■The LIAJ comments on the IAIS public consultation on Insurance Capital Standard (ICS) as a Prescribed Capital Requirement

No.	Question	Comment
1	Do you have comments regarding the general guiding principles of the ICS?	· The consultation document (CD) states that when a full look-through is not possible, a partial look-through may be applied, along the lines provided by the Basel III framework. · While the LIAJ considers such intermediate application as reasonable, it would not be easy to apply the partial look-through in line with the Basel III framework based on each insurer's interpretation and discretion, as the framework for risk measurement differs between banking and insurance sectors. · The LIAJ would like to ask the IAIS to give practical consideration for applying the Basel III framework by providing examples of such cases.
2	Do you have comments regarding the perimeter of the ICS calculation?	· N/A
3	Do you have comments on the introduction of a term structure of credit spreads for discounting?	· The LIAJ supports the introduction of the term structure as it would contribute to refining the ICS calculation. However, as the spread level of the discount rate significantly affects the economic solvency ratio of insurers, considering the calibration method would also be important. · In fact, as for Japanese corporate bonds with a credit rating of BBB (ICS RC 4), there is a large gap between the yield curves for the end of March 2023 and the end of December 2022. This level of volatility in a short time as three months indicates the possibility of an ineffective calibration, so proper adjustment should be made gradually through the disclosure of calibration methods and continued discussion with the industry.
4	Do you have comments on the revised eligibility criteria for the Middle Bucket?	· Although universal insurance and account-type insurance products available in Japan do not fix future premiums, the LIAJ supports the easing of the criterion L2-69. e) for the Middle Bucket, as these products can predict cash-flows with a higher degree of accuracy. Furthermore, these products also allow insurers to adjust insurance premiums at their discretion when the underlying risks manifest.

5	Do you have comments on the introduction of a modulation factor?	・ While the proposed formula for computing the modulation factor ω reflects the adjustment of balances using spread sensitivity of the insurance liability and credit asset and has been refined from the 2022 ICS Technical Specifications, it still needs to be verified, for example, as to whether the formula would remain applicable in stressed market conditions. ・ Also, for jurisdictions such as the Euro zone where swap rate is the risk-free rate, government bonds are treated inconsistently between the calculation of the spread and NDSR. While government bonds can be reflected in the calculation of the spread including the modulation factor ω, government bonds as a whole are excluded from the calculation of the NDSR. Consideration should be given on consistency between these calculations by including the NDSR calculation in every asset that is subject to the calculation of the spread.
6	Do you have other comments regarding the Market-Adjusted Valuation?	・ The LIAJ would like to ask the IAIS to reflect the asset management reality of insurers appropriately for the insurance liabilities discount rate. In particular, reflecting the equity risk premium would be appreciated, as the valuation in relation to equity investment would be important for Japan. – Since the launch of whole-life insurance in Japan in 1981, Japanese insurers have ensured investment return to support long-term insurance liabilities by investing in equity and real estate, in spite of the limited options for ultra-long-term assets. – The size of the bond market in Japan is relatively small compared to other jurisdictions and it would be difficult to secure the credit spread for bonds. Investment in foreign bonds with complex hedging may therefore increase if equity investment requires higher cost of capital. ・ Additionally, the calculation of MOCE in the ICS, where the percentile method is adopted, differs from that of Europe and Japan where the cost of capital method would be used. The difference in calculation methods between the ICS and local regulations could also lead to causing greater inconsistency in managing the IAIGs and preventing the enhancement of risk management.

