

# Explaining the benefits of scaling jurisdictional regimes for supervisory analysis purposes

June 11, 2026

## Background

- Section 3.2 of the draft AM review recommends the GCC template be updated to include functionality to scale to other regimes. This functionality would:
  - Help the group-wide supervisor translate between capital ratios in the US and other jurisdictions
  - Facilitate the use, and better understanding, of the GCC as a common language
- Based on comments received during the exposure period, an option for this recommendation was revised and clarified to focus on each entity category, not the final GCC results
  - GCC results would (as always) be scaled to US capital levels
- The following slides explain and illustrate the intention of this recommendation; the example includes three entity types, round numbers and not derived from actual data
- Like the other recommendations, details and decisions on implementing would be made by the relevant group under (E) Committee to which they are referred

## Ratio differences between regimes

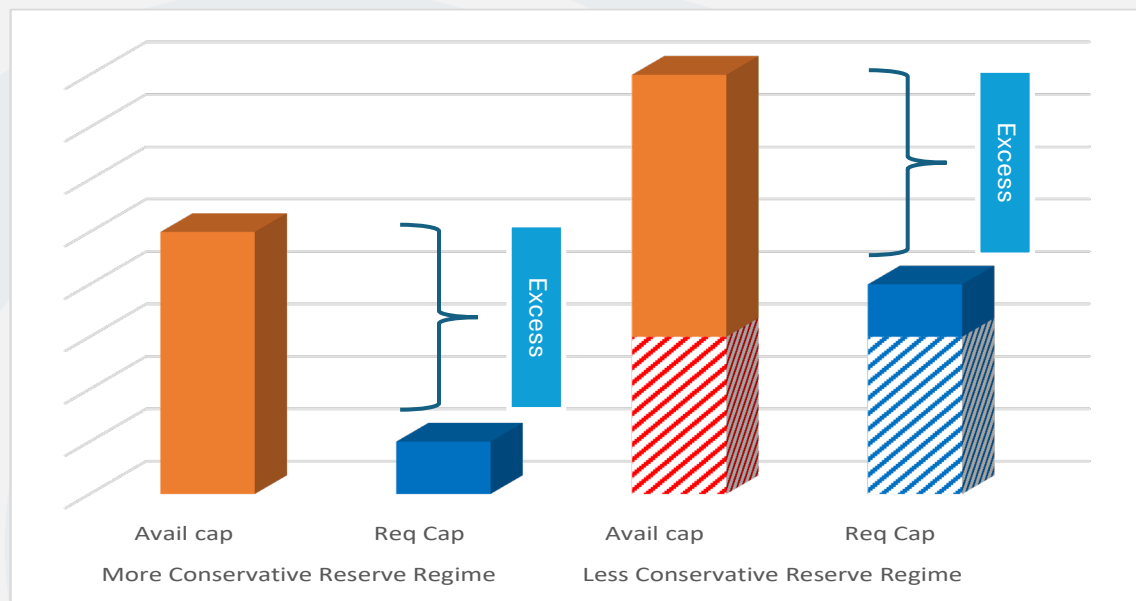
Entity Category Results for Sample Group				
Unscaled	AC	RC	Excess	Ratio
US Life Subsidiaries	\$1,400	\$200	\$1,200	700%
Life Regime 1 Subsidiaries	\$600	\$200	\$400	300%
Life Regime 2 Subsidiaries	\$600	\$50	\$550	1200%

Do lower solvency ratios mean stricter requirements?

Do higher solvency ratios mean lower solvency risk?

- Interpreting entity solvency ratios between different jurisdictional regimes can be difficult - having tools to help provide a common language can help
- The AM (via the GCC) can address this gap by scaling to local average capital ratios:
  - A simpler approach, as compared to the standard ICS, that allows for comparison while not affecting how each jurisdiction measures risk
  - Provides a common benchmark for regulators to discuss

## Ratio differences between regimes, continued



- A regime with less conservatism in reserving but a correspondingly higher capital requirement, will have similar excess capital but lower ratios

- Analysis during the development of the AM and GCC showed that differences in reserve conservatism is a major driver of differences in local ratios
- This led to use of “excess relative ratio approach” which addresses this gap by making an adjustment to available capital that preserves the amount of excess capital

## Current Approach in GCC

Entity Category Results for Sample Group				
Unscaled	AC	RC	Excess	Ratio
US Life Subsidiaries	\$1,400	\$200	\$1,200	700%
Life Regime 1 Subsidiaries	\$600	\$200	\$400	300%
Life Regime 2 Subsidiaries	\$600	\$50	\$550	1200%

