Section/Paragraph	Comment
General Comments – ICP 15	The draft revised version of ICP 15 continues to appropriately include guidance on the various aspects of considering investments, including but not limited to security, liquidity, diversification, risk assessment/specific financial instruments, off-balance sheet exposures, and the interaction with the insurance liabilities. While the ICP material continues to provide appropriate flexibility as it pertains to establishing rules-based versus principle-based approaches to regulatory investment requirements (i.e. legal insurance entity requirements), the related ComFrame criteria is far too rules-based and creates an imbalance in the entire regulatory framework between what is and is not appropriate for group supervision versus legal entity insurance investment requirements. If anything, legal insurance entity requirements should be more rules-based than principle-based, but the material shows an imbalance toward more rules-based approaches for group supervision and more principle-based for legal entity. Examples of these imbalances are provided in individual comments. As the NAIC has stated in the past, what is most important for group supervision is for involved supervisors to understand and agree upon the major risks faced by the IAIG and to know what the IAIG is doing to mitigate or address those risks. All insurers have their own unique characteristics, and the regulatory and supervisory approach should recognize this and provide the flexibility needed to adapt to each unique situation. The group-wide supervisor and supervisory college meeting participants should identify and agree upon the material risks of the group (including various investment risks), how those risks are mitigated, and a plan for monitoring or addressing any unmitigated risks within the group. A number of ComFrame standards (CF 15.2a, 2e, 2f and 4a) focus on requiring IAIGs to set policies and limits but unfortunately the connection to the supervisory process is missing and these come across as requirements for requirements sake. With respect to ICP guidance, in general there is quite a bit of specific detail, which in some cases goes too far and others do not go far enough. An appropriate balance should be found, otherwise it may result in confusion. Terms with the word “requirements” is used in different contexts and meanings throughout this ICP (regulatory investment requirements, capital requirements, financial requirements, quantitative and qualitative requirements, regulatory solvency requirements, etc.); however it is not always clear what is meant or what the distinctions are between these different requirements. Suggest reviewing to ensure the correct term is being used and that these terms are well understood to avoid confusion; examples of these are provided in individual comments.
15.1.2	What is meant by “financial requirements”, and how do they differ from “quantitative and/or qualitative requirements”?
15.1.3	It is unclear what the second bullet means; clarification would be helpful. In the third bullet, who is being referred to as “third parties” and what kind of “market discipline”? Is this referring to shareholders, and if so, is this the right place for such a reference? Again, clarification would be helpful.
15.1.4	The reference to avoiding regulatory arbitrage is a good one. However, is there guidance for what a supervisor should do if they see such a situation? Specifically if the supervisor is concerned about the security of a particular type of investment and other regulators are not treating it as such.
15.1.11	What is meant by the words “other interests over which the insurer has some influence” and how does that relate in the sentence that refers to counterparties?
15.1.12	Consistent with prior NAIC comments, capital is generally not fungible within the group, or at least not when needed the most.

	This needs to be revised so as to avoid the perception that capital within a group is freely fungible. Additionally, the reference to liquidity also seems misplaced, or redundant to “transferability of assets”.
15.1.13	It should be made abundantly clear that the reference to monitoring exposures on an aggregate basis for the group is in addition to and not in lieu of such monitoring on an individual entity basis.
15.1.14	This paragraph demonstrates why legal entity investment requirements should be more rules-based and group-wide supervision should be more principle-based. More specifically, all insurance supervisors have a duty to protect the assets provided to the insurer by the policyholder and rules-based investment requirements and similar solo entity requirements are generally designed with this purpose in mind. However, group-supervision should be focused on the possibility of losses from *all sources within the group*, but should appropriately consider that those are external risks to the policyholder who is inherently protected by the solo entity requirements. This does not mean those non-insurer risks are not relevant; rather the consideration of them should be more broad-based. The IAIS should consider more appropriately that earnings and operations are equally if not more important than capital. All material sources of potential losses from the group are important to group supervision, not just investment losses.
15.2	Given the nature of most insurers’ investments (at least in the U.S.) which are not physical, what is meant by “held in the appropriate location”? There is not really explained in guidance either.
15.2.1	Investors in general seek to avoid notions of influence over an issuer as this leads to potential legal issues. Nonetheless, the concern not mentioned here is simple concentration risk.
15.2.3	In addition to default and the other risks, value can be affected by changes in risks and how they relate to the general market.
15.2.4	While independent credit analysis may improve the understanding of the security of investments, it does not improve the security of investments. This should be revised accordingly.
15.2.6	Suggest additional guidance: “For assets lacking in transparency, the risk profile should be carefully analysed by the insurer and should result in more conservative considerations that take into account the potential for missing relevant analysis.”