7	Do you have comments on the changes regarding eligibility criteria for Tier 1 Limited and Tier 2 financial instruments? Please explain your response based on actual terms and conditions of instruments commonly issued by insurers.	· N/A
8	Do you have comments on the introduction of a limit on non-controlling interests, such as the one specified in section 6.4.4?	· N/A
9	Do you have other comments regarding capital resources?	· The LIAJ appreciates the introduction of the qualifying criteria based on the type of business structure, i.e. the requirement for an instrument to have the initial maturity of at least ten years to be qualified as Tier 1 capital resource as well as the different capital composition limits, both applicable to a mutual IAIG. On the other hand, the ICS tiering categorises kikin in a way that is not in line with the reality in Japan. Insurers with “kikin” are mandated by Japanese law to reserve additional “redemption related kikin” equivalent to the amount of redemption, and kikin for mutual companies are considered to have the capital characteristics comparable to the capital of holding companies. This inconsistency with supervisory accounting regarding tiering of kikin by local jurisdictions should be avoided. In order to ensure consistent valuation across markets, the LIAJ suggests a provision that “sets out the basic tiering direction and focuses on the setting of tiering by local jurisdictions.” · Furthermore, in the context of factor analyses for volatility in the ICS ratio and difference comparison with an internal model, the LIAJ would like to ask the IAIS to disclose the rationale for the spreads applied to the General Bucket and the Middle Bucket by ICS rating categories. The data sources for the spreads for each currency, for example, should be disclosed in the ICS Technical Specification, as it would help the IAIG establish its own measurement method for the standard model.
10	Do you have comments regarding the ICS risks and calculation methods?	· In the context of factor analyses for volatility in the ICS ratio, difference comparison with an internal model and risk factor validation, calibration method details used for calculation of the standard model, including all risk factors, risk scenarios and correlations, should be disclosed.
11	Do you have comments regarding the grouping of policies for life insurance risks?	· N/A

12	Do you have comments regarding the calculation of the Life risk charges?	· While the risk charges for ordinary lapse risks are calculated applying the historical trend component by each region, the mass lapse risk related specification is determined in the same for all regions. As this may lead to the level of mass lapse risks being overly conservative for life insurers in Japan, stress factors should preferably continue to be adjusted gradually even after the ICS finalisation through disclosing the calibration methods so that they are appropriate for each region. – As mass lapse risks are affected by the interest rate sensitivity of only the insurance liabilities even if insurers are promoting the ALM, it could be a major factor in decreasing the level of economic solvency ratio for insurers when interest rate rises. · As mass lapse risks are different from other underwriting risks since underlying contracts extinguish immediately, the effects of MOCE decrease (for example, a 30% decrease) caused by extinguishing underlying contracts is possible to be reflected for calculating capital requirement. MOCE decrease associated with extinguishing contracts should thus be considered when calculating mass lapse risks related to capital requirement.
13	Do you have comments regarding the calculation of the Non-life risk charges?	· N/A
14	Do you have comments regarding the calculation of the Catastrophe risk charges?	· N/A
15	Do you have comments regarding the list of market risks considered in the ICS, the general principles to calculate them and the way to aggregate them?	· N/A

16	Do you have comments regarding the Interest Rate risk?	· The Interest Rate risk charge calculation should be validated regularly so that it does not prevent the ALM enhancement of insurers caused by the difference in LOT and UFR applied to the discount rate calculation of insurance liabilities for internal and standard models. · Also, implementing a method in which temporary shocks are reflected in the discount rate for liabilities beyond the investable term should be considered carefully as shocks would have an effect on the entire remaining period of liabilities. Alternatively, adjustment could be made for stabilisation to shocks from tail events such as the fall of UFR, given that UFR assumes the long-term equilibrium rate in terms of macroeconomic. · Finally, the LIAJ would like to ask the IAIS to disclose the details of the calibration, as stated in our comment for Question 10.
17	Do you have comments regarding the Non-Default Spread risk?	· While the proposed formula for computing the modulation factor ω reflects the adjustment of balances using spread sensitivity of the insurance liability and credit asset and has been refined from the 2022 ICS Technical Specifications, it still needs to be verified, for example, as to whether the formula would remain applicable in stressed market conditions. · Also, for jurisdictions such as the Euro zone where swap rate is the risk-free rate, government bonds are treated inconsistently between the calculation of the spread and NDSR. While government bonds can be reflected in the calculation of the spread including the modulation factor ω, government bonds as a whole are excluded from the calculation of the NDSR. Consideration should be given on consistency between these calculations by including the NDSR calculation in every asset that is subject to the calculation of the spread.
18	Do you have comments on the differentiated treatment for investments in infrastructure equity?	· As society demands sustainable investment globally, the LIAJ supports the appropriate setting of risk factors based on data collection from the perspective of insurers fulfilling the role as institutional investors.
19	Do you have comments on the inclusion of the Equity risk counter-cyclical measure (NAD)?	· The LIAJ supports the proposed inclusion of the Equity risk counter-cyclical measure as it would contribute to financial stability, which is the purpose of the ICS.
20	Do you have comments on the proposed design of the Equity risk counter-cyclical measure?	· It would be important for the IAIS to encourage each jurisdiction to implement a counter-cyclical measure because, if some jurisdictions fail to implement such measures, those jurisdictions would be the originating cause of disrupting financial stability.
21	Do you have comments on whether the Equity risk counter-cyclical measure should allow for more granular calibrations to reflect geographical market specificities?	· Since the proposed formula based on developed market and Japanese equity market data could act differently, it might not be able to fulfil the objective of counteracting procyclical behaviour.

