

Member and Observer Comments on IAIS Draft Paper
Draft Guidance paper on enterprise risk management for capital and solvency purposes
GNAIE 30 August 2007

Name	Paragraph reference	Comment ¹	Resolution
GNAIE	General	It seems that the paper is now proposed as a guidance paper, encouraging the implementation of certain features of an enterprise risk management framework. We think this is a positive interim step to allow further discussions of the concepts. But it is still not clear how consideration of an insurer's risk management process will impact the supervisory review of the adequacy of insurer's capital or solvency position. Is the intention to impose an internal capital adequacy assessment process (ICAAP) on insurers similar to that required by Basel II and the FSA? If so, core principles of an acceptable internal risk and capital assessment process should be more clearly delineated in the paper, together with the consequences of an unsatisfactory process or results.	
GNAIE	General-Key Features	As a guidance paper, the document should remove wording that could be read as prescriptive; for example, "an insurer should" or "a supervisor should require that an insurer..."	
GNAIE	7	The paper uses the term enterprise risk management (ERM) throughout. Firms use other terms to describe these concepts such as a risk based capital management or economic capital management; such terms may be more appropriate in an IAIS discussion of a risk management as it relates to solvency assessment (as explained in paragraph 12). ERM means more than the integrated management of risk and capital.	
GNAIE	14-18	These paragraphs go into some detail about the governance structure and organization of risk management. We believe that these issues should be deferred for consideration by the Corporate Governance Task Force of IAIS and deleted from this document.	
GNAIE	15	This paragraph refers to a top down approach to risk management overseen by the board and senior management. The paper should also refer to the relevance of a bottom up approach in which specific risks are monitored and managed at a business or activity level within risk limits that are consistent with the overall risk tolerance of the company.	
GNAIE	22	We suggest replacing the words "depending on the frequency and impact of a risk" with "depending on the nature and complexity of each risk and availability of reliable data on the risk behaviour".	
GNAIE	28-41	We reiterate our previous view that the requirements or features of an enterprise risk management framework should be tailored to the risk profile, strategy and organization of an	

¹ Please provide comments of a more critical nature on scope and content, together with alternate drafting suggestions

		insurer. Our recommendation is that the paper should focus on the principal objectives of a process of risk management from a solvency perspective and the potential consequences of unsatisfactory process on the minimum capital requirements (see General comment), rather than prescribing the framework itself.	
GNAIE	Section 4	The paper should indicate how the results of the insurer's own risk and solvency assessments would impact the supervisory review of the insurer's capital requirements and what actions be taken if the internal process is unsatisfactory.	
GNAIE	35	Risk assessment should be done in conjunction with consideration of the effectiveness of applicable controls to mitigate the risks. This point should be added.	

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