

Draft: 3/15/21

Group Capital Calculation (E) Working Group
Virtual Meeting
March 10, 2021

The Group Capital Calculation (E) Working Group of the Financial Condition (E) Committee met Feb. 25, 2021. The following Working Group members participated: John Rehagen, Chair (MO); Kathy Belfi, Vice Chair (CT); Susan Bernard (CA); Ray Spudeck (FL); Carrie Mears (IA); Susan Berry (IL); Roy Eft (IN); Christopher Joyce (MA); Judy Weaver (MI); Barbara Carey (MN); Jackie Obusek (NC); Justin Schrader (NE); Dave Wolf (NJ); Bob Kasinow (NY); Dale Bruggeman and Tim Biler (OH); Greg Lathrop (OR); Melissa Greiner and Kimberly Rankin (PA); Trey Hancock (TN); Mike Boerner (TX); Doug Stolte and David Smith (VA); and Amy Malm (WI).

1. Adopted its Feb. 25, 2021; Jan. 28, 2021; Jan. 19, 2021; and Nov 17, 2020, Minutes

During its Feb. 25, 2021, meeting, the Working Group took the following action: 1) adopted recommended accreditation standards for referral to the Financial Condition (E) Committee related to the *Insurance Holding Company System Regulatory Act* (#440) and the *Insurance Holding Company System Model Regulation with Reporting Forms and Instructions* (#450); and 2) adopted a recommendation to the Financial Condition (E) Committee to modify the charges of the Qualified Jurisdiction (E) Working Group and revise the title of the group to be more encompassing. During its Jan. 28, 2021, meeting, the Working Group took the following action: 1) heard a presentation on the data analysis for the adopted group capital calculation (GCC) template using 2019 field test data; and 2) discussed further GCC data collection. The Working Group conducted an e-vote that concluded Jan. 19 to expose the proposed accreditation standards for the GCC.

Mr. Spudeck stated that he had attended the Feb. 25, 2021, meeting and asked that his name be added to the attendees listed for that meeting.

Ms. Belfi made a motion, seconded by Ms. Bernard, to adopt the Working Group's Feb. 25, 2021 (Attachment Two-A); Jan. 28, 2021 (Attachment Two-B); Jan. 19, 2021 (Attachment Two-C); and Nov. 17, 2020 (*see NAIC Proceedings – Fall 2020, Financial Condition (E) Committee, Attachment Three*) minutes, with the addition of Mr. Spudeck to the attendee list for the Feb. 25 meeting. The motion passed unanimously.

2. Continued Discussion of the 2021 GCC Data Collection

Mr. Rehagen noted that a 2021 data collection is now being referred to as a 2021 Trial Implementation (Trial). He referred the Working Group's attention to an updated data collection considerations attachment (Attachment Two-D) in the meeting materials. The document was originally presented during the Working Group's Jan. 28 meeting. He stated that a survey was subsequently sent to all Working Group members and interested state insurance regulators. The survey posed questions related to the Trial, including selection process, submission and review deadlines, data year, and practical numbers of volunteers that could be included. Mr. Rehagen stated that 16 responses were received by the due date of March 5. He said that almost all of the responses came from Working Group members and that survey responses are reflected in the attachment.

Mr. Rehagen stated that the Purpose section at the beginning and the Related Considerations section at the end of the document reflected some of the input from the Working Group's January meeting but otherwise have not changed much. He added that most of today's discussion will be focused on the revisions to the other sections in the document. He then walked through each relevant issue addressed in the survey.

a. Process for Selecting Participants in the Trial

Mr. Rehagen said that based on the results of the survey, NAIC staff recommend following the same confidentiality process used for the 2019 field test and that 75% of the survey respondents supported this approach. There were no objections to this approach from Working Group members.

Mr. Rehagen said that NAIC staff could take the lead in establishing a list of potential volunteers, which then would be presented to each lead state for review and selection based on available resources. However, for the 2019 field test, potential volunteers were directed to contact their lead state to discuss participation. Ms. Belfi stated that more lead state involvement is preferred so that the number of volunteers could match resources to review submissions. She said she prefers that the canvass letter come from the Connecticut Insurance Department. Ms. Weaver asked whether what Ms. Belfi was suggesting would

limit participation from groups that other licensed states might want to see. Ms. Malm said she has no problem with the NAIC compiling a list as long as the state insurance regulators had the final say on which groups could participate. Lou Felice (NAIC) confirmed that Ms. Carey's view was consistent with the NAIC's intent. Ms. Berry stated that some groups want all contact to go through the Illinois Department of Insurance (DOI) rather than directly to the NAIC. Mr. Schrader agreed that the lead state should do the actual canvass for participants. Ms. Carey asked how the number of participants accepted by all lead states would match NAIC resources available to assist in the review of Trial submissions. Mr. Felice stated that most states responding to the survey indicated they could handle between two and four volunteers and that the NAIC could handle roughly 30 participants. He said that the NAIC could also provide limited assistance for additional participants that do not want the lead state to share data with the NAIC. Mr. Wolf noted that NAIC resources should prioritize internationally active groups that also participate in the insurance capital standard (ICS) aggregation method (ICS-AM) data collection exercise conducted by the International Association of Insurance Supervisors (IAIS).