	株式リスクに関する、カウンター・シクリカル措置により、地理的な市場の特殊性を反映するための、より詳細な調整を可能にすべきかどうかについて、コメントはありますか。	・ While reasonable adjustment may ultimately differ between jurisdictions, the LIAJ expects the implementation of a countercyclical measure based on major indices (e.g. TOPIX in Japan).
22	Do you have other comments regarding Equity risk? 株式リスクに関して、他にコメントはありますか。	・ The European Solvency II applies the mitigated risk factors for long-held equities. In the context of ensuring a level playing field, the LIAJ believes that the ICS should also implement the mitigated risk factors for long-held equities. ・ Based on historical data, private equity funds composed of unlisted equites show lower volatility than indices for listed equities. Also, the same risk factors are applied to unlisted equities as those for listed equities in Europe according to the European Solvency II. As such, the LIAJ would like to ask the application of the same risk factors for unlisted equities and listed equities in developed markets.
23	Do you have comments regarding Real Estate risk?	・ It is desirable to set factors and correlation factors between jurisdictions reflecting jurisdictional characteristics. ・ Also, the LIAJ would like to ask the IAIS to disclose the details of the calibration, as stated in our comment for Question 10.
24	Do you have comments regarding Currency risk?	・ N/A
25	Do you have comments regarding Asset concentration risk?	・ The granularity adjustment may lead to an excessive capital requirement for asset concentration risk when the insurer's portfolio is concentrated too much on a specific counterparty. ・ Capital requirements for intragroup reinsurance, bank deposits and subsidiaries are particularly high compared to the risk reality. The LIAJ therefore suggests the IAIS to set a limit on stock and credit exposures. ・ Also, the LIAJ would like to ask the IAIS to disclose the details of the calibration, as stated in our comment for Question 10.
26	Do you have comments on the differentiated treatment for investments in infrastructure debt?	・ N/A

27	Do you have other comments regarding Credit risk?	· While it would be reasonable to take into consideration the mitigation measures for credit risks through collateral and guarantees, the LIAJ finds it overly conservative to recognise risk mitigating effects only when the collateral or the guarantee belongs to a higher rating category than the exposure. · The proposed ICS considers that, if an A rated loan is collateralised by a mortgage and is qualified as A with the same duration, the risks would not be transferred at all because it assumes the simultaneous failure of the mortgage in case of the borrower's failure. · In terms of reinsurance, the haircut approach is used for collateralised non-life reinsurance exposures and the mitigating effects can be recognised to some extent even when the collateral or the guarantee does not belong to a higher rating category than the exposure. On the other hand, the application of the conservative substitution approach is required for life reinsurance exposures and the risk mitigating effects can be recognised only when the collateral or the guarantee belongs to a higher rating category than the exposure. For the reason set forth above, the LIAJ would like to ask the application of the haircut approach for life reinsurance exposures as well as for collateralised non-life reinsurance exposures. · Additionally, it also assumes extreme risk events (e.g. credit risk stress factor of 100% for securitisations in ICS RC 6.) and djustment should be made gradually through the disclosure of the method and continued discussion with the industry. · The LIAJ understands the difficulties in changing risk charges for Commercial Mortgage Loans as a whole due to the data collected being proven insufficient both in scope and quality. Nevertheless, the category CM 1 should be further broken down, as the broad range of LTV (loan-to-value) from less than 60% to 79.9% obviously indicates significant difference in risks within the category. · Also, the LIAJ would like to ask the IAIS to disclose the details of the calibration, as stated in our comment for Question 10.
28	Do you have comments regarding Operational risk?	· The calculation of operational risks should be developed focusing on conciseness and comparability because some of its aspects are difficult to quantify. However, in order to avoid being overly conservative, the LIAJ suggests setting the non-operational risk (after diversification) limit to 20% of the total capital requirements. · Also, the LIAJ would like to ask the IAIS to disclose the details of the calibration, as stated in our comment for Question 10.
29	Do you have comments regarding the aggregation / diversification of ICS risk charges?	· While the fall in interest rate and drop in stock prices are positively correlated in general, losses caused by the entity's position in rising interest rate are likely to be offset by rising stock prices. · It could be overly conservative to apply positive correlation between interest rate and equity risks uniformly regardless of the insurer's position and the correlation factor should depend on the position as with the NDSR.

