

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

For Discussion on Tuesday June 2, 2026

Section 3.1: Excess Relative Ratio Scalars in GCC and AM	
<p>Gap Identified: GCC entity categories used in the Provisional AM have been updated more recently.</p> <p>Recommendation for Final AM: The list of entity categories in the Final AM should reflect all updates made to the GCC.</p>	<p>Comments Received: Comments were supportive of this recommendation.</p> <p>Proposed Resolution: No change.</p>
Section 3.2: Consideration of Comparability Assessment	
<p>Gap Identified: Without scaling, differences in reserve conservatism between US and other regimes lead to inconsistencies in aggregated capital.</p> <p>Option 1: Keep Draft Recommendation for GCC: 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>Option 2: Possible Alternate Recommendation: 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 but other bases may be used for analysis purposes by the groupwide supervisor. This tool would be available to help regulators translate</p>	<p>Comments Received: 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>Proposed Resolution: 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. 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</p>

<p>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>would be entity-level and not specific to any group).</p>
<p>Section 4: Sensitivity to Changes in Interest Rates</p>	
<p>Gap identified: 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>Recommendation for GCC: 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>Comments Received: 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>Proposed Resolution: The recommendation is to provide a high-level summary of existing reporting. No change.</p>
<p>Section 4.2 Impact of Scalars on Interest Rate Sensitivity</p>	
<p>Gap Identified: Even when scaled, levels of reserve conservatism can vary with interest rate levels and by type of business.</p> <p>Recommendation for Final AM and GCC: 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>Comments Received: Comments were supportive.</p> <p>Proposed Resolution: No change.</p>
<p>Section 4.3.1 (i) Other Tools & ORSA</p>	
<p>Gap Identified: 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 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-</p>	<p>Comments Received (ORSA): Comments were supportive of the clarification on ORSA.</p> <p>Proposed Resolution (ORSA): No change.</p>

<p>based requirements that produces regulatory capital at the head of the IAIG level.</p> <p>Recommendation for ORSA: 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>Section 4.3.1 (ii) and Section 4.3.2 Other Tools & Scenario Testing</p>	
<p>Gap Identified: [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>Recommendation for additional guidance: 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>Recommendation for GCC: 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>Comments Received: APCI raised concern that the general phrasing used could imply the scenario testing would be done by P&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>Proposed Resolution 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&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 on existing reporting should also address timing issues.</p>

Section 5: Supervisory Intervention on Group Capital Grounds

Gap Identified: 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 ~~and the ratio(s) at which they would apply.~~ [Suggested ~~deletion~~]

Recommendation for GCC: 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.

Comments Received: 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.

Proposed Resolution: 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.

Section 6: Reporting and Disclosure

Possible Gap: 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.

Recommendation [for AMIWG]: 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 as the outcome to be achieved, reliance on existing legal entity level reporting and

Comments Received: 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.

Proposed Resolution: 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 consultation would potentially require public disclosure of the ICS. However, differences between a consolidated

information needed to aggregate legal entity results across the IAIG.

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.

US Group Solvency Regulation Review: Implementation of the Insurance Capital Standard via the Aggregation Method

Table of Contents

1	Introduction.....	3
1.1	Background.....	3
1.2	Purpose of the US Group Capital Regulation Review	4
2	Connection to the IAIS Comparability Assessment.....	5
3	Use of Scalars and Choice of Regulatory Intervention Points	5
3.1	Review of the ERR in GCC and AM.....	6
3.2	Consideration of the Comparability Assessment.....	6
4	Sensitivity to Changes in Interest Rates.....	7
4.1	Sensitivity of PBR to Changes in Interest Rates	8
4.2	Impact of Scalars on Interest Rate Sensitivity	8
4.3	Other Tools	9
4.3.1	Scenario Testing of US Groups	9
4.3.2	Connection to GCC.....	10
5	Supervisory Intervention of US Groups on Group Capital Grounds	11
5.1	Review of Existing Tools.....	11
5.2	Consideration of Comparability Assessment.....	12
6	Reporting and Disclosure Requirements	14
6.1	Developments Subsequent to Comparability Assessment.....	15
6.2	Review of Existing Tools.....	15
7	Summary	16

1 Introduction

1.1 Background

1. In November 2024, the International Association of Insurance Supervisors (IAIS) released a "Report on the Aggregation Method Comparability Assessment".¹ The assessment was conducted using the Candidate Insurance Capital Standard (ICS) as a prescribed capital requirement (PCR) and the Provisional Aggregation Method (Provisional AM)² based on data collected from US Internationally Active Insurance Groups (IAIGs). The comparability assessment took a forward-looking approach and considered recent or planned changes to local solvency regimes, including:
 - the introduction of Principles Based Reserving (PBR) for US life insurance liabilities,
 - the implementation of an economic value-based solvency ratio (ESR) framework in Japan, and
 - the potential for moving to a new scaling approach in the final version of the Aggregation Method (Final AM).
2. In finalizing the comparability assessment, the IAIS concluded that a US AM provides a basis for implementation of the ICS to produce comparable outcomes. The IAIS highlighted two areas where work as part of the finalization of the AM will help ensure convergence of outcomes with the ICS:
 - treatment of interest rate risk, and
 - timing of supervisory intervention.

The IAIS recognized that the decision on the changes to be implemented is for US supervisors to consider within the context of the US supervisory system. The US committed to addressing those areas in appropriate ways and the IAIS will review during its ICS implementation assessment process.

3. In early 2025, the NAIC created the Aggregation Method Implementation (G) Working Group (AMIWG) to facilitate domestic implementation of the ICS via the AM. AMIWG's charges include a review of the group solvency regulation of US groups and their potential for comparable implementation of the ICS.³ This review includes recommendations for the Final AM and potential improvements to the US group solvency system including:
 - Sensitivity to changes in interest rates and their impact on the solvency of the US life groups.
 - Supervisory intervention of US groups on group capital grounds.

