Question	Yes/No	Response
Q1: What are the incremental costs associated with the changes that would have to be made solely for the adoption of the ICS as a PCR?		The adoption of ICS 2.0 as a PCR by the United States, in particular the adoption of a market adjusted valuation (MAV) approach, would result in significant incremental costs. The MAV approach is different than U.S. GAAP and significantly different than state-based statutory accounting practices. As a result, there would be considerable effort and burdens on the part of U.S. supervisors and U.S.-based IAIGs to implement a MAV basis of reporting (such as system changes, process changes, staff training, etc.). We are unable to fully identify the extent of changes this would require and are unable to reasonably estimate the incremental cost of implementation. As such we appreciate the IAIS support of developing alternative methods that provide comparable outcomes to the ICS.
Q3 Is the role of the GWS during the monitoring period appropriate? Please provide feedback on how the role should be refined.	Yes	The role of the GWS is acceptable given the general description offered in the ICS consultation document. In order to gain maximum benefit from the role of the GWS during the monitoring period, we suggest that the IAIS interact with the GWS as the IAIS evaluates the results of the ICS reporting during the monitoring period. The feedback loop should be interactive in nature, not one way (from the GWS only). For example, it may prove helpful to the GWS if the IAIS communicates some of its analysis to the GWS; this could help the GWS focus on specific areas of the ICS results. Also, it may help if the IAIS can clearly articulate what expectations it has from the GWS (e.g., is the ICS a relevant metric that should be incorporated as part of its supervisory toolkit?).
Q4 Is the role of the Working Group within the IAIS during the monitoring period appropriate? Please provide feedback on how the role should be refined.	Yes	Yes.
Q5 Is the role of the forum of supervisors with the IAIS during the monitoring period appropriate? Please provide feedback on how the role should be refined.	Yes	Yes.
Q6 Is the role of supervisory colleges during the monitoring period appropriate? Please provide feedback on how the role should be refined.	Yes	The role of supervisory colleges appears reasonable, but it's unclear exactly what the supervisory college can do with only having access to summary results. Also, confidentiality concerns among supervisory college members may limit the extent of sharing specific concerns with the ICS results.
Q7 Are there any practical difficulties foreseen (such as the identification of the Head of the IAIG) in calculating the ICS capital ratio on the basis of the consolidated balance sheet of the Head of the IAIG that should be addressed in the design of the ICS? Please explain.	No	No.
Q8 With reference to the types of entities described in paragraph 82b, is full consolidation an appropriate approach to capture insurance and financial risks for ICS Version 2.0?	Yes	Yes.
Q9 With reference to the types of entities described in paragraph 82c, is a line-by-line proportional consolidation an appropriate approach to capture insurance and financial risks for ICS Version 2.0?	Yes	Yes.
Q11 Are there any other material areas of divergence across existing GAAPs (or statutory accounts) that should be subject to adjustments when constructing the MAV balance sheet? If "yes", please provide details.	Yes	GAAP differs significantly amongst jurisdictions, both in principles and in the method of their application. For example, definition of contract boundaries, consolidation criteria, definition of reinsurance, etc. could differ amongst jurisdictions. Not all material items have been identified. We understand that these are being analyzed through ongoing field testing and review of qualitative questionnaire from volunteers.
Q12 Is the current specification of the treatment of expenses in the calculation of current estimate sufficiently detailed to ensure consistent calculations among IAIGs? If "no", please suggest which points could be further refined.	No	At least for Non-life liabilities, an "unearned premium approach" to premium liabilities would allow for a more appropriate treatment of expenses.
Q13 Are the non-life premium liability simplifications appropriate to provide an approximation of the current estimate liability? If "no", please provide details on how the simplifications could be improved.	Yes	Both simplifications lead to more comparable results than the "full calculation".

Question	Yes/No	Response
Q14 Should the IAIS modify the treatment of premium receivables, as proposed? Please provide sufficient detail and rationale.	Yes	We agree. Similar treatment should also be extended to unearned premiums on (at least) cancellable policies. The underlying issue here is that too many unrelated policyholder cashflows are being included with the "current estimate". Already "Policy Loans" have been given their own line. The same treatment should be extended to premium receivables and unearned premiums.
Q19 Is the revised methodology to determine the LTFR appropriate for ICS Version 2.0? If “no”, please provide details.	No	The current LTFR methodology takes central banks’ inflation targets and couples them with the real rate of return using short term rates for the various jurisdictions, without making an allowance for term premium. Also, evidence has suggested that these central banks’ target rates are not a good predictor of future actual inflation. Rather than combining a short term rate with a long term inflation target, it would be preferable to use historical evidence of long term rates as a starting point.
Q21 Are there any further comments regarding the base yield curve methodology that the IAIS should consider in the development of ICS Version 2.0? If “yes”, please explain with sufficient detail and rationale.	Yes	Consideration should be given to using a term specific spread rather than anchoring the spread at the 10 year point.
Q22 Are any practical difficulties foreseen in the implementation of the proposed multi-bucket approach (eg issues with products that are close to the boundaries of the buckets)? If “yes”, please explain.	Yes	Field testing is likely to show that consistent application and interpretation of the the appropriate bucketing is difficult in practice.