30	Do you have comments regarding the optionality given to group-wide supervisors to require a calculation based on the Basel III approach for calculating risk charges for non-insurance non-banks financial entities?	· N/A
31	Do you have comments regarding the optionality given to group-wide supervisors to require an additional risk charge for non-insurance, non-bank financial entities without a sectoral capital requirement where an operational risk charge would not capture all material risks?	· N/A
32	Do you have other comments regarding non-insurance risk charges?	· N/A
33	Do you have comments regarding the use of a simplified utilisation approach for tax?	· N/A
34	Do you have comments regarding the option given to the supervisor to require a more complex approach for tax?	· While tax effects should primarily be based on tax schemes in each jurisdiction, the LIAJ finds that the proposed simple calculation of the tax effects (i.e. 80% × ICS insurance capital requirement × an effective tax rate) reflects the different tax schemes between jurisdictions and conservativeness regarding taxable income to some extent, given that complicated tax schemes in different jurisdictions cannot be addressed in the ICS in a uniform manner, assuming that international law should be considered to set the minimum requirements to be followed in each jurisdiction. · However, the reason behind the option of "a+b+c-d" for a jurisdictional supervisor described on page 121 of the consultation document as "based on feedback and analysis it was determined that these elements added complexity without the benefit of accuracy for most jurisdictions" is not convincing alone and, depending on jurisdictional decisions, could pose a challenge in terms of fair treatment among jurisdictions. If the IAIS believes that a limit to the utilisation of the tax effects that is suitable for the tax scheme in each jurisdiction should be set, the LIAJ expects the continued discussion toward the development of new and less complicated formulae that can be applied uniformly.
35	Do you have other comments regarding tax?	· N/A
36	Do you have comments regarding Other Methods for the calculation of the ICS capital requirement?	· N/A

37	Do you have comments regarding SOCCA processes?	· The LIAJ believes that, in the absence of an external rating, it should not result in punitive action, as the SOCCA processes should be allowed as an exception and alternative to such absence. · However, to ensure comparability, track records related to the SOCCA processes, such as default rates by rating categories, should be disclosed.
38	Do you have comments on the overall requirements (section 9.4.1)?	· It would be burdensome for both insurers and the supervisor to follow the process and meet the requirement for approval for the use of an internal model by financial year 2025, unless the insurer is part of an insurance group from a jurisdiction where its use of an internal model is already implemented or approved by the supervisory authority. · When implementing the ICS, the LIAJ would like to ask to ensure jurisdictions are on equal footing by providing sufficient preparation periods and giving practical consideration to avoid excessive burdens.
39	Do you have comments on the general provisions on the use of an internal model to determine regulatory capital requirements (section 9.4.2)?	· N/A
40	Do you have comments on the criteria for internal model approval (section 9.4.3)?	· N/A
41	Do you have comments on the additional considerations (section 9.4.4)?	· N/A
42	Do you have comments on the general provisions on the use of partial internal models (PIM) (section 9.4.5)?	· N/A
43	Do you have other comments regarding the use of internal models?	· N/A
44	Do you have additional comments on the ICS?	· The LIAJ appreciates the proposed calculation method, which has improved compared to ICS Version 2.0 in many aspects. · Furthermore, it would be important for the IAIS to implement it simultaneously across jurisdictions to ensure a level playing field. For the purpose of achieving this, the LIAJ would like to ask the IAIS to disclose each jurisdiction's compliance with the ICS and the difference thereof through the peer review (PIR) process, as well as to introduce a framework for assessing the impact following the implementation of the ICS.