¹ <https://www.iais.org/uploads/2024/11/Report-on-Aggregation-Method-comparability-assessment.pdf>

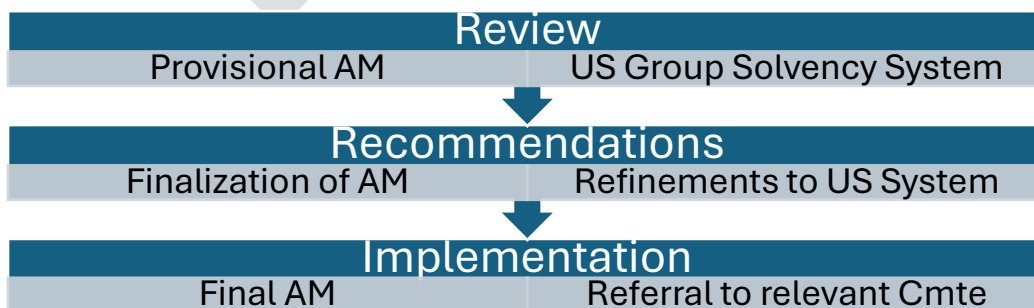
² <https://content.naic.org/sites/default/files/committee-related-provisional-am-comparability-assessment.pdf>

³ <https://content.naic.org/committees/g/aggregation-method-wg>

- Use of scalars and choice of regulatory intervention points and potential domestic refinement.
 - Reporting and disclosure requirements.
4. AMIWG reports to, and coordinate with, the International Insurance Relations (G) Committee and any relevant groups under the Financial Condition (E) Committee. Recommendations from this review distinguish between changes needed to finalize the AM and changes needed to other parts of the US regulatory system to enable the implementation of the ICS using the Final AM.
 5. In June 2025, AMIWG created a technical drafting group to produce reference papers for use in this review. These papers focused on sensitivity to interest rates and are discussed more in Section 4.

1.2 Purpose of the US Group Capital Regulation Review

6. This review identifies how each issue highlighted by the comparability assessment is addressed by the US group solvency regulatory system. Where gaps are identified, the review suggests potential recommendations that will promote comparable implementation of the ICS within the US.
7. Relevant recommendations will be incorporated in the documentation for the Final AM, which will replace the Provisional AM. In the US, the Final AM will be implemented through refinements to existing regulatory tools including, but not limited to, the Group Capital Calculation (GCC). The GCC follows the same overall construct and is similar to the AM calculation but includes additional reporting requirements and US specific guidance.
8. This review categorizes recommendations into two groups: (1) changes from the Provisional AM to the Final AM, and (2) changes to existing US regulatory tools. A recommendation to modify the Provisional AM does not necessarily require changes to the US regulatory framework, as some recommendations have already been adopted (for example, the recommended scaling methodology for the Final AM is already used in the GCC). Where noted, recommendations will apply only to IAIGs. Any recommendations that would require changes to the existing US regulatory framework will be referred to the appropriate committees (for example, recommended changes to the GCC would be referred to the NAIC’s Financial Condition (E) Committee).



2 Connection to the IAIS Comparability Assessment

9. This review is structured around the “Assessment outcomes” as set out in Section 3 of the IAIS comparability assessment. The assessment examined the respective elements and levels of prudence in the Provisional AM and ICS, both collectively and in terms of whether their results move in a similar manner in response to changes in economic and financial market conditions. The comparability assessment also considered whether the AM and ICS are similarly transparent, in terms of facilitating understanding and comparability, within and across jurisdictions, of the group solvency position through supervisory reporting and public disclosure.
10. The sections of this review, along with relevant subsections of the comparability assessment outcomes, are as follows:
 - Section 3 reviews how the respective elements and levels of prudence are addressed through the application of scalars. This issue was summarized in subsection 3.3.1 of the comparability assessment.
 - Section 4 reviews the sensitivity of the valuation of US life insurance reserves to changing economic and financial market conditions under Principles Based Reserving (PBR) requirements and related regulatory tools. This issue was summarized in subsection 3.3.2 of the comparability assessment.
 - Section 5 reviews supervisory intervention in the US regulatory framework based on group capital adequacy grounds. This issue was summarized in subsection 3.3.3 of the comparability assessment.
 - Section 6 considers transparency. Standards on supervisory reporting and public disclosure under the Common Framework for the Supervision of IAIGs (ComFrame) had not yet been developed at the time of comparability assessment and remain under development at the time of this review. The US has committed to applying IAIG supervisory reporting and public disclosure requirements to US IAIGs once these standards are adopted. This issue was summarized in subsection 3.0 of the comparability assessment.

3 Use of Scalars and Choice of Regulatory Intervention Points

11. Development of the Provisional AM by the US was informed by an IAIS data collection. This data collection included analysis to identify, estimate and assess potential scaling methodologies. The objective was to identify a methodology that is “meaningful from a prudential point of view, relevant for the monitoring of financial soundness and that

provides for comparable outcomes to the ICS".⁴ At its August 2025 meeting, AMIWG discussed this analysis and adopted a recommendation to revise the AM scalar approach from an unscaled approach (as used in the Provisional AM) to the Excess Relative Ratio (ERR) approach, calibrated at 200% of the NAIC Risk Based Capital (RBC) Authorized Control Level.⁵

3.1 Review of the ERR in GCC and AM

12. A scalar adjusts for differences in the level of calibration between types of capital requirements and differences in valuation approaches among the entities. A scalar methodology refers to a process used to calculate adjustments (i.e. scalars) using data, statistical analysis and/or judgment. Under this approach, a separate scalar is calculated for each category of entity.
13. Entity categories used for the Provisional AM were developed at the beginning of the ICS Monitoring Period and remained unchanged to ensure consistency in reporting. The entity categories in the GCC were updated during this time.
 - **Gap Identified:** GCC entity categories used in the Provisional AM have been updated more recently.
 - **Recommendation for Final AM:** The list of entity categories in the Final AM should reflect all updates made to the GCC.

3.2 Consideration of the Comparability Assessment

14. The comparability assessment noted "offsetting prudence" between valuation and capital requirements in US legal entities relative to the ICS. That is, conservatism in the valuation is offset by a lower capital requirement (particularly for life IAIGs although the amount of offsetting varied under the different scenarios).
15. The ERR approach adjusts available and required capital to produce the same average solvency ratio in each jurisdiction, while keeping the excess capital (i.e. the amount by which available capital exceeds required capital) unchanged for each legal entity. This approach adjusts for differences in the level of reserve conservatism while preserving the underlying regimes' methods for measuring solvency; in effect, it adjusts for offsetting prudence across regimes.
16. After scaling, jurisdictions capital positions reflect a similar level of offsetting prudence, depending on which jurisdiction is chosen as the base for the calculation. For a US implementation, it is desirable for this level to be scaled to US entities. However, when considering results in the context of other jurisdictions, it may be more desirable to scale to a different jurisdictional level.

⁴ Paragraph 41. <https://content.naic.org/sites/default/files/committee-related-provisional-am-comparability-assessment.pdf>

⁵ https://content.naic.org/sites/default/files/national_meeting/Materials%20-%20AMIWG%20Summer%20National%20Meeting%20081125.pdf

- **Gap identified:** Without scaling, differences in reserve conservatism between US and other regimes lead to inconsistencies in aggregated capital.
- **Recommendation for GCC:** 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.