Q23 Are the eligibility criteria defined for the Top Bucket appropriate for ICS Version 2.0? If “no”, please explain.	No	The criterion which requires assets to be managed separately must be clarified. Some stakeholders believe it means ring fencing; others are unsure of its precise application. See also comment regarding carry-forward in relation to the middle bucket.
Q24 Are the eligibility criteria defined for the Middle Bucket appropriate for ICS Version 2.0? If “no”, please explain.	No	See our response to Q 30.
Q25 Is it appropriate for the Top Bucket to consider the application of an adjustment based on own spreads until the run-off of the insurance liabilities, whereas the cash flow matching requirements are only assessed up to the LOT? If “no”, please explain.	Yes	Yes. It is not reaonable to ask companies to match assets to liabilities beyond the term at which eligible assets are available unless either positive cash flows are taken into account and allowed to be carried forward to support liabilities beyond the LOT or additional assets such as equities are eligible to match natural liabilities such as pension liabilities.
Q29 Is the list of eligible Assets specified for the Middle Bucket (which also applies to the Top and General Buckets) appropriate for ICS Version 2.0, taking into consideration the objective of the MAV spread adjustment? If “no”, please provide sufficient detail and rationale.	No	Equities are currently ineligible for a spread above the risk free rate. The natural investment to support pension type products is equities and equity type investment vehicles such as property. The ICS rules should not penalize insurers for pursuing appropriate investment vehicles to match their liabilities. Equity type investments should be included in the list of assets eligible for a spread.
Q30 Are there any other comments regarding the Middle Bucket methodology? Please explain with sufficient detail and rationale.	Yes	Field testing is likely to show that the criteria are too restictive and that some companies may struggle to find any products that could fit into the middle bucket. The cash flow testing should take a holistic approach and allow any surpluses of income over outgo to be taken into account. This does not mean taking account of investment earnings but making an allowance for surplus cash flows along the way which could be subject to a limit such as the 10% currently in the technical specifications. See also comment regarding asset management in relation to the top bucket.

Question	Yes/No	Response
Q35 Should the ICS include an adjustment above the base yield curve at the LTFR maturity? If "yes", how should it be calibrated? Please provide sufficient detail and rationale.	Yes	Currently there is a placeholder for spread above the LTFR base of 10 bps (0.1%). This placeholder should be replaced with a spread which is related to actual yields just as the spread in the first segment is related to actual yields, be they related to an actual portfolio, or a representative portfolio. It seems reasonable, since the LTFR is a long term rate, to associate it with actual historical long term yields. Long term yields vary from currency to currency and investment strategies vary as well. In some jurisdictions insurers invest heavily in sovereign bonds while in others these may form a modest part of the portfolio. Reviewing long term spreads in various jurisdictions and their prevalent investment strategies over a relatively long period of time, using public information, we see spreads that can vary from well above 1% to as low as 0.1%. While on a theoretical basis it might make sense to have separate spreads for various jurisdictions, the current LTFR rate is partitioned between advanced economies and developing economies. We therefore suggest striking a balance between the theoretical and the practical by employing an anchor spread in the region of ½% which can then be prudentially adjusted somewhat to follow the structure of the base LTFR for developed and developing economies.
Q38 Are there any further comments on MAV that the IAIS should consider in the development of ICS Version 2.0? If "yes", please explain with sufficient detail and rationale.	Yes	The partition of the LTFR into one rate for advanced and another for developing economies is somewhat arbitrary. The IAIS should consider alternative splits. An example of a possible split could be a three level split between hard or reserve currencies such as US Dollar, Euro and Yen, other currencies of advanced economies and those of developing economies
Q39 Is the treatment of Premium and Catastrophe risk in C-MOCE appropriate? If "no", please provide justification and specific recommendations.	No	No. Premium and catastrophe risk are mainly driven by future policies that are not included in the current estimate. It is inappropriate to include them in a margin over the current estimate.
Q41 Is the current design of the non-life P-MOCE consistent with ICP 14.9? Please explain.	Yes	P-MOCE is based on an approach to margin that is used in the valuation of Non-Life in every major comprehensive basis of accounting.
Q42 Are there any modifications or simplifications to the methodology for the P-MOCE that would make it more appropriate for the intended purpose? If "yes", please explain with sufficient detail and rationale.	No	The P-MOCE construction is straightforward.
Q43 Is the treatment of the P-MOCE, as defined in the Technical Specifications with full deduction from the capital requirement, appropriate? If "no", please explain with sufficient detail and rationale.	Yes	Yes.
Q44 Is the treatment of the C-MOCE, as defined in the Technical Specifications with no deduction from the capital requirement, appropriate? If "no", please explain with sufficient detail and rationale.	No	No. This would result in doublecounting.