In response to a question from Ms. Berry, Mr. Rehagen stated that the Trial would be open to groups beyond those who participated in the 2019 GCC field test depending on the resource capacity of each lead state.

Mr. Rehagen summarized the discussion by stating that he would work with NAIC staff to draft wording for a canvass letter that would then be sent by each lead state to select groups. The Working Group members agreed. Mr. Rehagen directed NAIC staff to draft the language and present it to him for review.

b. Due Date for Submissions and Data Year

Mr. Rehagen said that a majority of state insurance regulators responding to the survey supported starting the review of submission in June 2021 and that almost all state insurance regulators responding to the survey supported a default date for group data of Dec. 31, 2020.

Thomas Finnell (America's Health Insurance Plans—AHIP) asked about shadow submission from groups not participating in the Trial but wanting to complete the GCC templates, specifically with regard to submitting questions as part of question-and-answer (Q&A) guidance published. Ms. Belfi said she supports involvement of such groups in the Q&A process. Mr. Felice stated that the NAIC would address questions from nonparticipants but suggested that all questions come through the group's lead state rather than directly from the group.

Mr. Finnell, Keith Bell (Travelers Insurance) and Maria Gomez-Vock (American Council of Life Insurers—ACLI) expressed concern about groups' ability to submit the Trial template with 2020 data by the end of June. Ms. Gomez-Vock also asked about the timeline for the 2021 ICS-AM data collection. Ned Tyrrell (NAIC) stated that the submission will be due at the end of August using 2020 financial data. Ms. Gomez-Vock suggested an August submission date for the Trial template. Mr. Wolf stated that the Trial submission should be received before the ICS-AM data in order to allow the NAIC sufficient time to review the Trial submission and provide feedback prior to the states reviewing the ICS-AM submission. Ms. Berry and Ms. Belfi agreed. Ms. Malm asked if an August submission date would leave enough time to complete the review and have a report by the Fall National Meeting. Ms. Mears asked if the June deadline could be retained but extended by the lead state based on requests by a participating group.

Mr. Rehagen asked if the Working Group prefers a fixed July 31, 2021, submission deadline or Ms. Mears' suggestion. Ms. Belfi expressed support for a fixed July 31 submission date. Mr. Wolf and Mr. Eft agreed. Mr. Rehagen asked if the Working Group members agreed with a July 31 submission deadline for the Trial template using year-end 2020 data. There were no objections.

In response to a question about when the GCC would become effective, Dan Daveline (NAIC) stated that adoption into a state's law would govern. However, it was not expected that such legislative action would occur in 2021. So, for most states, the GCC would most likely be effective for year-end 2022.

c. End Date for Review of Submissions

Mr. Rehagen said that about half of state insurance regulators responding to the survey thought the review should be completed by October. Some suggested earlier, and a few later. Mr. Rehagen expressed support for an October time frame as reasonable in order to possibly have results compiled and discussed by the Fall National Meeting.

d. Stress Tests

Mr. Rehagen stated that the data considerations attachment also included initial thoughts on stress testing that could be added to the Trial template. He asked for some initial feedback. Mr. Finnell stated that scenario testing might be overly complex for health groups. Mr. Bell stated that there are unique stresses for property/casualty (P/C) groups. Ms. Gomez-Vock suggested referring the stress testing issue out to a study group made up of state insurance regulators and industry representatives. Mr. Felice stated that the Trial stresses were intended to be used for the purpose of evaluating unintended consequences but not generally as permanent additions to the GCC template. Mr. Rehagen agreed. Mr. Finnell supported Ms. Gomez-Vock's comments and suggested taking the issue offline for further detailed discussion.

3. Discussed Other Matters

Mr. Finnell repeated a prior request that the GCC instructions be edited for increased clarity. Mr. Felice stated that NAIC staff are completing edits, which will be presented during a future Working Group meeting. In response to a question from John DuBois (MassMutual), Mr. Rehagen clarified that the Working Group supports a July 31 Trial data submission deadline and a completion date of Oct. 31 for the review of the submissions.

Having no other business, the Group Capital Calculation (E) Working Group adjourned

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