4 Sensitivity to Changes in Interest Rates

17. While the comparability assessment considered the transition to a PBR approach for US life insurance liabilities, the data used in that analysis included legacy reserves. For the purpose of this review, the term PBR refers to the three valuation manuals that will apply to all insurance liabilities written by US life insurance entities: (i) VM-20 covering life insurance products; (ii) VM-21 covering variable and registered index-linked annuities; and (iii) VM-22 covering fixed, deferred and payout annuities.
18. In June 2025, AMIWG created a drafting group to provide technical input on this issue. The drafting group's work was divided into four areas:
 - **Statistics:** what regulatory reporting is available to identify reserves that are subject to PBR.
 - **Valuation:** how US life insurance liabilities calculated under PBR respond to changes in interest rates.
 - **Scalars:** how the move to the ERR approach impacts the AM's sensitivity to changes in interest rates.
 - **Other Tools:** how other regulatory tools ensure that groups adequately manage interest rate risk.
19. The drafting group was unable to identify a comprehensive data source on the stage of transition of the US life insurance liabilities to PBR. Relevant data were identified in the VM-20 Supplement and Exhibit 5 of the Annual Statement; however, the insurer portfolio information needed to aggregate this data was not available.
 - **Gap identified:** The move to PBR will increase sensitivity but data on how quickly this transition is happening is not readily available to state insurance regulators.
 - **Recommendation for GCC:** 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.

4.1 Sensitivity of PBR to Changes in Interest Rates

20. The drafting group produced a paper, *"Interest Rate Sensitivity in US Statutory Reserving,"*⁶ which reviews how statutory reserving requirements respond to changes in interest rates. The paper discusses principles-based reserving methods and assumptions, asset adequacy testing, interest rate risk under RBC, and the role of asset-liability matching across these aspects.
21. The paper also provides quantitative analysis of how insurance portfolios under VM-20 and VM-22 respond to interest rate shocks. The paper identifies that interest rate sensitivity in VM-21 is "captured through impacts on contract guarantees on withdrawals, annuitizations, and death benefits, as well as yields on general account assets and contract crediting rates."⁷ Calculating the impact of these shocks is complex and depends on the characteristics of the relevant products and investment portfolios.
22. The analysis concluded that PBR reflects interest rate risk and responds to changes in interest rates. This occurs through regular updates in economic scenarios, the corresponding impact on discount rates, and consideration of policyholder behavior that may change in response to interest rate movements.
23. An addendum to the paper compares the treatment of liabilities under PBR with the "current estimates" used in the ICS.⁸ The analysis found that the two approaches are similar in that both rely on current assumptions and move in a similar direction in response to changes in interest rates. However, the addendum notes that the larger guardrails/margins embedded in the PBR reserves result in a higher level of conservatism and a more muted impact on interest rate changes.

4.2 Impact of Scalars on Interest Rate Sensitivity

24. The drafting group produced a paper, *"Impact of Scalars on the Sensitivity of the Aggregation Method to Changes in Interest Rates."*⁹ The paper finds that the inputs to the ERR calculation - legal entity available and required capital - are both sensitive to changes in interest rates. The magnitude of this impact depends on the legal entities to which the scalars are applied.
25. The comparability assessment was based on point-in-time analysis of unscaled AM results and did not consider how scalars might change over time. In the current GCC implementation, there is no formal process in place for updating scalars. In addition, there are inconsistencies in the classification of types of business across jurisdictions. Some jurisdictions distinguish between life, property and casualty (non-life), and,

⁶ Attachment F. https://content.naic.org/sites/default/files/national_meeting/Fall%20NM%20Materials%20-%20Aggregation%20Method%20Implementation%20%28G%29%20Working%20Group%2020251209.pdf

⁷ Page 4.

⁸ Attachment G. https://content.naic.org/sites/default/files/national_meeting/Fall%20NM%20Materials%20-%20Aggregation%20Method%20Implementation%20%28G%29%20Working%20Group%2020251209.pdf

⁹ Attachment H. https://content.naic.org/sites/default/files/national_meeting/Fall%20NM%20Materials%20-%20Aggregation%20Method%20Implementation%20%28G%29%20Working%20Group%2020251209.pdf

where material, health business. In contrast, other jurisdictions group all business within a single entity category.

- **Gap Identified:** Even when scaled, levels of reserve conservatism can vary with interest rate levels and by type of business.
- **Recommendation for Final AM and GCC:** 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).

4.3 Other Tools

26. Comparability involves more than the final capital ratio. In addition to capital and reserving requirements, US IAIGs are subject to a range of regulatory tools at both the group and legal entity level. The results of these tools must also be considered in totality to inform supervisors of the financial solvency of the group under the US group solvency regulation approach. These tools consider the full range of risks facing IAIGs.
27. As part of this work area, a document was prepared summarizing these tools with a focus on how they may apply to interest rate risk. Of particular relevance is the Prospective Solvency Assessment in Section 3 of the NAIC Own Risk and Solvency Assessment (ORSA) guidance manual as well as an annex setting out Additional Expectations for Internationally Active Insurance Groups.¹⁰ Under these provisions are where US groups conduct scenario testing, including of interest rates, that is most relevant to the ICS framework.¹¹
28. However, the drafting group encountered challenges in preparing a paper that directly linked these requirements to the issue highlighted in the comparability assessment. First, the scenario testing requirements do not refer explicitly to the GCC, as the GCC was introduced after ORSA was adopted. Second, ORSA assessments are inherently tailored to each insurers' own view of its risk profile. As a result, the connection between ORSA processes and the GCC can be difficult to describe in anything other than high-level terms.

4.3.1 Scenario Testing of US Groups

29. The Prospective Solvency Assessment includes projections of both economic and regulatory capital under both "normal and stressed environments." For IAIGs, this includes economic capital calculated using a model similar to those used in the ICS, as well as regulatory capital at the head of the IAIG level. Stress testing is one form of scenario analysis and examines the impact of alternative projected assumptions - similar to the analysis described in the drafting group's paper "*Interest Rate Sensitivity in US Statutory Reserving*."

¹⁰ <https://content.naic.org/sites/default/files/publication-orsa-guidance-manual.pdf>

¹¹ Liquidity Stress Testing requirements were not considered, as liquidity risk is excluded from the ICS.