Q46 Are there any other policy measures or supervisory tools that may serve a similar purpose to the CC-MOCE and resolve perceived issues relating to the purpose, construct of the CC-MOCE or its interactions with the capital requirement? If "yes", please explain with sufficient detail and rationale.	Yes	Yes. Regulators have a variety of tools at their disposal. One example in the U.S. would be a guaranty fund. C-MOCE is based on assumption that first capital is exhausted and then there is a transfer. This is not a realistic assumption. Further, it is inconsistent with U.S. resolution laws. U.S. insurance entities can potentially be placed into liquidation on the grounds of insolvency while still having assets that exceed liabilities. The assets of this estate would then become part of the assets that the guaranty fund uses to pay claims.
Q48 Are the changes to the Tier 1 Unlimited capital resources criteria appropriate for ICS Version 2.0? Please explain.	Yes	Yes.
Q49 Are the criteria for Tier 1 Unlimited capital resources, as set out in the 2018 Field Testing Technical Specifications, appropriate for ICS Version 2.0? Please explain.	Yes	Yes.
Q50 Are the changes to the Tier 1 Limited capital resources criteria appropriate for ICS Version 2.0? Please explain.	Yes	Yes. In order to effectuate the change that allows mutual IAIGs to issue Tier 1 qualifying capital financial instruments, a change to criterion "h" would appear necessary (i.e., insert an addition that states that for mutual IAIGs, this criterion can be achieved by a requirement for supervisory approval of distributions).
Q51 Are the criteria for Tier 1 Limited capital resources, as set out in the 2018 Field Testing Technical Specifications, appropriate for ICS Version 2.0? Please explain.	Yes	Yes. See comment to question #50.
Q52 Is a PLAM an appropriate requirement for Tier 1 Limited financial instruments? Please explain any advantages and disadvantages of requiring a PLAM.	No	No. We have to make sure this requirement does not negate the recognition that mutual IAIGs can issue surplus notes that qualify as Tier 1 Limited (see question #50 above).

Question	Yes/No	Response
Q55 If the proposed approach for the recognition of structurally subordinated financial instruments is adopted for ICS Version 2.0, are there any practical difficulties that the IAIG and its GWS may encounter in implementing this approach? Please explain.	Yes	A practical challenge will be in tracking the movement of proceeds as reflected in paragraph 175 (2nd bullet point). The view that supervisors should be able to account for the flow of funds related to each debt offering (proceeds received) is probably not realistic considering the extent of activity that some group structures might have. Supervisors may need to consider other reasonable approaches such as looking at aggregate activity on a yearly basis.
Q56 If ICS Version 2.0 Tier 2 Paid-Up capital resources includes financial instruments with acceleration clauses that may be triggered outside of a winding up, please explain how policyholder protection is maintained and how other Tier 2 criteria can still be met (eg subordination, priority of claims, etc.).	n/a	In the U.S., triggering an acceleration clause has no practical effect on the overall solvency of the insurance entities, thus the policyholders are still protected. Simply stated, debt holders that exercise an acceleration clause have a claim against the holding company, not the insurance entities. Debt holders cannot pierce the corporate structure of the insurance entities (where the debt proceeds reside).
Q57 Are the changes to the Tier 2 Paid-Up capital resources criteria appropriate for ICS Version 2.0? Please explain.	Yes	Yes.
Q58 Are the criteria for Tier 2 Paid-Up capital resources, as set out in the 2018 Field Testing Technical Specifications, appropriate for ICS Version 2.0? Please explain.	Yes	Yes.
Q59 Is the proposal to restrict the recognition of Tier 2 non-paid-up capital resources to mutual IAIGs appropriate for ICS Version 2.0? Please explain.	Yes	We are not proponents of allowing non-paid up capital resources, but we are proponents of being more inclusive and, therefore, are willing to recognize jurisdictional practices that work well outside of our jurisdiction and meet a stated regulatory goal.
Q60 Are the changes to Tier 1 and Tier 2 capital elements other than financial instruments appropriate for ICS Version 2.0? Please explain.	Yes	Yes.
Q61 Are the Tier 1 and Tier 2 capital elements other than financial instruments, as set out in the 2018 Field Testing Technical Specifications, appropriate for ICS Version 2.0? Please explain.	Yes	Yes.
Q64 Are the proposed capital composition limits appropriate for ICS Version 2.0? Please explain.	No	No. It is difficult to ascertain the impact of these composition limits when the information provided lacks the necessary context. Further empirical analysis is necessary to see what the impact of these capital composition limits would be over time (including stressful periods).
Q65 Are there any further comments on capital resources that the IAIS should consider in the development of ICS Version 2.0? If “yes”, please explain with sufficient detail and rationale.	No	No.
