

The LIAJ comments on Draft revisions to supervisory material related to the Holistic Framework in ICPs 12 and 16 and related ComFrame standards

Question	Comment
ICP 12 (Exit from the Market and Resolution)	
<p>2. Question related to ICP 12.3 and ICP 16.15: The ICPs establish the minimum requirements for effective insurance supervision and are expected to be implemented and applied in a proportionate manner. Do you favour the proposed proportionate application of certain recovery and resolution planning requirements to all insurers? Please explain and provide details of how proportionality should apply and/or where such planning should be deemed necessary. The IAIS may consider this feedback in the final versions of the ICP guidance or in the supporting material (application papers).</p>	<ul style="list-style-type: none"> • The Life Insurance Association of Japan (hereafter the “LIAJ”) appreciates the opportunity to submit public comments to the International Association of Insurance Supervisors (or the “IAIS”) regarding the draft revisions to supervisory material related to the Holistic Framework. • The LIAJ well recognizes the background and intention of the revisions currently proposed by the IAIS. • Meanwhile, the LIAJ understands that the reason why not all insurance companies have been required to develop a recovery and resolution plan up to now is because it has been judged that systemic impact they may have in the event of failure is limited or non-existent based on their nature, scale, complexity of business, etc., and assumes that this basis remains the same. • Therefore, while the proposed requirement applies, “at a minimum, to any insurer(s) assessed to be systemically important or critical if it fails”, the LIAJ would like to ask IAIS to give adequate consideration to proportionality, and avoid simply expanding the scope of applicable insurers when implementing this revision. For example, considering that proportionality will be applied to the determination of the insurer’s systemic importance, it may provide more clarity by removing the words “at a minimum” from the revised ICP 12.4 in relation to the scope of applicable insurers. Also, the LIAJ believes that the supervisor or resolution authority should provide the designated insurer(s), detailed and thorough explanation of the reason for their designation.

3. Question related to CF 12.4.a: Recovery plans are required for all IAIGs. Resolution plans are required to be in place, at a minimum, for any insurer assessed to be systemically important or critical if it fails (regardless of their status as an IAIG). Due to their nature, scale and complexity, arguably there could be a presumption that all IAIGs should be subject to the requirement to have a resolution plan in place (unless deemed unnecessary by the supervisor or resolution authority), even if not assessed as systemically important. Are you in favour or against the possible introduction of a requirement, or presumption, that resolution plans are also required to be in place for all IAIGs? Please explain your opinions.

- The LIAJ does not support the proposal to require resolution plans to be in place for all IAIGs. The insurers who fall into the scope of being required to develop a resolution plan should be determined by the insurer's activity, risks on the nature of business and impact of its failure on the global financial system, and does not always coincide with the criteria for the designation as an IAIG. Additionally, requirement by the IAIS to have resolution plans in place for all IAIGs would not necessarily be consistent with the Financial Stability Board statement that "all insurers that could be systemically significant or critical upon failure, and at a minimum all G-SIIs, should be subject to a requirement for an ongoing process of recovery and resolution planning" in its guidance "Key Attributes of Effective Resolution Regimes for Financial Institutions Revised version" (p.79) published on April 25th, 2024. Therefore, the LIAJ does not support the catchall approach that simply expands the scope and requires resolution plans to be in place for all IAIGs. Also, the proposed requirement would not be consistent with the premise that the ICPs and ComFrame establish the minimum requirements for effective insurance supervision.

<p>15. Comments on proposed changes to ICP guidance 12.4.1</p>	<ul style="list-style-type: none"> • The LIAJ believes the proposal to include market share standard as a potential factor to decide which insurers a resolution plan is necessary should be reconsidered. • Insurers for which a resolution plan is necessary should be determined by risk-based criteria. The size of the insurer’s market share does not necessarily correlate with the size of its risks, and for that reason, the proposed criteria regarding market share may not be appropriate. • Should IAIS continue to keep the criteria based on the size of the insurer’s market share, the proposed statement “the supervisor and/or resolution authority may also decide to require resolution plans for a minimum share of its insurance sector” could potentially be interpreted as a request for the supervisor and/or resolution authority to require insurers to develop resolution plans, while the responsibility for developing resolution plans lies with supervisor and/or resolution authority. Thus, the LIAJ believes that the IAIS should refrain from using expressions that could imply that the insurers are responsible for developing resolution plans. For example, the terms “decide to require” in the proposed criteria could be replaced with “decide the necessity of”.
<p>ICP 16 (Enterprise Risk Management for Solvency Purposes) guidance material</p>	
<p>63. Comments on proposed changes to ICP guidance 16.16.2</p>	<ul style="list-style-type: none"> • The LIAJ believes the proposal to include market share standard as a potential factor to decide which insurers a recovery plan is necessary should be reconsidered. • Insurers for which a recovery plan is necessary should be determined by risk-based criteria. The size of the insurer’s market share does not necessarily correlate with the size of its risks, and for that reason, the proposed criteria regarding market share may not be appropriate.