30. Although ORSA requires stress testing that is relevant to the implementation of the ICS, the requirements were drafted before the introduction of the GCC. This issue was noted at AMIWG's November 2025 meeting, and the Working Group submitted a response to an NAIC survey on potential clarifications to the ORSA manual. This response suggested a clarification that the reference to "regulatory capital at the head of the IAIG level" may include reference to the GCC to make it clearer how this requirement could apply in practice. Such a clarification would be a change to a figure that is shown in addition to the economic capital that is assessed in the three main sections of ORSA. It would also facilitate a clearer discussion of how these regulatory tools apply to US life IAIGs. Once the ORSA manual is updated, AMIWG could revisit this issue and produce material providing examples of how stress testing could be applied to GCC results.

- **Gap identified:** 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 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.
- **(i) Recommendation for ORSA:** 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".
- **(ii) Recommendation for additional guidance:** AMIWG could produce material with examples of how scenario testing (particularly of interest rates) may be done on GCC results. This would not itself be a requirement. Rather it would explain how the existing principle-based requirements may work in practice and illustrate how such analysis may be performed, including examples of approaches already used by groups.

4.3.2 Connection to GCC

31. The assumptions and choice of scenarios within the ORSA are specific to each IAIG. Decisions on the level of further details to include depends on the risk characteristics of the IAIG. However, the high-level outputs - economic and regulatory capital at the head of the group - are prescribed. This level of reporting corresponds to the information presented in the Summary tab of the GCC template. Two numbers are reported for each sensitivity test: available and required capital. These are reported at the group level. If the results of a scenario that has already been calculated for ORSA were included in the GCC template, this would help regulators understand the sensitivity of IAIG results to changes in interest rates. The GCC template, in turn, can assist regulators in assessing how the group's own view of risk compares with the legal entity requirements.

- **Gap identified:** Impact of changes in interest rates on US life IAIG results can be opaque to regulators.
- **Recommendation for GCC:** Template should include a 'sensitivity test' for life IAIGs to provide a description of an interest rate scenario and the corresponding impact on their GCC ratio.

5 Supervisory Intervention of US Groups on Group Capital Grounds

32. The ICS is intended for use as a PCR, which represents the point when supervisory intervention on capital grounds begins. The IAIS Insurance Core Principles (ICPs) describe such interventions as covering an informal range of potential measures (e.g. increased supervisory reporting or extending scope of examinations).¹² Thus it is important to keep in mind this concept of supervisory intervention is broader than the definition reflected in the four prescribed action levels of the US RBC framework.¹³

33. Further, under the "indirect approach" described in the ICPs, supervisory powers may be applied to insurance legal entities in order to address the group-wide risks posed by other legal entities within the group. Accordingly, this review considers supervisory intervention as a range of possible measures and at both the group and legal entity level.

5.1 Review of Existing Tools

34. US state insurance regulators have both qualitative and quantitative authorities at the group and legal entity level that enable them to take action when the supervisor determines that an insurer may be in a hazardous financial condition. The objective of such intervention is to remedy the hazardous condition and limit potential adverse implications for policyholders and creditors. If a hazardous financial condition progresses to rehabilitation, or ultimately insolvency where rehabilitation is not possible, policyholders remain protected through the state guaranty system, which provides many of the benefits that would otherwise have been provided by the insurer.

35. At the legal entity level, the Hazardous Financial Condition Model Regulation, adopted in each state pursuant to the NAIC Accreditation Program, provides state insurance regulators with authority to intervene on capital grounds even in the absence of a breach of minimum capital requirements. Legal entities report financial information under Statutory Accounting Principles (SAP) on a quarterly and annual basis, with more frequent reporting at the discretion of the Commissioner based on the insurer's financial condition and potential risks to policyholders. This reporting includes RBC

¹² Further examples are listed in the guidance of Insurance Core Principle 17.4.9. <https://www.iais.org/icp-online-tool/>

¹³ <https://content.naic.org/insurance-topics/risk-based-capital>

and the Financial Analysis and Solvency Tools (FAST) scoring system. FAST functions as an early warning regulatory tool, enabling supervisory intervention prior to a breach of RBC thresholds. FAST includes other regulatory tools such as, Insurance Regulatory Information System (IRIS) ratios and the Insurer Profile Summary.

36. For insurance groups, including IAIGs, additional regulatory standards apply under the Insurance Holding Company System Regulatory Act, which has also been adopted by all states as part of the NAIC Accreditation Program. These requirements extend beyond legal entity supervision and include reporting on the group capital structure, consolidated financials, and transactions between insurers and their affiliated entities.
37. Additional group level reporting requirements include the GCC, ORSA report, Enterprise Risk Reporting, Change in Control reporting and Holding Company Disclosures. Statutory requirements also govern intra-group transactions and impose limitations on dividend payments.
38. Life IAIGs are also subject to the Liquidity Stress Test (LST) which is conducted at both the material legal entity level and at the holding company level. Introduced in 2020, the LST has been adopted by 35 states, including all states serving as group-wide supervisors of an IAIG. The LST provides state insurance regulators with an additional perspective beyond capital calculations by assessing the adequacy of a group's assets under stressed liquidity scenarios. The test evaluates liquidity impacts across a range of stress scenarios and timeframes to identify potential liquidity gaps requiring supervisory attention.

5.2 Consideration of Comparability Assessment

39. The comparability assessment considered whether the AM would trigger supervisory action on group capital adequacy grounds under similar conditions over the business cycle as compared to the ICS. Scenario data were collected using the Provisional AM and the ICS as calculated using the standard method.
40. The primary trigger considered was the point at which an IAIGs solvency ratio falls below 100%, although the role of other supervisory tools was also considered. The analysis found that the Provisional AM produced similar triggers for US non-life IAIGs, but there were inconsistencies for US life IAIGs, including scenarios where a breach of the ICS was not accompanied by a breach of the Provisional AM.
41. The analysis further observed that, in extreme scenarios (i.e. where a solvency ratio approaches 100%), Provisional AM and ICS ratios tended to converge, partly due to the additional impact of the AM's limit on the recognition of financial instruments. Nevertheless, some scenarios remained in which a breach of the ICS would not have resulted in supervisory intervention under the Provisional AM.
42. The AM is constructed as an aggregation of local requirements with an adjustment at the group level for financial instruments. As a result, an AM ratio for an IAIG's insurance operations cannot fall below 100% unless at least one legal entity within the group has

a ratio below 100%.¹⁴ Therefore, a breach in the AM ratio would typically be accompanied by supervisory intervention in at least one legal entity, and under the indirect approach to supervision, this constitutes intervention on group capital grounds.