Q66 Should the effect of the renewal be recognised for any other risk mitigation arrangements? If “yes”, please also provide specific examples of such arrangements that should qualify.	Yes	Yes, provided appropriate criteria are met and the cost is reflected on the balance sheet, then it is appropriate to recognize the renewal of any financial instruments used to hedge certain market risks associated with life insurance liabilities. As a basis for these criteria, we would recommend those for a "Clearly Defined Hedging Strategy" (CDHS) under U.S. Principles Based Reserving. For a CDHS, a company must be able to identify: i. The specific risks being hedged (e.g., delta, rho, vega, etc.). ii. The hedge objectives. iii. The risks not being hedged (e.g., variation from expected mortality, withdrawal, and other utilization or decrement rates assumed in the hedging strategy, etc.). iv. The financial instruments that will be used to hedge the risks. v. The hedge trading rules including the permitted tolerances from hedging objectives. vi. The metric(s) for measuring hedging effectiveness. vii. The criteria that will be used to measure effectiveness. viii. The frequency of measuring hedging effectiveness. ix. The conditions under which hedging will not take place. x. The person or persons responsible for implementing the hedging strategy.
Q67 Should any changes be made to the criteria for recognition? Please explain. If “yes”, please also provide: · Suggestions for how the criteria could be amended; and · Specific examples of risk mitigation arrangements that would qualify if these changes were made.	Yes	Yes. See respoonse to Q66 for examples of some criteria. Also, changes should be made to the MAV reference method so that expenses associated with renewal are included on the Balance Sheet.
Q69 How should the associated expenses and other aspects of the reinsurance contracts be accounted for within the ICS?	n/a	The underlying issue is that reinsurance may be purchased before (or after) a policy is recognized on the ICS balance sheet. An 'unearned premium' approach for valuing premium liabilities would allow for a more consistent recognition of these expenses.

Question	Yes/No	Response
Q70 With regard to non-life premium and natural catastrophe risk, are there any changes that should be made to the criteria used for the recognition of renewal of risk mitigation arrangements?	Yes	Yes. This issue could be solved by better aligning the recognition of the expenses with the earning of the related premiums. A simple way of doing this would be setting the premium liabilities (both gross and ceded) equal to the unearned premium reserves.
Q77 The design for Longevity risk in 2017 Field testing balances the need for a risk-sensitive approach and a practical design of the risk charge. Are there any changes to the current design and calibration of the Longevity stress that would significantly improve the reflection of the underlying risk in the ICS? If "yes", please explain and provide examples and/or rationale to support the proposal.	Yes	The longevity stress is a composite stress combining level, trend and volatility. The optimal way to address these would be to look at each of these individually. There are academic studies that suggest that the trend stress is the most substantial of these and an alternative calibration with a trend stress and a substantially lower level stress may be a reasonable alternative. A trend stress was included in the 2016 field testing but that, superimposed on a significant level stress, led to a charge which was too large and the current combined stress of 17.5% was agreed as a compromise.
Q78 Are there any further comments on Mortality and Longevity risk that the IAIS should consider in the development of ICS Version 2.0? If "yes", please explain with sufficient detail and rationale.	Yes	The mortality and longevity stresses are currently the same for all jurisdictions. There is evidence that the mortality and longevity stresses should vary by jurisdiction. This experience is not, however, conclusive for the IAIG population. The IAIS is conducting a study which may provide sufficient credibility to allow some justification for differentiation by region or jurisdiction.
Q79 Is the simplified segmentation by contract term for Morbidity/Disability risk appropriate? Please explain.	Yes	This appears to be appropriate but will be further informed by the current field testing.
Q80 Should any other modifications be made to the design? Please describe.	No	Further modification appears to be unnecessary but will be further informed by the current field testing.
Q81 Are the stress levels appropriate for the Long-Term contract segment? Please explain. If "no", please provide supporting evidence and rationale for a different stress level.	N/A	These stresses were prudentially based on the current data provided by the volunteers and should be reviewed in light of further data being provided.
Q82 Are the stress levels appropriate for the Short-Term contract segment? Please explain. If "no", please provide supporting evidence and rationale for a different stress level.	Yes	These stresses were prudentially based on the current data provided by the volunteers and should be reviewed in light of further data being provided.
Q85 The Field Testing Technical Specifications specify expense inflation stresses that grade down to 1% for China, Emerging Markets and Other Developed Markets. Is this appropriate? If "no", please provide suggestions on the appropriate stresses and grading period together with the supporting rationale. Please explain with sufficient detail and rationale. If "yes", please comment whether this design is consistent with the approach used to determine the LTFR, where differentiated long-term inflation assumptions are used between jurisdictions, without any convergence.	Yes	There is an apparent/possible dichotomy in that the long term inflation rate inherent in the expense risk is not consistent with the inflation rate in the computation of the LTFR. This may cause some observers concern. On the other hand insurance companies have more control over their expense inflation than general inflation and moreover, as insurers in developing jurisdictions grow in size, their experience is likely to stabilize and their expense level as well as expense fluctuation will moderate.
Q86 Are there any further comments on Expense risk that the IAIS should consider in the development of ICS Version 2.0? If "yes", please explain with sufficient detail and rationale.	Yes	Insurers' expense structure is in a state of flux. Their mode of transacting business is changing fast in the employment of technology in general for instance, the use of big data, use of internet and mobile devices and less resource intensive medical testing. Also, greater use is made of direct marketing rather than agents. All of this may well lead to restructuring of their expenses and their volatility. Because this is an area where companies do have much larger possibility of control, the expense stresses should be reviewed frequently with a presumption that change is possible.