45	Do you anticipate any impacts from the implementation of the ICS on the new business strategy of IAIGs? If so, please explain the potential impacts.	· Life insurers in Japan have taken on the challenging risks on behalf of consumers and provided coverage by issuing products such as whole-life insurance which has both life coverage and savings functions, as well as traditional pensions which provide a longevity society with a guaranteed interest rate. They then fulfil these obligations by making ultra-long-term investments in assets with social significance, considering the long-term nature of insurance products. · As a result, cash outflow occurs beyond the investable term and hence cannot be offset through matching of assets. Imposing excessive risk charges on such tail liabilities may cause difficulties in distributing whole-life insurance and traditional pensions, the commonly accepted types of insurance products in Japan, and affect social protection schemes in the future. Moreover, excessive incentive to eliminate the duration gap to address the ICS may significantly decrease the long-term profitability by, for example, matching long-term liabilities with an ultra-low interest rate.
46	Do you anticipate any impacts from the implementation of the ICS on the pricing of products of IAIGs and/or across the insurance industry? If so, please explain the potential impacts.	· In light of the past shift from traditional pensions to unit-linked insurance in Europe, distributing products focusing on building long-term assets such as traditional pensions may become difficult in Japan. · If the market is under stress and the ESR decreases significantly, life insurers sales policy may focus more on protection-type insurance which contributes to raising the ESR, and less on products that build long-term assets which assume greater risks.
47	Do you anticipate any impacts from the implementation of the ICS on the range of product features available in the market (for example investment guarantees? If so, please explain the potential impacts.	· In light of the past shift from traditional pensions to unit-linked insurance in Europe, distributing products focusing on building long-term assets such as traditional pensions may become difficult in Japan. · If the market is under stress and the ESR decreases significantly, life insurers sales policy may focus more on protection-type insurance which contributes to raising the ESR, and less on products that build long-term assets which assume greater risks.
48	Do you anticipate any impacts from the implementation of the ICS on the duration of products written (eg offering products with shorter-term guarantees)? If so, please describe the products that might be affected and the potential impacts.	· In light of the past shift from traditional pensions to unit-linked insurance in Europe, distributing products focusing on building long-term assets such as traditional pensions may become difficult in Japan. · If the market is under stress and the ESR decreases significantly, life insurers sales policy may focus more on protection-type insurance which contributes to raising the ESR, and less on products that build long-term assets which assume greater risks.

49	Do you anticipate the implementation of the ICS resulting in an IAIG's withdrawal from writing specific types of products? If so, please describe the products that might be affected and the potential impacts.	· In light of the past shift from traditional pensions to unit-linked insurance in Europe, distributing products focusing on building long-term assets such as traditional pensions may become difficult in Japan. · If the market is under stress and the ESR decreases significantly, life insurers sales policy may focus more on protection-type insurance which contributes to raising the ESR, and less on products that build long-term assets which assume greater risks.
50	Do you anticipate the implementation of the ICS requiring changes to risk appetite of IAIGs? If so, please explain the potential impacts.	· The LIAJ anticipates that more insurers would consider changing their risk appetite following the introduction of the ESR as a supervisory indicator. The specific effects from these changes are difficult to anticipate at this stage but more importantly, it should be recognised through measures such as the PIR.
51	Do you anticipate any circumstances in which the implementation of the ICS might create or help resolve protection gaps (eg due to changes in product availability)? If so, please explain the potential impacts.	· There are no other market participants other than insurers that provide traditional pension insurance or whole-life insurance at this stage. If the implemented standard is overly conservative, protection gaps may occur in terms of securing savings for retirement, depending on the developments related to the social security system.
52	Do you anticipate that any reduction in product availability from IAIGs could be filled by other market participants? If so, please explain the potential impacts.	· There are no other market participants other than insurers that provide traditional pension insurance or whole-life insurance at this stage. If the implemented standard is overly conservative, protection gaps may occur in terms of securing savings for retirement, depending on the developments related to the social security system.
53	Do you anticipate any opportunities for an increase in the range of products available in the insurance market as a result of the implementation of the ICS? If so, please explain the potential opportunities.	· N/A