15.2.7	This whole paragraph seems to really address counterparty risk, not “security of derivative products”. Derivatives are by their nature a different animal, so if guidance here is intended to go into the level of detail as currently drafted, this needs to be significantly broadened as a separate discussion (recognizing that there is also discussion in 15.5.10-.12 about the need to a sufficiently strong derivatives use plan).
15.2.8	Suggest considering whether a reference to repurchase agreements be added to this paragraph. The last part about investing of collateral should focus on the liquidity and potential for duration mismatch.
15.2.9	How does aggregation “compound” security issues? The security of investment(s) is what it is. The aggregation may reveal concentration issues that were otherwise unrecognized, which is a different aspect. This should be revised accordingly.
CF15.2b	While there are areas where supervisors may need to consider the quality of the assessments made by rating agencies, such assessments continue to generally provide a view of the credit that can be helpful. It is unclear what a blanket requirement to “avoid placing undue reliance” means in this context.
15.2.11	Another reason is the potential for significant shifts caused by market dynamics, which could be caused by a variety of different factors (e.g., interest rates) and also markets previously thought of as being liquid freezing up. Suggest adding a bullet: “is impacted by significant shifts caused by market dynamics”. Last bullet, what is meant by “derivative that needs to be serviced”?

15.2.12	This paragraph seems to be an additional guidance on “security”. If an investment is performing as expected or better, should the ability to sell it be treated as a different matter? Consider whether this is in the correct place or else intended to make a different point.
15.2.18	The wording in the second sentence seems incorrect. How is diversification when risks of the same type are pooled? Should “risks” be “assets with the same risks”?
15.2.19	The wording for “between investment risk categories” and “within a risk category” seems mixed up, or perhaps there needs to be more about what is meant. How can diversification within a risk category be sufficiently uncorrelated?
15.2.20	Is this meant to be an exhaustive list for avoiding excessive reliance? There are other things such as interest rate/duration risk should be. Suggest: “…should avoid reliance on, for example, any specific asset type…”
15.3.2	This guidance seems to mix cash flow matching (or asset-liability management) and the potential for shifting market values. The profile of a situation where there is good asset-liability management but market values have shifted differently is different than if asset-liability mismatches exist or have gotten worse. Is the former really an economic impact, or a balance sheet impact that does not reflect real economics? Suggest clarifying.
15.3.4	It should be made clear that the reference to close matching is not specific assets to specific liabilities, but overall portfolios of each. Suggest revising accordingly. If the investment fund risk is being borne directly by policyholders, adequate disclosure is critical, but why should there be additional restrictions. The guidance does not state why this would be appropriate. Suggest clarifying or deleting.
15,3.5	The two sentences seem to be two completely different thoughts. The connection between the two is missing; if there is none, suggest splitting into separate paragraphs of guidance.
15.4.2	The assessment of risks is important and should recognize stress scenarios, including probabilities for those occurring. However, focusing on “maximum possible loss” seems extreme, as being in most cases implausible since such an assessment is a total loss for any asset. But also, how can assets, as a general matter, become liabilities? As being out of the norm, this should be explained more fully if it is to be retained as guidance.
15.4.3	The concept of “look-through” to the underlying assets has value from an overall perspective for understanding the potential volatilities, however, it seems to be a stretch to suggest it can be used for detailed analysis. This is especially true for actively managed situations. Suggest revising this accordingly.
15.4.4	It is unclear what is meant by “regulated financial market” – is this intended to mean an exchange or something broader? If it is the former, this would put a limitation on insurer investments that is too extreme. The reference to “standardized approaches” is not relevant for the U.S.; suggest adding: “This is particularly relevant in jurisdictions where standardized approaches…”
15.4.5	Even if an external investment adviser/manager is used, aren’t the assets still the responsibility of the insurer, its management and board? Suggest adding clarification to avoid suggesting otherwise. Additionally, a period is missing at the end of the paragraph.
15.4.6	This paragraph seems unnecessary or inappropriate as a “group perspective”. Having adequate expertise and controls should just be a general statement applicable to all insurers.
15.5.1 and 15.5.2	Market regulation is only one consideration and in many circumstances is not the most important or revealing consideration. What is more important are the risks and volatilities of the assets and market in question. Suggest incorporating this point.
General Comments	The business of insurance pools risks of individual policyholders together and in doing so provides valuable products to

– ICP 16	consumers. The insurer that pools the risks attempts to price and manage the collective risk in a way that meets its objectives as a corporation, but only can be done if the market (collective insurers) determines that the product is supportable. To this end, ERM does not eliminate risks for the insurance company. The solvency monitoring process used by U.S. state insurance supervisors looks at this risk in various "buckets": 1) Inherent risk; 2) controls; 3) residual risk, where 3 is the product of 1 less 2. As noted, all insurers are subject to inherent risks and must determine how much residual risk to assume. They do so by considering various types of controls that may reduce the inherent risks, be it through underwriting standards, investment policies, reinsurance, or the likes of much more sophisticated forms of risk management. Paragraph 16.0.1 appropriately points out that capital is what is used to cover the residual risk. All of the above is noted to make the very important point that insurers use different levels of ERM to manage their residual risk, and while large sophisticated companies may devote more resources to ERM, others do not. While we agree that supervisors should encourage ERM, and perhaps even require it for companies of a certain size, ERM will not eliminate risk and therefore regulators requirements of ERM should be mindful of these points. Many of the rest of our comments are intended to address this point.