43. The concern, therefore, arises in circumstances where each legal entity within the AM maintains a ratio above 100%, meaning no entity level intervention occurs, while the ICS ratio falls below 100%. This situation can be reduced to two (possibly overlapping) possibilities.
44. One possibility is insufficient prudence in the legal entity level capital requirements such that the intervention threshold for at least one legal entity is less conservative than that implied by the ICS. This concern was most prominent when comparing the AM with the ICS standard method used in the comparability assessment. The ICS standard method represents a single methodology applied across multiple types of insurance products.
45. However, legal entity level scalar calibration analysis conducted during the IAIS AM data collection indicated that the calibration selected for the AM (and now implemented in the GCC) corresponds to the methodology that was set at the average calibration of the ICS.¹⁵ Moreover, the ICS framework for use as a PCR allows the use of "Other Methods," such as regulator approved internal models, to determine capital requirements. The ICS Economic Impact Assessment concluded that the adoption of such models may contribute to a more precise risk measurement and reduce procyclicality relative to the standard method used in the comparability assessment.¹⁶ While these approaches follow different processes, legal entity level capital requirements ultimately reflect a regulator approved and more tailored view of risk.
46. A second possibility arises in extreme stress scenarios, where both the AM and ICS available capital decrease significantly, yet the AM ratio is above 100% while the ICS ratio falls below 100%. This was one of the principal examples of divergence identified in the scenarios analyzed during the comparability assessment.
47. In such situations, the decline in AM available capital may also reduce the limit on the recognition of financial instruments within the AM calculations. Following implementation, supervisory responses to such changes in the AM ratio would be covered by Procedure 5 of the GCC Lead State Procedures, which directs regulators to consider the "need for company discussions for reduction in risk" when there is a

¹⁴ The AM includes an aggregation of non-insurance entities, which are not regulated in the same manner as insurance entities, and recognizes capital instruments that are subject to certain limitations and typically held at the holding company level. The ICS uses a similar aggregation-based approach for non-insurance entities. The comparability assessment found that the AM limitations on the recognition of capital instruments were more conservative in stressed scenarios. As a result, no potential gap was identified.

¹⁵ This is the "Reverse Engineered ICS" method.

https://content.naic.org/sites/default/files/national_meeting/Materials%20-%20AMIWG%20Summer%20National%20Meeting%20081125.pdf

¹⁶ Paragraph 54. <https://www.iais.org/uploads/2024/12/ICS-economic-impact-assessment-report.pdf>

meaningful decrease in the GCC ratio. This type of supervisory engagement aligns with the forms of intervention described in the ICPs. Providing greater clarity in these standards and guidance could help further convergence of outcomes.

- **Gap Identified:** 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 and the ratio(s) at which they would apply.
- **Recommendation for GCC:** 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.

6 Reporting and Disclosure Requirements

48. The comparability assessment noted evidence of the US commitment to meet ComFrame public disclosure and supervisory reporting requirements. In the AM documentation, the US provided assurance that:

- Results of the implemented capital standard - including, but not limited to, the reporting template, available capital and required capital - would be reported to the group-wide supervisor.
- Documentation of the capital standard - including specifications, reporting template, scalars, and related materials - would be publicly disclosed and updated as required under ComFrame.
- Once introduced in ComFrame, IAIG capital reporting to group-wide supervisors and public disclosure requirements, including requirements relating to content, granularity, and reporting frequency, would also apply to the final version of the AM.

49. Results of the implemented capital standard - specifically the GCC - are already reported to supervisors. In addition, documentation of this standard, including specifications, reporting template, and scalars is publicly available on the NAIC website.¹⁷

50. The IAIS is continuing to develop ComFrame reporting requirements. A review of recent developments in this area, and consideration of how existing US tools may be applied to meet these requirements, is provided below.

¹⁷ The GCC Instructions (i.e. specifications) and template are updated annually in the “Documents” section of the site. Scalars are included in the GCC template. <https://content.naic.org/committees/e/group-capital-calculation-wg>

6.1 Developments Subsequent to Comparability Assessment

51. In November 2025, the IAIS released a public consultation on ComFrame related supervisory reporting and public disclosure standards.¹⁸ The proposed draft standards specify content and granularity that are specific to a consolidated implementation of the ICS. As a result, they include elements – such as a consolidated balance sheet – that would not be possible using an aggregation-based framework.
52. The consultation also recognizes that the AM and the consolidated standard described in the ICS Level 1 document is different than an implementation in the US via the AM. The treatment of the AM is addressed through a proposed addition to the ComFrame Assessment Methodology. This proposed text would precede the standards themselves and be included in paragraph 47 of the ICPs. This will apply not just to the assessment of reporting but to all parts of an implementation assessment of the AM.
- “Additionally, the Insurance Capital Standard (ICS) is subject to a specific implementation assessment methodology, taking into account the quantitative nature of the ICS. The ICS implementation assessment methodology also covers the ICS-related ComFrame standards in ICPs 9 and 20 related to supervisory reporting and public disclosure. ***The ICS implementation assessment methodology also sets out how the specificities of the Final US Aggregation Method as the US implementation of the ICS should be considered in the ICS implementation assessment.***” [emphasis added]

6.2 Review of Existing Tools

53. US insurers are subject to supervisory reporting and disclosure requirements at both the group and legal entity level. At the group level, the GCC, ORSA report, Enterprise Risk Reporting, Change in Control reporting, and Holding Company Disclosures are reported to the group-wide supervisor.
54. There is more granular reporting and disclosure at the legal entity level. The NAIC Annual Statement is a public report containing comprehensive financial information, including a statutory balance sheet and detailed schedules (e.g. investments, loss exposures, and other financial data). This statement serves as the primary source of data for solvency monitoring tools, including the RBC. The results of the RBC calculation are included in the NAIC Annual Statement, while more detailed information on the RBC calculation is provided to supervisors on an annual basis.
- **Possible Gap:** 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

¹⁸ <https://www.iais.org/2025/11/public-consultation-on-ics-related-comframe-standards/>

consolidated balance sheet construct of the ICS) as well as appropriate for the US regulatory approach.

- **Recommendation [for AMIWG]:** 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 as the outcome to be achieved, reliance on existing legal entity level reporting and information needed to aggregate legal entity results across the IAIG.

7 Summary

55. This review finds that the US group capital solvency framework overall provides a robust and credible foundation for an aggregation-based implementation of the ICS. The existing framework captures the relevant risks and supports effective supervision at both the group and legal entity level. Targeted adjustments and refinements will help ensure convergence of outcomes with the ICS.
56. The areas for work identified in the comparability assessment can be addressed through refinements to scalars, improved transparency regarding sensitivity to interest rate changes, and clearer articulation of how existing supervisory tools are applied on group capital adequacy grounds.
57. The resulting recommendations will be incorporated into a document supporting the Final AM as the US implementation of the ICS. Recommendations relating to the GCC and ORSA will be referred to NAIC's Financial Condition (E) Committee.