Scaled GCC by Entity [i.e. US as Base]	AC	RC	Excess	Ratio
US Life Subsidiaries	\$1,400	\$200	\$1,200	700%
Life Regime 1 Subsidiaries	\$450	\$50	\$400	900%
Life Regime 2 Subsidiaries	\$620	\$70	\$550	886%

- The excess relative approach adjusts local regimes to a common base ratio while keeping the excess capital unchanged
- This addresses the gap caused by differences in local regimes but does not provide regulators with information to understand differences between regimes or their relative level of reserve conservatism

Local ratios are already collected for calculating scalars but not currently shared in GCC template

# Facilitating Analysis (conceptual illustration)

- Regulators can use the ERR approach with different bases to better understand entity level results
- Provides a common language without changes to the existing GCC

Scaled GCC by Entity [i.e. US as Base]	AC	RC	Excess	Ratio	Local Average Capital Ratios	Scalar*
US Life Subsidiaries	\$1,400	\$200	\$1,200	700%	600%	1.00
Life Regime 1 Subsidiaries	\$450	\$50	\$400	900%	225%	0.25
Life Regime 2 Subsidiaries	\$620	\$70	\$550	886%	800%	1.40

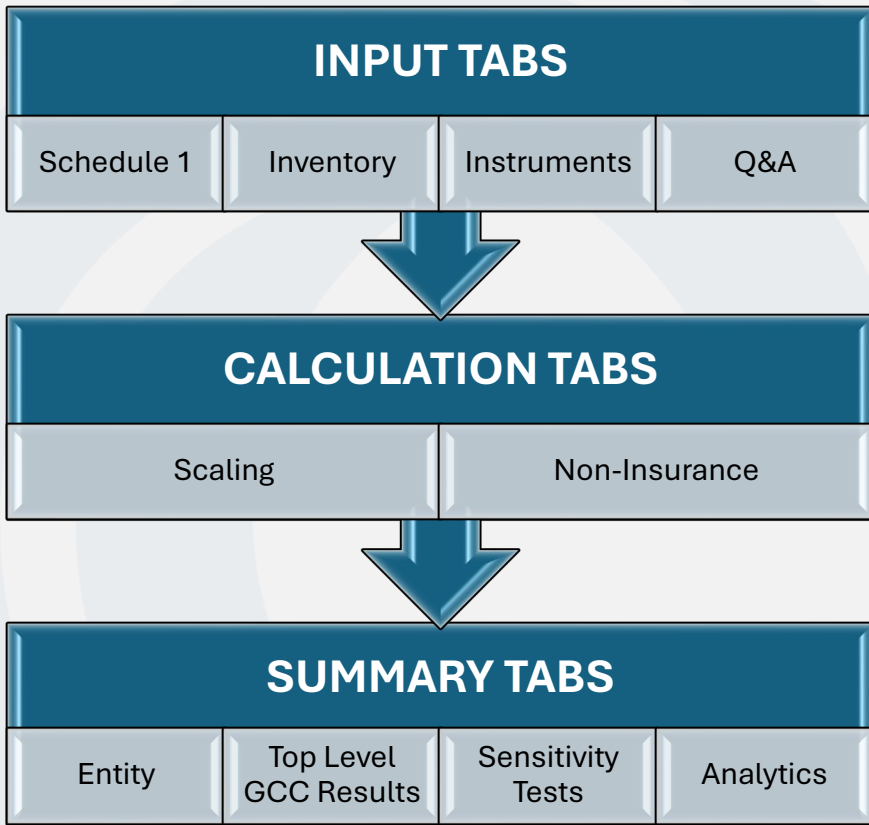
\*= $(\text{US Base Capital Ratio} - 100\%) / (\text{Local Ratio} - 100\%)$

Alternate Scaled Results by Entity	AC	RC	Excess	Ratio	Selected Alternate Base	
					Local Average Capital Ratios	Scalar**
US Life Subsidiaries	\$2,000	\$800	\$1,200	250%	600%	4.00
Life Regime 1 Subsidiaries	\$600	\$200	\$400	300%	225%	1.00
Life Regime 2 Subsidiaries	\$830	\$280	\$550	296%	800%	5.60

\*\*= $(\text{Alternate Base} - 100\%) / (\text{Local Ratio} - 100\%)$

Regulators can select an alternative base to understand how results would look scaled to a different regime (e.g. Life Regime 1)

# GCC Template Structure



No changes are needed to the data provided by groups

Potential changes could be automatic calculations that would feed onto existing analytics and/or sensitivity testing

# Summary and Resolution of Comments on the Exposure Draft of a Review of the US Group Solvency System

*For Discussion on Thursday June 11, 2026*

**Note:** These proposed resolutions were last discussed on the June 2 AMIWG open call. The feedback received focused on Section 3.2. Other sections are unchanged. Further discussion of the proposal in Section 3.2 is in Attachment 1.

