

Draft Pending Adoption

Attachment Two
Financial Condition (E) Committee
12/13/21

Draft: 11/24/21

Group Capital Calculation (E) Working Group
Virtual Meeting (*in lieu of meeting at the 2021 Fall National Meeting*)
November 22, 2021

The Group Capital Calculation (E) Working Group of the Financial Condition (E) Committee met Nov. 22, 2021. The following Working Group members participated: John Rehagen, Chair (MO); Kathy Belfi, Vice Chair (CT); Susan Bernard (CA); Philip Barlow (DC); Ray Spudeck (FL); Carrie Mears (IA); Susan Berry (IL); Roy Eft (IN); Christopher Joyce (MA); Judy Weaver (MI); Kathleen Orth (MN); Jackie Obusek (NC); David Wolf (NJ); Bob Kasinow (NY); Dale Bruggeman and Tim Biler (OH); Greg Lathrop (OR); Melissa Greiner (PA); Trey Hancock (TN); Jamie Walker (TX); and Doug Stolte and David Smith (VA).

1. Adopted its Nov. 8, Sept 8, and Summer National Meeting Minutes

The Working Group met Nov. 8 and Sept. 8 and took the following action: 1) exposed a staff memorandum that includes possible group capital calculation (GCC) modifications for a public comment period ending Dec. 23; 2) exposed until some clarifying changes to the GCC instructions that were previously provided to the Working Group and the public as part of the GCC Trial Implementation for a public comment period ending Dec. 8; 3) discussed comments on maintenance documents and proposed revisions; 4) discussed comments on a draft referral to the Capital Adequacy (E) Task Force; 5) adopted recommended changes to the *Financial Analysis Handbook* that incorporate guidance on using the GCC and subsequently distributed it to the Financial Analysis Solvency Tools (E) Working Group.

Ms. Belfi made a motion, seconded by Mr. Eft, to adopt the Working Group's Nov. 8 (Attachment Two-A), Sept. 8 (Attachment Two-B) and July 27 (See *NAIC Proceedings – Summer 2021, Financial Condition (E) Committee, Attachment Two*) minutes. The motion passed unanimously.

2. Discussed Results of the GCC Trial Implementation

Ned Tyrrell (NAIC) provided a summary of the GCC Trial Implementation (Attachment Two-C). He emphasized that the summary was focused on those particular data points that might be helpful in the Working Group's decisions on whether to make modifications to the template and instructions as they relate to issues identified during its Nov. 8 meeting. He noted that the summary includes data that has been anonymized, which is important in making sure a reader of the information can understand the data but unable to determine a specific company's results. He described the different groupings used through the presentation, including by ownership type or sector, where composite represents an insurance that has a mixture of life and property/casualty (P/C) business. Mr. Tyrrell described the graphs used to provide the distribution of data, including the points used to provide averages and percentiles. He noted that the summary slides are all at the level of 200% of authorized control level risk-based capital (RBC). He also noted the large dominance of U.S. insurance business in most of the participants. Additionally, Mr. Tyrrell noted the relative low number of insurers that are affected by the debt limits, the other debt category and even the stress test, which was extreme and was intended to test the sensitivity of the debt limits.

Mr. Tyrrell discussed the data on non-risk jurisdictions, noting there as well that few of the insurers were affected by these types of insurers within their groups under both the Trial Implication use of 100% charge on the book value, or essentially a zeroing out of available and required capital, or the Nov. 8 meeting proposal of a 50% charge on the book value of such entities. He also discussed how the senior debt reported in the slides represented the allowable senior debt in the companies' specific GCC calculations. Finally, he discussed the current proposal discussed during the Working Group's Nov. 8 meeting that suggests the charge for asset managers be changed to the capital requirement from their regulator and just showed how the issue may be material to some of the insurers just from a simple standpoint of the size of such operations in the makeup of the group, but that it is less material for other volunteers. He noted that additional data would be needed to dig into the impact more specifically.

Dave Neve (Global Atlantic) asked about the difference between the GCC ratios on slide 6 and slide 10. Mr. Tyrrell noted it was a good catch to see the differences, and he said the reason is because one is weighted (slide 10) while the other (slide 6) is not. More specifically, on slide 10, the ratio is calculated by adding up the available capital and the required capital, and the available capital is divided by the requirement capital. Mr. Neve also asked about the impact of scalars. Mr. Tyrrell noted this

was looked at but not included in the summary since there is currently not a decision before the Working Group on the matter. He described that with the excess scalar method, for most volunteers it actually does not make much of a difference. He noted, however, that the results are consistent with the intent, which is to capture the difference between those systems with less reserve conservatism versus more reserve conservatism.

3. Discussed Other Matters

Mr. Rehagen reminded the participants of the Working Group's two current exposures and that his intent is meet in early January to consider comments from those two exposures.

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

[Attachment Two-A-11-8-21 Meeting Minutes \(1\).docx](#)