Q87 Do the changes described above in the ICS jurisdictional segments and categories properly reflect business specificities within each region? If "no", please provide rationale and alternative suggestions supported by evidence.	Yes	Yes.
Q88 Is the aggregation approach described above appropriate for the determining the non-life risk charge for ICS Version 2.0? If "no", please provide evidence, rationale, such as studies or impact assessments that could support an alternative approach.	Yes	Yes.

Question	Yes/No	Response
Q89 Do the factors applied to Premium and Claims Reserve exposures properly capture the unexpected loss, at a 99.5% VaR over a one-year time horizon, for each segment? If "no", please provide rationale, evidence and materiality assessment of the potential impact on the non-life risk charge.	No	The factors were based on methodologies that capture the loss, at a 99.5% VaR over a one year time horizon, to a GAAP balance sheet. The unexpected loss under MAV may be different. These differences may only be minor discounting differences for reserve risk, but for premium risk the differences can be more material.
Q90 Are there some assumptions, such as those aforementioned, which should be reviewed in the coming calibration exercise? If "yes", please provide details, rationale and detailed methodology to apply.	Yes	These assumptions are appropriate for measuring risk on a traditional non-life balance sheet that uses an unearned premium (or premium allocation) approach to premium liabilities. We would recommend the ICS use such an approach. However, under MAV reference method as currently defined, further adjustments may be needed.
Q91 More specifically, is the simplification of assuming a combined ratio of 100% for Premium risk appropriate? If "no", please comment on whether it is materially different from internal assumptions. Further, please suggest a methodology to refine the calibration and the information needed to do so. If deemed material, but without a methodology suggestion, are there other ways to address the difference?	Yes	Yes, assuming a 100% combined ratio is simpler and (generally) more conservative.
Q92 Are the assumptions above consistent with the valuation on the balance sheet? Please provide details, rationale and detailed methodology to apply.	No	No, the assumptions are not consistent with the valuation on the balance sheet. As the member that prepared the modules that calculated these factors, we can confirm that the calculations were intended to measure the one year risk in changes to a GAAP balance sheet. MAV is a principles-based approach that, at least as interpreted by Field Testing participants, allows for a range of interpretations. The initial assumption had been that, while MAV does allow for a range of interpretations, this range would be narrow enough and similar enough to GAAP that the differences would not matter for calibrating factor. However, Field Testing has shown that differences in interpretation of MAV premium liabilities can lead increases/decreases of over 10% of TOTAL liabilities.
Q93 Is it necessary to make "profitability adjustments" to the design of Premium risk to better align it with the ICS balance sheet? If "yes", please provide details and rationale that support the response. If "no", explain how the current design aligns with the Premium risk on the ICS balance sheet as measured using a total balance sheet approach and a one-year time horizon.	Yes	If the issue is that ICS valuation is not consistent with the ICS capital requirement, the simplest solution would of course be to use an "unearned premium" approach to premium liabilities. This would eliminate the need for any adjustment with the possible exception of that for expected underwriting profit. It would also allow for easy use of currently available reporting, loss triangles, etc. It would also be more consistent with how companies view their own portfolios and reporting standards including the Premium Allocation Approach under IFRS, US GAAP, US Stat, etc.
Q94 If there were to be a "profitability adjustment" included, how could it be designed? Please provide details, rationale and an example of a possible design for this adjustment.	n/a	If it's necessary to change the capital requirement instead of ICS valuation, then adjustment should be made for the material differences between an unearned premium reserve and the MAV current estimate for premium liabilities. These include profit on renewals and bound-but-not-incepted business, treatment of expenses, reinsurance correspondence, etc. Where sufficient reporting is available, adjustment for expected underwriting profit could be done in a manner similar to the NAIC experience adjustment for Net Written Premium Risk.
Q95 Are there any additional amendments to the latent liability design or calibration that are necessary to make it more suitable for the ICS standard? In particular, please address whether the latent liability component better reflects the underlying risks when situated within the Claims Reserve risk component. If "no", please provide rationale and alternative suggestions supported by evidence.	No	No.
Q96 Are the prerequisites for the reporting of ISFs during the monitoring period appropriate? Please explain with sufficient detail and rationale, including any other prerequisites that should be considered.	No	The experience triangles used in the calculation should be publicly available or, if not, at least available to other supervisors.
Q97 Are there specific examples of prescribed methodologies that could be used for the determination of ISF for Premium and/or Claims Reserve risk? Please explain with sufficient detail of the methodology, including the data that would be needed and the formulae that would be used.	Yes	The NAIC RBC experience adjustments provide a simple and straightforward approach.

Question	Yes/No	Response
Q99 Is the list of perils for Catastrophe risk appropriate for ICS Version 2.0? If "no", please provide a list of amendments, including a definition of the peril to include or exclude and any other specific details to support the suggestion(s).	No	Given the large differences in the nature of life and non-life catastrophe exposures, it does not make sense to combine them in the same module. The only overlap is terrorism risk and this tends not to be a large risk for IAIG's that write life insurance business. It would be more sensible to include pandemic risk and with mortality risk and the non-life catastrophe exposures with premium/claims risk.