<b>Section 3.1: Excess Relative Ratio Scalars in GCC and AM</b>	
<p><b>Gap Identified:</b> GCC entity categories used in the Provisional AM have been updated more recently.</p> <p><b>Recommendation for Final AM:</b> The list of entity categories in the Final AM should reflect all updates made to the GCC.</p>	<p><b>Comments Received:</b> Comments were supportive of this recommendation.</p> <p><b>Proposed Resolution:</b> No change.</p>
<b>Section 3.2: Consideration of Comparability Assessment</b>	
<p><b>Gap Identified:</b> Without scaling, differences in reserve conservatism between US and other regimes lead to inconsistencies in aggregated capital.</p> <p><b>Original:</b> In addition to unscaled results, GCC template should be updated with functionality to scale to other regimes. This would be an automatic calculation using the same inputs as the current GCC; no further data would be needed.</p> <p><b>Proposed [see Attachment 1 for more detail]:</b> The GCC template should include the full calculation (including base and local average capital levels) of the scaled results for each entity category. This would be an automatic calculation using the same inputs as the current GCC; no further data would need to be filed. GCC results would (as always) be scaled to US capital levels</p>	<p><b>Comments Received:</b> ACLI comments were critical of a restatement of the AM or GCC ratios onto a foreign basis. They cite possible confusion over having multiple group ratios and question the necessity of this change when the AM has been found to be a "comparable basis" for implementing the ICS.</p> <p><b>Proposed Resolution:</b> The goal of the recommendation was to help regulators understand, analyze, and explain the differences in capital levels between US and non-US insurers. The ICS is intended as a "common language" for group capital adequacy and the ERR is a way to speak that language while respecting existing entity requirements. The GCC is used by US regulators and so naturally scales to the US, but the ERR can be used with the average capital level of any jurisdiction as the base.</p>

<p>but other bases may be used for analysis purposes by the groupwide supervisor. This tool would be available to help regulators translate between capital ratios in the US as compared to other jurisdictions and thereby facilitate the use of AM/GCC as a common language.</p>	<p>Similar information can be provided without need to calculate a new group ratio. The recommendation could be updated to provide further detail on the scalars (which would be entity-level and not specific to any group).</p>
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**Section 4: Sensitivity to Changes in Interest Rates**

<p><b>Gap identified:</b> The move to PBR will increase sensitivity but data on how quickly this transition is happening is not readily available to state insurance regulators.</p> <p><b>Recommendation for GCC:</b> IAIGs should provide a summary of reserves by valuation manual in their GCC template. This would be a high-level summary of the reporting in Exhibit 5 in the Annual Statements of US legal entities owned by the IAIG. The summary reserves are aggregated into PBR, Legacy and Other categories.</p>	<p><b>Comments Received:</b> ACLI said their members are supportive of the recommendation provided the “information is already reported in existing Annual Statement Exhibits (e.g. Exhibit 5).”</p> <p><b>Proposed Resolution:</b> The recommendation is to provide a high-level summary of existing reporting. No change.</p>
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**Section 4.2 Impact of Scalars on Interest Rate Sensitivity**

<p><b>Gap Identified:</b> Even when scaled, levels of reserve conservatism can vary with interest rate levels and by type of business.</p> <p><b>Recommendation for Final AM and GCC:</b> There should be a formal process for updating scalars for all material jurisdictions. Scalars should be updated separately for entity categories that cover, at a minimum, life versus property/casualty (non-life).</p>	<p><b>Comments Received:</b> Comments were supportive.</p> <p><b>Proposed Resolution:</b> No change.</p>
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**Section 4.3.1 (i) Other Tools & ORSA**