54	Do you anticipate any impacts from the implementation of the ICS on the long-term strategy of IAIGs? If so, please explain the potential impacts.	· As the discount rate applied to insurance liabilities do not reflect expected returns on equities but only equity risk factors, capital requirements imposed on underlying equities are high. Moreover, a level playing field is not ensured between insurers in and outside Europe since the risk factors for equities with a long duration which would be held to match long-term insurance liabilities are excessively high in the ICS compared to the reduced factors in the European Solvency II. · Consequently, the share of equity investment by IAIGs may decrease in cases where capital efficiency is required, and may result in a negative effect on the equity market.
55	Do you anticipate that the implementation of the ICS could lead to a change in the risk sensitivity of the solvency position of IAIGs? If so, please explain the potential impacts.	· The LIAJ anticipates that more insurers would consider changing their risk appetite following the introduction of the ESR as a supervisory indicator. The specific effects from these changes are difficult to anticipate at this stage but more importantly, it should be recognised through measures such as the PIR.
56	Do you anticipate that the implementation of the ICS could lead to a change in the profitability of an IAIG's business units or insurance entities focusing on a specific product type or market segment? If so, please describe the products or market segments potentially affected.	· N/A
57	Do you anticipate any circumstances in which IAIGs will need to raise additional capital (beyond those currently anticipated) as a result of the implementation of the ICS? If so, please explain the potential impacts.	· When the interest rate declines, reinvestment returns decrease gradually as the underlying assets reach maturity. Life insurers are therefore able to avoid future crises by accumulating retained earnings or changing product and investment strategies as necessary. · Nevertheless, if the economic value-based indicators are applied as the sole criteria, IAIGs may raise additional capital even though future crises are fairly avoidable.

58	Do you have any concerns over the ability of IAIGs to raise capital or issue debt in the future as a result of the implementation of the ICS? If so, please explain the potential impacts.	· In contrast to the situation described in our comment for Question 57, insurers with lower solvency may expect distant future returns, setting it aside as a margin. In such cases, the application of the economic value-based indicators as the sole criteria may lead to inappropriate valuation by the market for such insurers, as their financial condition could be unsound and concealed.
59	Do you anticipate any circumstances in which IAIGs might change their risk management strategy as a result of the implementation of the ICS? If so, please explain the potential impacts.	· The LIAJ anticipates that more insurers would consider changing their risk appetite following the introduction of the ESR as a supervisory indicator. The specific effects from these changes are difficult to anticipate at this stage but more importantly, it should be recognised through measures such as the PIR.
60	Do you anticipate any circumstances in which IAIGs might change their approach to risk mitigation as a result of the implementation of the ICS? If so, please explain the potential impacts.	· As mass lapse risks are difficult to control by means of ALM, implementation of the ICS would limit the options to address such risks (e.g. constraints on cessions) and lead to an opportunity loss or an obstacle to enhancing risk management of insurers.
61	Do you anticipate circumstances in which IAIGs would re-structure their business as a direct result of the implementation of the ICS? If so, please explain the potential impacts.	· N/A
62	Do you anticipate any other changes to the operating model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	· N/A
63	Do you anticipate any changes to risk management practices across the insurance industry as a result of the implementation of the ICS? If so, please explain the potential impacts.	· N/A

64	Do you anticipate any benefits to the business model of IAIGs as a result of the implementation of the ICS? If so, please explain the potential benefits.	· The establishment of internationally unified risk-based measures would enhance the risk appetite of IAIGs. On the other hand, despite the unified valuation in jurisdictions compliant with the ICS, the implementation details would differ between these jurisdictions. An inter-jurisdictional M&A would require analyses of such details and adjustment to meet capital requirements in jurisdictions where the parent company is located. · By disclosing each jurisdiction's compliance with the ICS and the difference through the peer review process, the IAIS would reduce the costs imposed on IAIGs associated with the adjustment between jurisdictions compliant with the ICS, and could be expected to enhance the usefulness of the ICS as an international standard.
65	Do you anticipate any impacts to the competitiveness of IAIGs relative to non-IAIGs with the implementation of the ICS?	· N/A
66	Do you anticipate any changes to the investment strategy of IAIGs which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	· N/A
67	Do you anticipate any changes to the investment strategy by other market participants which could lead to greater pro-cyclical behaviour, as a result of the implementation of the ICS? If so, please explain the potential impacts.	· N/A
68	Do you anticipate any impacts from the implementation of the ICS on asset concentration risk, either within IAIGs or across insurance markets? If so, please explain the potential impacts.	· N/A
69	Do you anticipate the implementation of the ICS altering the investment strategy or investment decisions of IAIGs in response to stressed market conditions? If so, please explain the potential impacts.	· N/A