Q100 Are the catastrophe scenarios, as defined in the 2018 Field Testing Technical Specifications, appropriate for ICS Version 2.0? If "no", please provide specific suggestions supported by rationale and evidence to amend the scenario(s).	Yes	Yes.
Q102 For the purposes of the ICS standard method, is the approach taken in 2018 Field Testing adequate to account for diversification effects between Catastrophe risks? If "no", please provide a more appropriate alternative suggestion including rationale, keeping in mind the need to apply a consistent methodology across all jurisdictions, and to balance practicality and materiality with risk sensitivity in a standard method.	Yes	Yes.
Q106 Should the IRR stress on LTFR and the maximum LTFR annual change for current estimate valuation purposes continue to be independently determined by the IAIS, or should both be subject to the same cap? Please explain with sufficient detail and rationale. ☐ Independently determined by the IAIS Comment Box ☐ Subject to the same cap Comment Box ☐ Others Comment Box	Subject to the same cap	There is no particular theoretical reasoning for that particular capping method. Nevertheless it makes practical sense to have some sort of cap to avoid sharp movements in the LTFR. Large LTFR changes would be against the spirit of a relatively stable long term rate. The suggested capping mechanism appears not unreasonable.
Q110 Is the definition of Non-Default Spread risk appropriate for ICS Version 2.0? If "no", please provide rationale and details.	No	The NDSR is inappropriate. It purports to address certain risk elements which appear to be either outside the frame of reference such as liquidity risk, or already addressed elsewhere. Liquidity risk has specifically been excluded from the ICS (see our response to question 118). Other components of NDSR appear to be already included in credit risk and interest rate risk. NDSR proponents believe that there will be non-default spread risk if assets and liabilities are perfectly matched; however, preliminary computations may show that this is not so and thus not support the underlying reasoning of the NDSR.
Q112 From a conceptual perspective, which design is more appropriate, an asset only spread upward shock or a bi-directional shock applied on assets and liabilities? Please explain. ☐ An asset only spread upward shock Comment Box ☐ Bi-directional shock applied on assets and liabilities Comment Box ☐ Others Comment Box	Bi-directional shock applied on assets and liabilities	If it were to be shown that an NDSR is appropriate, then it would make sense to apply a stress to both assets and liabilities.
Q114 Is the calibration of the Non-Default Spread risk charge appropriate for ICS Version 2.0? If "no", please explain.	No	The proposed NDSR stress has been shown in the field-testing so far to be a very substantial additional charge for many life companies. What we have seen is a charge for the life part of insurers' business varying from 5% to 30% with a median between 20 and 25%. The magnitude also appeared to vary significantly based on extraneous factors such as (1) whether each asset is stressed or the average is employed as allowed in the technical specifications; (2) taxation; (3) covariance; and (4) NAIC designations.
Q116 Is the design of the Non-Default Spread risk charge for GAAP Plus appropriate for ICS Version 2.0? If "no", please explain.	No	See our response to Q110
Q117 Is the approach used in 2018 Field Testing to determine the overall Non-Default Spread risk charge for GAAP Plus, where different GAAP Plus specifications are applied to different parts of the business, appropriate for ICS Version 2.0? If "no", please explain.	No	See our response to Q110

Question	Yes/No	Response
Q118 Should the liquidity component of spreads be excluded when designing and calibrating Non-Default Spread risk? Please explain. If "yes", please also provide suggestions about the practical approach to perform the split of the total spread.	Yes	There is a lack of clarity of what the NDSR is expected to cover. Liquidity risk has been specifically excluded from the ICS and should not be included in any ICS component. While some indirect recognition may have been given to Liquidity in reducing the calibration of the NDSR charge, there should be a clear articulation of the various components of the NDSR, in order to gauge the appropriateness of the liquidity element and other component parts.
Q119 If the liquidity component of spreads would be excluded from Non-Default Spread risk, should the IAIS modify (ie reduce) the MAV discounting adjustments which are considered for discounting of insurance liabilities (the Three-Bucket Approach) to ensure consistency in the ICS? If "no", please explain, in particular, the issue of consistency across different ICS elements. If "yes", please explain with sufficient detail.	No	No. The liquidity risk is supposed to be excluded from the ICS entirely and should not be taken into consideration in considering spread adjustments in all elements of capital charges.
Q121 Are there any further comments on Non-Default Spread risk that the IAIS should consider in the development of ICS Version 2.0? If "yes", please explain with sufficient detail and rationale.	Yes	See our response to Q110.
Q122 Is the four-bucket approach to the segmentation of equities appropriate? Please explain. If "no", please provide an alternative suggestion and rationale.	Yes	Yes
Q128 Is the approach to Currency risk (eg level of the stresses, correlation factor, treatment of currency pegs, partial exemption for investments in foreign subsidiaries) appropriate for ICS Version 2.0? Please explain.	Yes	Yes
Q137 Is the treatment of collateralised reinsurance (ie the substitution approach) reasonable from a Credit risk perspective? If "no", please discuss and propose ways to address concerns.	No	The "substitution approach" assumes that risk on reinsurance recoverables bears a closer relationship to financial risks than to insurance risks. The ICS is -- quite rightly -- based on concept that we should draw a distinction between the two.