May 11, 2026

VIA ELECTRONIC SUBMISSION

ntyrrrell@naic.org

RE: US Group Solvency Regulation Review: Implementation of the Insurance Capital Standard via the Aggregation Method

Dear Chair Easland:

The American Property Casualty Insurance Association (APCIA)¹ appreciates the opportunity to provide comments on the *Draft AMIWG Review of the US Group Solvency Regulation* (the “Draft”). APCIA is supportive of the approach taken by the Aggregation Method Implementation Working Group (AMIWG) and notes that most of the work has focused on life insurance rather than property and casualty insurance. As a result, we are only commenting on the aspects of the draft that would impact property and casualty Internationally Active Insurance Groups (IAIGs). We are supportive of most of the recommendations and just have one concern with the public reporting aspects as discussed in Section 6 and a minor clarification in Section 4.

Our main concern is in Section 6 of the Draft that implies public reporting of the Aggregation Method results as it would only impact a handful of property and casualty insurers and create confusion for analysts and other financial statement users. It would require significant explanation from the groups to describe what the AM is and is not, without benefit for financial statement users. We note that in the Risk-Based Capital Model Governance Preamble Exposure there is discussion on what Risk-Based Capital (RBC) is and how it should and should not be used. Groups would not only have to include similar language from the Preamble but would also have to indicate that the AM is not necessarily comparable with similar groups in other jurisdictions that are held to different IAIS Insurance Capital Standard implementations. Additionally, most of the components for the groups (i.e., the underlying insurance entities) already have extensive public disclosure including all assets and significant claims liability information for property and casualty insurers. Finally, AMIWG should also consider if the AM is an extension of RBC and whether its disclosure could be considered a violation of the RBC statute in some states.

The clarification we request is in recommendation ii, Section 4.3.1. While we understand that it would not be a requirement, we are concerned that the recommendation that discusses scenario testing that includes the parenthetical, (particularly of interest rates), could be applied in practice to property and casualty companies. For property and casualty insurers, interest rate stress testing is generally not impactful as the claims payouts are not impacted by changes in interest rates. To address this issue, we recommend the parenthetical include a reference to life insurance.

Should you have any questions, please do not hesitate to contact the undersigned, Jay Muska, at jay.muska@apci.org. Thank you for your consideration.

Sincerely,

¹ APCIA is the primary national trade association for home, auto, and business insurers. APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers, with a legacy dating back 150 years. APCIA members include companies of all sizes, structures, and regions—protecting families, communities, and businesses in the U.S. and across the globe.

Jay Muska

John (Jay) Muska, CFA, CPA
Vice President of Accounting and Financial Issues
American Property and Casualty Insurance Association

cc: D. Keith Bell
Chair, APCIA Financial Management and Risk Committee

Appendix

GAPS

1. **What material risks are not adequately captured within the RBC framework that are possibly insufficiently captured elsewhere? When evaluating material risks not adequately captured, consider the following:**
 - a. **Risks associated with potential misclassification of a risk (e.g., policy and/or asset class) when applying RBC components.**
 - b. **Risks associated with modeling limitations of RBC modeling components, possibly incongruencies with other aspects of the framework (e.g., reserves).**
 - c. **Risks associated with inadequate governance related to model monitoring, development, and update processes to effect timely material adjustments to RBC assessments.**

Response: The current property and casualty RBC framework appropriately covers or is in the process of covering material property and casualty risks in the RBC factors and aligns well with the causes of insolvency. The NAIC continues to incorporate catastrophe risk through the work of the Property and Casualty Risk Based Capital Working Group and the Catastrophe Risk Subgroup. In our view, the governance and model review process used to incorporate catastrophe risk has been deliberate and thoughtful. This process is a good model to follow for similar risks that may emerge in the future.

2. **Are there material new or emerging risks that the RBC framework does not capture?**

Response: As noted in question 1, there is more work to be done on catastrophe risk for PCRBC, but the process is already underway. We also support the work that is being done to consider the impact of diversification of risks and how the PCRBC may be adjusted for such impacts.

Inconsistencies

3. **Where do the Life, Property & Casualty, and Health RBC formulas diverge in the treatment of the same or similar risks, resulting in a risk not being treated appropriately in the respective formula (after covariance)?**

Response: After covariance and considering differences in accounting, we are not aware of differences that result in risks not being treated appropriately in the respective formula.

4. **Within each formula, where do RBC components diverge in the treatment of the same or similar risks, resulting in a risk not being treated appropriately?**

Response: We do not believe that any of the PCRBC components diverge in the treatment of the same or similar material risks that result in risks not being treated appropriately.

5. **Which RBC components materially violate the RBC Principles?**

Response: We do not believe that any of the RBC components in the PCRBC formula violate the RBC Principles for material risks.



May 11, 2026

Rebecca Easland, Chair, AMIWG
NAIC Aggregation Method Implementation (G) Working Group (“AMIWG”)

RE: AMIWG exposure of “US Group Solvency Regulation Review: Implementation of the Insurance Capital Standard via the Aggregation Method”

Dear Chair Easland,

The American Council of Life Insurers (ACLI) appreciates the opportunity to comment on a report generated by the Aggregation Method Implementation Working Group, a group that was tasked with facilitating the U.S. implementation of the International Association of Insurance Supervisors (IAIS) Insurance Capital Standard (ICS) via the U.S. Aggregation Method (AM). In 2024, the IAIS formally recognized the Aggregation Method as providing a basis for implementation that can provide comparable outcomes to the IAIS Insurance Capital Standard. The formal recognition of the AM, which will be implemented in the U.S. through the Group Capital Calculation, was a significant accomplishment that represented years of effort and advocacy to safeguard policyholders by ensuring that state regulators retain the ultimate authority in how insurance groups and products are regulated in the United States. Throughout this process, the NAIC urged the IAIS to focus on “comparable outcomes” instead of identical formulas or numbers.

The exposed report, entitled “U.S. Group Solvency Regulatory Review: Implementation of the Insurance Capital Standard via the Aggregation Method” (hereafter “the report”) is part of the NAIC’s ongoing work to implement the AM. ACLI agrees that the existing U.S. group capital solvency framework “provides a strong and credible foundation for an aggregation-based implementation of the ICS.” The report clearly reflects a tremendous amount of effort by the authors who were tasked with reviewing a complex and comprehensive solvency system. Nonetheless, we are troubled by several recommendations in the report, particularly around public disclosure of the U.S. group capital ratio for Internationally Active Insurance Groups (IAIGs) and a proposal that would require U.S. IAIGs to restate their group capital ratio to a non-U.S. basis.