70	Do you anticipate the implementation of the ICS resulting in a change in the market demand for specific asset classes (eg AAA / BBB rated corporate or government bonds, equities) driven by IAIGs? If so, please explain the potential impacts.	· As stated in our comment for Question 54, the share of equity investment by IAIGs may decrease in cases where capital efficiency is required, and may result in a negative effect on the equity market.
71	Are there any other areas of the financial markets (eg derivatives or stock lending) that might be impacted – directly or indirectly – by the implementation of the ICS? If so, please explain the potential impacts.	· N/A
72	Do you have any concerns over the availability of longer-term assets in the market to meet any increase in demand from IAIGs as a result of the implementation of the ICS? If so, please explain the potential impacts.	· N/A
73	Do you anticipate any increased risk to the broader financial markets (eg from re-allocations into or out of specific asset classes in response to shocks in financial markets) as a result of the implementation of the ICS? If so, please explain the potential impacts.	· N/A
74	Do you anticipate any specific benefits to the insurance market or broader financial markets as a result of the implementation of the ICS? If so, please explain the potential benefits.	· Insurers would be able to compare the prudence level of entities within an IAIG by using consistent measures, and this may contribute to the enhancement of risk management and ERM of insurers. · However, it should be noted that this will be achieved only when the ICS is appropriately designed to reflect specific features of the insurance market in each jurisdiction.

75	To the extent that it can be predicted, do you anticipate the insurance industry having to devote resources, including training, to implement the requirements of the ICS? If so, please explain the potential impacts.	· Insurers are expected to incur significant costs for establishing a validation system to ensure the appropriateness for areas in which system development, human resources retention and insurance liability calculation for cash flow and risk assessment is decided. · These costs depend on the duration from the calculation reference date to the ESR submission date, as well as the frequency of submitting the ESR (annually/quarterly). Hence, the LIAJ would like to ask the IAIS to take into consideration not only the resources of the insurers but also those of the auditors and supervisors.
76	To the extent that it can be predicted, do you anticipate impediments to implementing the requirements of the ICS? If so, please explain the potential impacts.	· Based on the future consideration for comparability between the ICS and the Aggregation Method, a consolidated subsidiary of an IAIG located in a jurisdiction where the outcome is deemed comparable would be required to perform the ICS calculations as well as the calculation required in the supervisory scheme that is deemed comparable to the ICS. In such cases, a level playing field could be impeded between competing insurers in a jurisdiction with the comparable supervisory scheme since depending on where the group headquarters are located, either inside or outside the jurisdiction, their prudence would be assessed based on different criteria. · Also, if the consolidated subsidiary is located in a jurisdiction where parts of the ICS are adjusted in line with local regulation but being consistent with the ICS (e.g. Japan), the calculation results cannot be used for other jurisdiction without any adjustments. As a result, such subsidiary would be required to calculate two results based on the ICS and the practical burden imposed on them could increase. · To address these impediments, the LIAJ expects that applying methods such as the deduction and aggregation methods for European Solvency II to an IAIG's subsidiary located in a jurisdiction where its supervisory scheme is deemed comparable to the ICS, regardless of the jurisdiction where its headquarters is located, could be an option to be discussed by group-wide supervisors under the support of the IAIS.
77	Could any costs of implementing the ICS be absorbed by or shared with other implementation projects running concurrently (eg IFRS 17)? If so, please explain how this might be achieved.	· N/A
78	Do you anticipate any other impacts from the implementation of the ICS, not covered above? If so, please explain the potential impacts	· N/A