Q138 Does the haircut approach capture the underlying risk of collateralised reinsurance exposures more accurately? Please explain with sufficient detail and rationale.	Yes	Yes
Q139 Is the current approach adopted for mortgage credit risk appropriate for ICS Version 2.0? If "no", please explain with sufficient detail and rationale.	No	No
Q140 Alternatively, would it be more appropriate for the Credit risk charge to be based on local calibrations of mortgage loans, if reliable local data were available to support geographical differentiation of calibrations? Please explain with sufficient detail and rationale, including potential data sources to enable the calibration.	Yes	Yes
Q141 Is the inclusion of supervisor-owned and controlled credit assessment processes as a national discretion in the standard method appropriate? Please explain, including any rationale.	Yes	The inclusion of supervisor-owned and controlled credit assessment processes can work equally as well whether as a national discretion or as part of the standard method. In our view, if a jurisdiction has a supervisor-owned and controlled credit assessment process that meets the agreed-upon criteria, then the jurisdiction should be allowed to use it for credit assessment processes.
Q142 As 2018 Field Testing involved the collection of data with and without the application of NAIC Designations, are the criteria for supervisor-owned and controlled credit assessment processes appropriate for ICS Version 2.0? Please explain with sufficient detail and rationale.	Yes	In short, the criteria recognizes the different nature of a supervisor-owned and controlled credit assessment process as compared to a public rating agency.

Question	Yes/No	Response
Q143 Is the current segmentation and definitions of infrastructure investments, as set out in the 2018 Field Testing Technical Specifications, appropriate for ICS Version 2.0? If "no", please explain with sufficient detail and rationale.	Yes	Yes, the current treatment of infrastructure investments in the ICS is appropriate.. We do not believe that infrastructure investment should be given a favorable treatment in the capital charge. Such investments are significantly dependent on their financial and legal construct (creditors rights, subordination or various forms of credit enhancements). Moreover, different jurisdictions/regions have diverse political, regulatory, and legal frameworks. Also, currently, there is no widely accepted, precise definition of infrastructure. Without a strict definition, this asset class could be subject to gaming. Infrastructure is not a homogenous asset class, with businesses spanning a wide range of underlying activities with risks ranging for very low to very high. Regulatory decisions may be inconsistent, increasing uncertainty for investors. The default data currently provided by various institutions or rating agencies is only a rough guide that may fail to take into account the nuances of the financing arrangements and thus cannot be relied on for prudential rulemaking. In the U.S. there is a significant municipal bond market used to finance infrastructure. These investments are subject to a rigorous market based credit evaluation process for default risk and when rated, the ratings can vary significantly independent of the cash flows of the underlying project and other considerations.
Q144 Are the calibrations for infrastructure investments, as set out in the 2018 Field Testing Technical Specifications, appropriate for ICS Version 2.0? If "no", please explain with sufficient detail and rationale.	Yes	Yes.
Q146 Are the proposed Operational risk exposures appropriate for ICS Version 2.0? Please explain. If "no", please provide specific suggestions for alternatives and the practicality of their application in a standard method.	No	No. It would be more appropriate to base Op Risk on a percentage of the capital requirement.
Q147 Should the IAIS introduce changes to the design of the Operational risk charge to address these issues? Please provide sufficient detail and rationale.	Yes	Yes. The operational risk charge should be a percentage of the capital requirement.
Q154 The utilisation assessment of the DTA resulting from the ICS adjustment and the ICS tax effect on the capital requirement is based on a top-down approach. Is this a reasonable way for determining the ICS tax treatment? If "no", please provide, in sufficient detail, any alternate approach that would consider data limitations, prudence, practicality, and comparability between insurance groups.	Yes	Yes. A bottom up approach would be significantly burdensome.
Q157 Is the 2018 Field Testing group effective tax rate calculation based on the jurisdictional audited GAAP consolidated financial statements a reasonable approach for ICS Version 2.0? If "no", please provide any other proposed method for calculating a group effective tax rate with a rationale for the methodology.	No	No. Group tax rates should be based on future enacted rates to more closely reflect the economics of the ICS balance sheet.
Q158 Should an adjustment for non-recurring items be included in the group effective tax rate calculation? If "yes", please provide the following information: · Details on the proposed methodology · Rationale for the methodology · A definition and listing of non-recurring items.	Yes	Yes.
Q160 Regardless of the determined MOCE design, should any DTA arising from MOCE be considered for the ICS calculation? Please explain.	Yes	Yes.
Q162 Would the response to Question 161 differ depending on classification on the balance sheet and defined purpose of MOCE? Please explain.	Yes	Yes. MOCE that is part of insurance liabilities should be net of tax. MOCE that is part of equity should not be tax affected.
Q163 Should the ICS tax effect on the capital requirement be offset against the gross capital requirement? If "no", please describe how the capital requirement should be classified including sufficient detail and rationale.	Yes	Yes.