ACLI’s letter consists of three sections: Part I and II address our concerns regarding the two main points outlined below, while Part III offers further remarks on a range of other matters. The Appendix includes additional analysis and excerpts from the NAIC model Insurance Holding Company Systems Act.

Key Points

- **Reporting and public disclosure requirements for the AM should conform with existing state laws and regulations, and state regulators should retain the ultimate authority to determine the disclosure standards for any U.S. group capital ratio, including the Aggregation Method. (Section 6)**
- **ACLI opposes any effort to scale the AM or GCC to a non-U.S. basis. Such an approach would make U.S. groups the only groups in the world required to restate their worldwide group capital ratios onto a foreign basis. (Section 3)**

Part I. Comments on Section 6 “Reporting and Disclosure Requirements”

A. ACLI encourages NAIC members to support an outcome on ICS implementation assessment methodology that results in preserving the confidentiality of the GCC for IAIGs and importantly, the states’ autonomy and authority to preserve this important feature of group supervision.

The IAIS has yet to finalize the reporting and public disclosure requirements for the ICS, yet the report states that the U.S. has provided assurances that those standards – which will require public disclosure of ICS ratios – will also apply to the Aggregation Method. As such, the outcome of the IAIS work could potentially impact whether the results of a U.S. IAIGs AM/GCC are disclosed beyond an IAIG’s group-wide supervisor and supervisory colleges.

The NAIC Holding Company Systems Model Act prohibits public disclosure of GCC data and ratios.¹ Against this backdrop, ACLI has significant concerns with any recommendation from the IAIS through ICS implementation assessment methodology or in the US finalization of comparability assessment that would introduce public disclosure expectations for IAIG group capital reporting. Currently, the landscape of state laws as well as substituted reporting requirements to the Federal Reserve would complicate a decision from the NAIC to disclose GCC information of IAIGs to the IAIS or to the public.

For those policy reasons, ACLI strongly encourages NAIC to defend the confidentiality of the GCC reporting consistent with existing law and should only make changes after a full and informed debate at the NAIC about whether such changes are desirable and workable within the U.S. regulatory framework. As such, ACLI appreciates the report’s statement that implementation of disclosure requirements “would need to consider what is possible in an aggregation-based construct (compared to a consolidated balance sheet construct of the ICS) as well as appropriate for the U.S. regulatory approach (para. 54, p. 15).

B. The disclosure standards for the Aggregation Method, which will be implemented through the NAIC Group Capital Calculation (GCC), should align with existing state laws and NAIC model laws and regulations.

The NAIC has long framed the Group Capital Calculation (GCC), which is how the AM will be implemented in the U.S., as a supervisory tool designed to support effective group-wide oversight, not a public disclosure metric. Maintaining the confidentiality of GCC information is essential to preserving state regulators’ ability to independently exercise supervisory judgment consistent with state law and the U.S. insurance regulatory framework.

A foundational element of the U.S. group solvency framework has been the recognition that group capital information is highly sensitive, technically complex, and intended solely to support effective regulatory oversight for the group-wise supervisor. Consistent with this approach, U.S. law has long treated GCC-related information as confidential, reflecting both the supervisory purpose of the tool and the risk of misinterpretation if publicly disclosed. The appendix of our letter provides additional details about the NAIC’s existing confidentiality protections for group capital information.

While ACLI has supported greater transparency for legal entity RBC results, ACLI believes the GCC and RBC have material differences that weigh against disclosure of the GCC. Unlike RBC, which has existed and proven itself as a reliable solvency metric to identify potentially weakly capitalized companies for over thirty years, the GCC is a relatively novel tool with a much more limited use case. The GCC is a supervisory tool to help regulators better understand potential risks to the legal entity from the group, as well as the location and source of capital.²

With that in mind, we strongly believe that the AM results for U.S. IAIGs, should remain confidential, in

¹ See Section 8(A), 8(C) of the NAIC Holding Company Systems Model Act (#440).

² [Insurance Topics | Group Capital Calculation | NAIC](#)

keeping with existing state laws, regulation, and practices.

Part II. Comments on Section 3 “Use of Scalars and Choice of Regulatory Intervention Points”

1. ACLI Supports Maintaining the Current Framework for Scalars.

The report recommends updating the Final AM’s legal entity scalars for non-U.S. insurance entities to align with the GCC’s approach, which uses “Excess Relative Ratio” scalars, calibrated at 200% of the NAIC RBC Authorized Control Level (ACLI). We agree that this approach appropriately addresses calibration issues.

2. ACLI opposes any effort to scale the AM or GCC to a non-U.S. basis (section 3.2)

Section 3.2 proposes applying a scalar designed for *legal* entities to a *group* ratio and converting U.S. group capital ratios to a non-U.S. basis.

As we understand it, the draft proposes taking the Excess Relative Ratio (ERR) scalars and applying them to the U.S. group capital ratio to generate a *new overall group* calculation ratio based on a foreign country’s solvency standard. In a nutshell, this would “convert” the AM results to a non-U.S. basis, like Solvency II. Labeling this change as a “sensitivity test” understates what is actually occurring: it is converting the U.S. AM/GCC into a non-US basis. **If adopted, this would make U.S. IAIGs the only insurance groups in the world required to restate their worldwide group capital ratio to a foreign basis.**

ACLI opposes updating the GCC template to generate a new GCC scaled to other regimes. While ACLI understands the interest in facilitating cross-jurisdictional understanding, the creation of a separate additional GCC(s) for U.S. IAIGs has not been discussed or evaluated for accuracy utilizing the methods outlined in the proposal. Converting a U.S. group ratio into a foreign basis is problematic because the ERR scalars have never been tested or validated for this use case. The ERR was designed for legal entity ratios and calibrated specifically at the NAIC RBC intervention level. Nevertheless, the report seeks to use the same ERR scalar to convert an already scaled and aggregated U.S. *group* ratio to a non-U.S. basis.

The proposal in Section 3.2 is not a marginal or minor technical change. If adopted, it could result in a single U.S. insurance group having over a dozen “converted” group capital ratios, which could create confusion for supervisors, markets, and it casts doubt on the primacy of the actual AM/GCC result. It is unclear how the creation of this “converted” group capital ratio benefits state regulators or how it would meaningfully assist non-U.S. supervisors overseeing foreign subsidiaries or branches of a U.S. IAIG. Introducing a separate, newly derived group-level number with a calculation method that is not sufficiently developed, discussed, or analyzed for accuracy could create confusion in interpretation and risk obscuring the actual U.S. group capital results.

