

The LIAJ comments on the IAIS Public Consultation on ICS-related ComFrame standards

Question	Comment
<p>CF9.4.h.2 Additionally, the group-wide supervisor may require the Head of the IAIG to report the estimation of the ICS capital requirement using the standard method.</p>	<ul style="list-style-type: none"> <li>✓ The Life Insurance Association of Japan (the “LIAJ”) appreciates the opportunity to submit our comments to the International Association of Insurance Supervisors (the “IAIS”) on the public consultation on ICS-related ComFrame standards.</li> <li>✓ An internal model is capable of appropriately capturing the risk profile of the IAIG, whereas the standard method does not necessarily do so. Therefore, reporting the estimation of the ICS capital requirement using both the internal model and the standard method may lead to misunderstanding. In addition, such double reporting would impose a significant burden on the IAIG and could considerably undermine the benefits of introducing an internal model.</li> <li>✓ In light of these concerns, the LIAJ believes that it would not be desirable to mandate double reporting using the internal model and the standard method for the IAIG. Even if the IAIG using the internal model is required to evaluate the result using the standard method, any such request should be made with careful consideration of cost-effectiveness. For example, such requests should be made by limiting data collection to a defined scope for the purpose of reviewing the measurement approach for specific risk categories or by setting the reporting frequency to once every few years.</li> </ul>
<p>CF20.10.h.2 Additionally, the group-wide supervisor may require the IAIG to disclose the approved internal model’s scope and the differences with the ICS standard method’s underlying assumptions when possible.</p>	<ul style="list-style-type: none"> <li>✓ As with CF 9.4.h.2, double reporting of the estimation of the ICS capital requirement using both the internal model and the standard method may lead to misunderstanding. In addition, such double reporting would impose a significant burden on the IAIG.</li> <li>✓ The LIAJ understands that under the ComFrame provisions, the IAIG is required to disclose qualitative information on the approved internal model’s scope and the differences with the ICS standard method’s underlying assumptions, and not quantitative information on the differences between these two approaches. In particular, double reporting using the internal model and the standard method may easily lead to misunderstanding for general users of information. Therefore, we believe that quantitative disclosure of differences between the internal model and the standard method should not be required.</li> </ul>