Question	Yes/No	Response
Q165 Should all assets under GAAP Plus be restated to market value in order to maximise comparability or should assets be reported unadjusted, as per audited financial statements? Please provide any supporting comments including thoughts on valuation in the context of comparability, business strategy associated with an asset, symmetry in accounting between assets and insurance liabilities, and potential cost of implementation. ☐ Restated to market value Comment Box ☐ Reported unadjusted, as per audited financial statements Comment Box ☐ Others Comment Box	Reported unadjusted, as per audited financial statements	Reported unadjusted, as per audited financial statements.
Q167 Would a mechanism adapted from the U.S. SAP Interest Maintenance Reserve or Japanese GAAP to defer gains on the sale of assets that were included under the AOCI adjustment be appropriate for ICS Version 2.0? Please provide a rationale to support the response. Also provide any additional design considerations or suggestions to improve the proposal.	Yes	Yes. Deferring of gains helps to dis-incentivize capital generation through AOCI for assets held at amortized cost.
Q168 To ensure that discounting falls within a range of practice that is not overly aggressive under GAAP Plus, guardrails and/or guidelines are being considered to narrow potential ranges of practice and put reasonable constraints on discounting methodologies under jurisdictional GAAP Plus approaches. Specifications would need to strike a balance between prudential concerns and being overly prescriptive. There would also be a need to maintain an alignment with current GAAP practices. Are guardrails and/or constraints necessary under GAAP Plus? Under what specific circumstances might guardrails or additional guidance be necessary? Are there elements of MAV that might be used as a starting point? Please support the answer with discussion and any examples on possible risks or wide range in practice that may exist and how guardrails may minimise those risks or narrow the range of practice appropriately.	n/a	Guardrails and/or constraints would be necessary under GAAP Plus in order to get more comparable outcomes.
Q169 Should the IAIS consider harmonising the definitions of contract recognition and contract boundaries across all valuation approaches (jurisdictional GAAP Plus approaches) possibly in alignment with the IFRS accounting standard on Insurance Contracts (IFRS 17)? Please comment on how this would impact jurisdictional GAAP Plus approaches (such as Japanese GAAP Plus and U.S. GAAP Plus) in terms of feasibility and cost and whether the IFRS 17 definitions are generally applicable in all jurisdictions. If no, please explain the difficulties and/or issues associated with conforming to one single definition.	Yes	Yes. Some level of harmonization may be necessay becasue of materiality and impact on outcomes. This would depend on the type of product since contract recognition and contract boudaries have a knock over effect on various aspects of valuation and captial requirements. However, the implementation of IFRS 17 has to be first clearly understood and evaluated before an IFRS 17 type approach could be considered to be applied under GAAP Plus.
Q176 Should the IAIS develop additional guidelines and criteria for elements where there is significant judgment and potential for abuse in the calculation of a discount rate derived from a blend of book yield and a reinvestment assumption or dividend fund crediting rate? If 'no', please describe the mitigating controls that would serve to limit abuse or aggressive actions and ensure that valuation results are comparable across IAIGs. If 'yes', please describe the elements where there may be a need for additional guidelines or criteria. Include in the response whether there may be opportunity to align this criteria with the MAV approach or whether criteria should be specific to U.S. GAAP Plus and why.	Yes	Yes. However, we would need more experience on how the new US GAAP and IFRS 17 are implemented over the course of 2019 and 2020, before additional guidance can be developed.
Q179 If a wide range of practice is observed, in particular for discounting, should the IAIS seek to narrow that range? Why or why not?	Yes	Yes.

Question	Yes/No	Response
Q182 Should the IAIS do more to align discounting under jurisdictional GAAP Plus approaches? If "yes", please provide a rationale and any suggestions for how this might be achieved. If "no", please provide context and support for the response.	Yes	Yes.
Q183 Under certain jurisdictional GAAP Plus approaches, some risk charge calculations depend on whether balances are measured on a market or book value basis. This is particularly relevant for the Interest Rate risk and Non-Default Spread risk calculations. Thus, the capital requirement result can depend on the accounting regime applied by a Group. Should the IAIS seek to reduce or eliminate these jurisdictional differences in risk charge calculations? If "yes", please provide any suggestions for revising the noted risk charge calculations. Please also provide context and support for the answer provided.	Yes	Yes.
Q185 Is the current approach, to use ICP 17 as a foundation of prerequisites, appropriate for developing the additional reporting of internal models during the monitoring period? If "no", please explain and describe any changes that could enhance the additional reporting of internal models during the monitoring period.	Yes	Yes. We think ICP 17 is a reasonable foundation for these prerequisites. In particular, ICP 17 allows for a range of approaches to group capital including, but not limited, internal models and aggregation-type approaches.
Q198 Are there any further comments on the additional reporting of internal models during the monitoring period, which the IAIS should consider? If "yes", please explain with sufficient detail and rationale.	No	While we don't have further comments on the reporting of internal models, the bigger issue is comparability. We will have further comments on the comparability of internal models for the future consultation that is promised in paragraph 3.