<p><b>Gap Identified:</b> The ORSA manual section on “Additional Expectations for Internationally Active Insurance Groups” does not mention the GCC. The current manual says that the ORSA should show both the economic capital and the “regulatory capital at the head of the IAIG level”. The “economic capital” is the risk capital that is</p>	<p><b>Comments Received (ORSA):</b> Comments were supportive of the clarification on ORSA.</p> <p><b>Proposed Resolution (ORSA):</b> No change.</p>
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<p>assessed in the main 3 sections of the ORSA. RBC is the regulatory capital at the legal entity level. The GCC is an aggregation of entity-based requirements that produces regulatory capital at the head of the IAIG level.</p> <p><b>Recommendation for ORSA:</b> Clarify treatment of GCC in the “Additional Expectations for Internationally Active Insurance Groups” at the end of the ORSA guidance manual to say that GCC is an appropriate choice for reporting the “regulatory capital at the head of the IAIG level”.</p>	
<p><b>Section 4.3.1 (ii) and Section 4.3.2 Other Tools &amp; Scenario Testing</b></p>	
<p><b>Gap Identified:</b> [In addition to gaps in 4.3.1 (i)] Impact of changes in interest rates on US life IAIG results can be opaque to regulators.</p> <p><b>Recommendation for additional guidance:</b> AMIWG could produce material with examples of how scenario testing (particularly of interest rates by life IAIGs) may be done on GCC results. This would not itself be a requirement. Rather it would explain how the existing principle-based requirements (such as Section 3B of the ORSA) may work in practice and illustrate how such analysis may be performed, including examples of approaches already used by groups. [Proposed addition]</p> <p><b>Recommendation for GCC:</b> Template should include a ‘sensitivity test’ for life IAIGs to provide a description of an interest rate scenario that was calculated for their ORSA and the corresponding impact on their GCC ratio. [Proposed addition]</p>	<p><b>Comments Received:</b> APCIA raised concern that the general phrasing used could imply the scenario testing would be done by P&amp;C insurers as well. ACLI raised concerns that this recommendation would produce an additional requirement for a group-level stress test on interest rate risk: such a requirement would be duplicative as there are already several tools that address interest rate sensitivity. They also raise concerns about the timing of completing the scenario test.</p> <p><b>Proposed Resolution</b> The goal of the recommendation was to provide a paper that describes how existing requirements may be applied. This would address concerns raised during the comparability assessment regarding scenarios provided by life IAIGs; the recommendation can be clarified to say it does not apply to P&amp;C groups. The recommendation could be updated to make clear that this is not a new requirement. E.g. Section 3B of ORSA states an insurer should project its future financial position, including its projected economic and regulatory capital, considering both normal and stressed environments. Relying</p>

	on existing reporting should also address timing issues.
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**Section 5: Supervisory Intervention on Group Capital Grounds**

<p><b>Gap Identified:</b> The NAIC Financial Analysis Handbook procedures call for regulators to “consider the need for company discussions for reduction in risk” when there are “meaningful decreases in GCC ratio”. More clarity is needed on potential content of these discussions <del>and the ratio(s) at which they would apply.</del>                  [Suggested deletion]</p> <p><b>Recommendation for GCC:</b> Update “Procedure Step 5” of the GCC Lead State Procedures with examples and principles that describe how GCC ratios could inform discussions of group capital adequacy of IAIGs.</p>	<p><b>Comments Received:</b> Comments were supportive of providing principles that reinforce the GCC’s role as a supervisory tool but caution against use of prescriptive triggers. ACLI suggested deleting the second sentence of the gap.</p> <p><b>Proposed Resolution:</b> One finding of the review is that the term “trigger” has a broader meaning in international context than in US system. Providing clarity on this would help ensure comparability for the AM without requiring any change to the GCC’s use as a tool for group supervision of US IAIGs but having a focus on the “ratio(s) at which they apply” could be read to imply more prescriptive intervention than intended. This could be addressed by deleting that part of the sentence from the gap but leaving in the statement that more clarity is needed.</p>
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**Section 6: Reporting and Disclosure**

<p><b>Possible Gap:</b> ComFrame reporting and disclosure requirements will be finalized in Q4 of 2026 following consideration and potential revisions based on public consultation comments. Implementation would need to consider what is possible in an aggregation-based construct (compared to the consolidated balance sheet construct of the ICS) as well as appropriate for the US regulatory approach.</p> <p><b>Recommendation [for AMIWG]:</b> After the finalization of the relevant ComFrame requirements, AMIWG should develop options for how ComFrame public reporting requirements could be implemented. Consideration should be given to factors such</p>	<p><b>Comments Received:</b> This section was the main focus of most of both sets of comments. APCIA was concerned that it implies public reporting of the AM. They encouraged use of existing disclosures. ACLI raised similar concerns and cited sections of the Holding Company Act that would prevent such disclosures.</p> <p><b>Proposed Resolution:</b> The comparability assessment noted evidence (provided in our documentation) that ComFrame public disclosure and supervisory reporting requirements would apply to the AM. While these requirements have not yet been finalized, the draft that was put for</p>
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as the outcome to be achieved, reliance on existing legal entity level reporting and information needed to aggregate legal entity results across the IAIG.

consultation would potentially require public disclosure of the ICS. However, differences between a consolidated construct (like the ICS) and an entity-level aggregation (like AM) will lead to differences in how results are reported/disclosed. Any AM reporting will, necessarily, be grounded in entity level reporting. It will be difficult to identify the best way to do this before the standards are finalized, so the proposal is to keep the recommendation unchanged.