ICP 16 Introductory Guidance	The NAIC supports the vast majority of the revised introductory guidance language within ICP 16. With limited exception, the revised guidance does an excellent job of defining what enterprise risk management (ERM) is and is not. The introductory guidance should guide the understanding of the rest of ICP 16 – in particular, the following: • Successful implementation of ERM for solvency purposes results in enhanced insight into and insurer's risk profile and solvency position that promotes an insurer's risk culture, earnings stability, sustained profitability and long-term viability. • These aspects of ERM should be encouraged from a prudential standpoint. • The objective of ERM is not to eliminate risk, but rather to manage risks within a framework that includes self-imposed limits. • A risk limits structure is used to establish guardrails on an insurer's risk profile to optimize its returns without endangering the ability of the insurer to meets it commitments to policyholders.
16.0.7	As noted in our general comments, insurers use different levels of ERM, and it should be clear that ERM does not require the use of internal models per se. Suggest revising the first two sentences to: "Some insurers may utilise internal models as part of their ERM process in order to generate sophisticated risk metrics to inform management actions and capital needs. Internal models may help to enhance risk management and to embed risk culture in the company."
16.1a	As the NAIC has stated in the past, what is most important for group supervision is for supervisors to understand and agree upon the major risks faced by the IAIG and to know what the IAIG is doing to mitigate or address those risks. All insurers have their own unique characteristics, and the regulatory and supervisory approach should recognize this and provide the flexibility needed to adapt to each unique situation. The group-wide supervisor and supervisory college meeting participants should identify and agree upon the material risks of the group (including those that might come as a result of different risk appetites across different legal entities).
16.1b	Having a separate bullet for concentration risk is questionable considering concentration risk can be embedded within many of the other risks listed, including specifically credit risk, where diversification can be a key risk-management technique. Suggest deleting this bullet.
16.2a	As the NAIC has stated in the past, what is most important for group supervision is for supervisors to understand and agree upon the major risks faced by the IAIG and to know what the IAIG is doing to mitigate or address those risks. All insurers

	have their own unique characteristics, and the regulatory and supervisory approach should recognize this and provide the flexibility needed to adapt to each unique situation. The group-wide supervisor and supervisory college meeting participants should identify and agree upon the material risks of the group (including those that might come as a result of different risk appetites across different legal entities).
16.2b	This requirement should be deleted; it is inconsistent with the purpose of ERM.
16.6	Given our general comment regarding the level of ERM used by different companies of different size, this standard is too prescriptive as drafted. While all insurers should have an investment policy (which itself is a form of ERM), not all insurers should be expected to have a policy with the same level of rigor that is covered in the bullets of the standard.
16.7	Given our general comment regarding the level of ERM used by different companies of different size, this standard is too prescriptive as drafted. While all insurers should have an underwriting policy (which itself is a form of ERM), not all insurers should be expected to have a policy with the same level of rigor that is covered in the bullets of the standard.
16.7a	It is up to the IAIG to implement its own ERM framework, in line with any requirements as established by the supervisor, and it is up to the supervisor to assess this implementation. Thus the emphasis of this standard of the supervisor requiring implementation seems off. Suggest revising to better clarify the intent of this standard.
16.7b, 16.7c, 16.7d, 16.7e	These standards should be deleted as they far too prescriptive for the purpose of ERM.
16.9	This standard should better articulate what is required of the Board as contrasted with Senior Management. Senior management is responsible for carrying out the requirements of the ORSA and the Board is responsible for understanding and advising senior management on any changes that should be made to the operations as a result of decisions by the Board. The actual responsibilities for ORSA should be better articulated either in the standard or in guidance.
16.10a	Although we agree the group-wide supervisor should have information on the structure of the group, its governance, restrictions on capital movements, we question the requirement on transferability of assets between jurisdictions – as we all know, capital is not completely fungible, therefore we suggest this bullet focus on understanding regulatory restrictions on capital movements, which is what is important.
16.12	We question the inclusion of the word “longer-term” for evaluation. While life insurers would consider the long-term nature of their products, we would only expect insurers to consider their business in the context of their short-term strategic plans.
16.12a	It is not clear what this standard adds beyond what is already covered by ICP Standard 16.12, which addresses the insurer considering strategy as part of the ORSA process. As drafted this seems to be just a general expectation for what an insurer uses the ORSA for; suggest either better clarifying the intent of this standard or deleting.