd	Hong Kong	The BCR would need to be instituted via jurisdictional law with necessary amendments should it be replaced by an ICS and backstop. See comment above on 2 in respect of the ICS.
Global Federation of Insurance Associations	International	No comments
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	In principle, insurers should not be subject to multiple overlapping and potentially conflicting capital standards and regimes. For the sake of an efficient G-SII supervision, consistency of purpose must be ensured between the BCR and minimum capital requirements in local/regional existing regime. To deal with contradictory prudential references would introduce confusion in insurance supervision. The concept of BCR must be aligned with the various statutory obligations currently in place.
The General Insurance Association of Japan	Japan	We believe that it is not necessary to integrate the BCR into national or regional frameworks, since it is enough for the BCR to temporarily play the role of the foundation of the HLA.
The Life Insurance Association of Japan	Japan	Paragraph 126 indicates that the IAIS will consider whether the application of the BCR should extend to insurance groups other than G-SIIs. In this regard, we believe that this issue should be considered carefully, taking into account the existing regulations already implemented in each country and jurisdiction.

NYC Bar Association -- Insurance Law Committee	New York	We express no view at this time. We await the IAIS's ideas on this, which may be more timely once the BCR is more fully developed.
Association of British Insurers (ABI)	United Kingdom	This will be a national consideration and will depend on the flexibility already afforded to supervisors to specify required capital levels. Consequently, the adoption of the BCR may require legislative changes at a national or regional level.
American Council of Life Insurers	United States	The BCR should be parallel to national or regional frameworks and used only for a high-level comparison.
National Association of Mutual Insurance Companies	United States of America	We urge IAIS avoid creating a separate, duplicative capital requirement and instead rely on existing local risk-based capital systems and internal capital models for analysis of the capital position of G-SIIs subject to the requirements. If there is no effort to avoid duplication, the cost of implementation may require implementation of different accounting standards and the global capital requirement may favor the local approach of one jurisdiction over another creating further disproportionate costs between companies similarly situated. The potential market disruptions could be unintended but very significant.
Liberty Mutual Group	USA	As discussed elsewhere in our comments, a factor-based approach means the BCR can only be used to determine minimum capital. Combined with the significance local supervisors place on national and regional frameworks and the political challenges to global adoption, this means that the BCR will probably not be integrated into national or regional frameworks.
North American CRO Council Incorporated	USA	BCR development should be done in a context that recognizes ongoing work by national and regional regulators to build their own robust capital and risk management frameworks. Acknowledging this can help minimize redundant or conflicting frameworks.
Northwestern Mutual	USA	The BCR should serve only as an interim foundation for the HLA requirement for G-SIIs. Authorities governing those national and regional frameworks with responsibility for applying heightened prudential measures to systemically designated insurers will need to assess, under their constitutional and legal processes, whether and how to implement the BCR for G-SIIs.
- 8. How should supervisors enforce the BCR in a consistent manner across jurisdictions?		
Actuaries Institute Australia	Australia	We have no specific suggestions at this stage.
Insurance Europe	Belgium	Required legal powers will need to be in place so that supervisors can set appropriate capital requirements to reflect HLA from 2019. We believe it's important that a level playing field is ensured across G-SIIs.
Canadian Life & Health	Canada	As per our view under #6.7, for the time being the BCR should be used for comparative purposes only, without its being "enforced"

Insurance Association Inc.		across jurisdictions. On a parallel basis, insurance regulators could, however, introduce a peer review process to ensure a consistent computation of this metric that would facilitate its ultimate consistent implementation.
Dubai Financial Services Authority (DFSA)	DIFC, UAE	For the 9 G-SIIs the relevant lead supervisors should discuss consistent application. Supervisory colleges may have a role to play here.
KPMG AG WPG	Germany	By each one of them fully adopting and implementing the BCR locally in each jurisdiction, with the minimum level of opt-outs or exemptions.
AIA Company Ltd	Hong Kong	See answer to Q33 above
Global Federation of Insurance Associations	International	No comments
Institute of International Finance - IIF / The Geneva Association (GA)	International (USA / Switzerland)	Appropriate provisions should be made for supervisors in order to ensure BCR alignment and compatibility with risk based local regimes. Supervisors must also be very attentive to inconsistencies potentially emanating from the fact that some jurisdictions might not be willing to transpose BCR provisions in their own regimes. It should be anticipated that an agreement on BCR can be reached at the IAIS level while some jurisdictions, with reference to the specificities of their local/state regulations and constitutional law, would oppose to an alignment with the standard agreed at an international level. Consequently, supervisors should ensure a level playing field overall in all member countries, for G-SIIs in their respective jurisdictions, taking existing regimes into account when applying BCR. In addition, consistent reporting and supervision regime would need to be established. This should not be a significant issue if limited to G-SIIs, but the answer also depends on whether the BCR is integrated within local regulations and applied to a broader scope of companies. Given that the BCR is a temporary foundation as a base for the application of HLA for G-SIIs, The calibration of the BCR and the HLA will inform the level of capital required from 2019 onwards. Therefore, necessary legal and regulatory changes will need to be implemented within each relevant jurisdiction so that supervisors are able to require G-SIIs to hold the required level of capital to meet HLA requirements from 2019 onwards.
NYC Bar Association -- Insurance Law Committee	New York	As discussed in our responses to Q.12 and Q.16, the issue of discrepancies between jurisdictions is existential to the success or feasibility of a BCR regime. It is incumbent on the IAIS, insofar as it is purporting to develop a trans-national standard, to articulate and defend a proposed treatment of these disparities in a way that respects the jurisdiction of individual countries and states.

Association of British Insurers (ABI)	United Kingdom	IAIS should plan implementation in a way that enables national/regional authorities to adopt any necessary legislative changes to ensure the concurrent adoption of the BCR across jurisdictions. Implementation from 2015 may therefore not be realistic.
American Council of Life Insurers	United States	The IAIS should emphasize transparency to ensure that regulators are applying the BCR consistently across groups. Peer reviews will also assist in ensuring that calculations are performed consistently across groups.
National Association of Mutual Insurance Companies	United States of America	A successful global effort would not create unnecessary competitive issues for companies domiciled in one well-supervised jurisdiction over companies from another. Instead we propose a capital system that would recognize diverse, successful approaches to solvency regulation and would create a principle-based approach for regulatory capital requirements. Differing systems could be evaluated to assure they meet basic capital principles and then assessed for their effectiveness in achieving the desired goals of policyholder protection and solvency while mitigating systemic risk. For individual companies internal capital model evaluation would supplement the local risk-based capital analysis. In short we favor a principle-based, outcome-based approach to a global capital standard instead of a factor-based formulaic approach.
Liberty Mutual Group	USA	We doubt that supervisors can enforce the BCR in a consistent manner across jurisdictions. Local practical and political considerations will always take precedence over enforcement of global standards.
New York Life International	USA	See response to Q10.
Northwestern Mutual	USA	Until the BCR has been adequately tested, it should not be enforced by any jurisdiction. As it is expected that the ICS will replace the BCR by 2019, when HLA is first to be required for G-SIIs, this question may be moot. However, to the extent the BCR survives in some form, it will likely be up to supervisory colleges, as monitored through IAIS peer reviews, to promote consistent enforcement of the BCR.