

2. Activities related to IAIS

a) Comments on the Draft Paper *Issues arising as a result of the IASB's Insurance Contracts Project - Phase II: Second Set of IAIS Observation (Second Liabilities Paper)*

The International Association of Insurance Supervisors (IAIS) invited comments from its members and observers on its *Second Liabilities paper* (draft) on 27 April 2006.

This paper, following on from its first observations of May 2005, provided its second set of observations on identified measurement themes common to both general purpose financial reporting and regulatory reporting for the purpose of providing further input to the IASB in respect of Phase II of its Insurance Contracts Project.

The LIAJ submitted its comments on this paper on 19 May 2006, expressing its willingness to cooperate with the IAIS on providing positive input to the IASB as well as its full support of the IAIS's views on treatment of discretionary participation features as liabilities. The LIAJ also suggested that the IAIS express its views more clearly and persuasively in some parts of the draft.

Please refer to **<Appendix> I-a** (page 43 to 44) for the LIAJ comments.

b) Comments on *the IAIS Common Structure for the Assessment of Insurer Solvency (Draft)*

The IAIS presented the draft paper *the IAIS Common Structure for the Assessment of Insurer Solvency* on 31 May 2006.

The IAIS has commenced a major project to formulate a consistent, reliable and transparent approach to the assessment of insurer solvency. This paper describes the IAIS risk-based approach to the assessment of insurer solvency.

The LIAJ submitted its comment on the paper on 28 July 2006, stating that attention should be paid to financial risk and risk diversity exposed to insurers, and that the details for standards to establish the effective internal control structure be described in the company law of each jurisdiction.

Please refer to **<Appendix> I-b** (page 45) for the LIAJ comments.

Later the same year on 5 December, the IAIS again released the paper for the final round of consultation. The LIAJ reviewed the additions and modifications from the previous draft, and on 5 January 2007, proposed the following partial amendment to the paper.

<Original>

Continuity analysis should also encompass operational and liquidity risk.

<Amendment suggested from LIAJ>

Continuity analysis should also encompass operational and liquidity risk, but the quantitative analysis should be carried out only to the extent the quantification of such risks is possible.

c) Comments on IAIS Draft Papers *Supervisory Standard on Asset Liability Management* and *Issues Paper Asset Liability Management*

On 31 May 2006, the IAIS issued invitations to comments on the following IAIS draft papers:

- *Supervisory Standard on Asset Liability Management*
- *Issues Paper Asset Liability Management*

These draft papers were prepared to describe best practices for Asset Liability Management (ALM) and also to assist supervisors in assessing the practices that insurers in their jurisdictions have in place.

The LIAJ submitted its comment on the Draft Papers on 28 July 2006, purporting that consistency with other IAIS works and papers should be secured.

Please refer to **<Appendix> I-c** (page 47) for the LIAJ comments.

d) Comments on the Draft *Standard on Disclosure Concerning Technical Risks and Performance for Life Insurers*

The IAIS released the draft *Standard on Disclosure Concerning Technical Risks and Performance for Life Insurers* on 27 May 2006.

The IAIS decided to issue three standards on enhanced disclosure in order to promote meaningful disclosure by insurers that facilitates market discipline. This draft standard is the third of the three standards.

In its comments submitted on 28 July 2006, the LIAJ expressed its concern about requirement of quantitative disclosure of regulatory capital requirement, arguing that such disclosure requirement could convey misleading information to the markets, and that forcing insurers to disclose proprietary/confidential information could cause reputation risk that would adversely affect insurers and policyholders. It also commented that some descriptions written based on accounting regimes and/or market environments in some specific jurisdictions should be emphasized that these descriptions are just some of examples.

Please refer to **<Appendix> I-d** (page 48 to 49) for the LIAJ comments.