ACLI understands that the U.S. agreed to adopt scalars into the Final AM. This does not require the U.S. to convert the U.S. group capital ratio to a foreign basis. The Provisional AM was considered “unscaled” because the Provisional AM did not specify what scalars it would use to translate non-U.S. *legal entity* capital ratios into an RBC basis. The Provisional AM used a 1.0 placeholder scalar for each non-U.S. insurance entity. The GCC Working Group eventually selected the ERR scalars for each non-U.S. legal entity that is part of a U.S. insurance group. The Final AM becomes “scaled” when the 1.0 provisional placeholders for scalars are replaced by the ERR scalars for each non-U.S. *legal entity* that is part of a U.S. insurance group.

The IAIS has already found the U.S. AM to be a “comparable basis” for implementing the ICS. The IAIS comparability assessment expressly leaves any future adjustments to the Final AM to the discretion of the U.S. authorities. This proposal to scale U.S. group capital ratios to non-U.S. basis goes beyond what comparability requires and potentially reopens settled questions, while also creating a special U.S. requirement that mandates U.S. IAIGs to convert their U.S. group capital ratios to non-U.S. basis.

ACLI recommends deleting paragraph 16 and the accompanying recommendation on pages 6-7.

Part III. Additional Technical Comments

1. Summary of Reserves by Valuation Manual in the GCC Template (Section 4, page 7)

ACLI members are generally comfortable with the inclusion of a number indicating amounts in Principles-Based Reserves (PBR) in the GCC template to the extent the information is already reported in existing Annual Statement exhibits (e.g., Exhibit 5).

2. Comments on Scenario Testing (Section 4.3.1) and Connections to the GCC (Sections 4.3.2).

ACLI members support the recommendation to clarify the treatment of GCC in the ORSA manual.

ACLI interprets section 4.3.1 (ii) as an additional requirement for a group level stress test on interest rate risk and section 4.3.2 as the inclusion of such test into the GCC template.

We have concerns with creating an additional requirement for interest rate sensitivity when several other supervisory tools already address interest rate sensitivity. First, the PBR framework is inherently interest-rate sensitive. It relies on forward-looking, market-consistent modeling of liabilities that respond dynamically to changes in interest rates. Interest-rate scenarios are embedded in PBR modeling. Under the Valuation Manual (e.g., VM-20, VM-21, VM-22), insurers project liability cash flows under a range of economic scenarios, which directly affects reserve levels as rates move. This means reserve adequacy already changes as part of normal reporting when interest rates rise or fall. Asset Adequacy Testing (AAT) and RBC further evaluate insurers' ability to meet long-duration liabilities under multiple interest-rate scenarios.

A separate interest-rate sensitivity test would be largely duplicative, and the exposure draft acknowledges that PBR reserves respond to changes in interest rates.

Another consideration regarding an additional test is that GCC reporters indicate the timing of completing these stress tests may run into challenges regarding other year-end reporting for insurers and reporting on ORSA to their domiciliary supervisors.

3. Considerations Regarding "Considerations of the Comparability Assessment" (Section 5.2).

We support the idea of providing principles that reinforce the GCC's role as a supervisory tool rather than a prescriptive trigger. We look forward to working with NAIC on the development of these principles that articulate practices already in place for supervisory review.

We share the same goal of informing international standard setters and jurisdictions that may be exploring the feasibility of implementing similar approaches to the NAIC's strong state-based system.

However, ACLI cautions strongly against utilizing a prescriptive set ratio for intervention as this is inconsistent with the practices already in place for supervisory review. ACLI has repeatedly emphasized that capital ratios are designed as early-warning and monitoring tools viewed holistically and by domestic regulators. Mechanistic triggers risks oversimplifying firms' financial condition and ignoring context around group capital changes. As a result, we recommend striking the last sentence below:

Gap Identified: 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 and the ratio(s) at which they would apply.~~

Conclusion

Thank you once again for your consideration of our comments. We look forward to supporting members of the working group and the International Insurance Relations (G) Committee in further efforts to conclude the work on comparability and projects to take place at other committees based on these recommendations. We would be pleased to answer any questions you may have about our comments.

Sincerely,



Madison Ward

Senior Counsel

MadisonWard@acli.com



Vytas Aukstuolis

International Relations Manager

VytasAukstuolis@acli.com

Appendix I.

Existing state and model laws prohibit disclosure of insurers' group capital information, which would include the AM

The AM will be implemented primarily through the GCC. The statutory authority to require and collect group capital information are authorized by the NAIC Insurance Holding Company Systems Model Act (#440).³ The Holding Company Act provides a stringent confidentiality framework for U.S. insurance group's capital information and ratios. Section 8(A)(1) of the Insurance Holding Company Act provides that the Commissioner shall maintain the confidentiality of the group capital calculation and group capital ratio produced within the calculation and any group capital information received from an insurance holding company supervised by the Federal Reserve Board or any U.S. group wide supervisor.⁴

Excerpt from NAIC Model Insurance Holding Company Systems Regulatory Act (Mo-440)

Section 8. Confidential Treatment

- A. Documents, materials or other information in the possession or control of the Department of Insurance that are obtained by or disclosed to the commissioner or any other person in the course of an examination or investigation made pursuant to Section 6 and all information reported or provided to the Department of Insurance pursuant to Section 3B(12) and (13), Section 4, Section 5 and Section 7.1 are recognized by this state as being proprietary and to contain trade secrets, and shall be confidential by law and privileged, shall not be subject to [insert open records, freedom of information, sunshine or other appropriate phrase], shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action. However, the commissioner is authorized to use the documents, materials or other information in the furtherance of any regulatory or legal action brought as a part of the commissioner's official duties. The commissioner shall not otherwise make the documents, materials or other information public without the prior written consent of the insurer to which it pertains unless the commissioner, after giving the insurer and its affiliates who would be affected thereby notice and opportunity to be heard, determines that the interest of policyholders, shareholders or the public will be served by the publication thereof, in which event the commissioner may publish all or any part in such manner as may be deemed appropriate.

(1) For purposes of the information reported and provided to the Department of Insurance pursuant to Section 4L(2), the commissioner shall maintain the confidentiality of the group capital calculation and group capital ratio produced within the calculation and any group capital information received from an insurance holding company supervised by the Federal Reserve Board or any U.S. group wide supervisor.

(2) For purposes of the information reported and provided to the [Department of Insurance] pursuant to Section 4L(3), the commissioner shall maintain the confidentiality of the liquidity stress test results and supporting disclosures and any

³ [NAIC State Adoption Maps of NAIC Model Law and Reg 440.](#)

⁴ "Section 8A(1). For purposes of the information reported and provided to the Department of Insurance pursuant to Section 4L(2), the commissioner shall maintain the confidentiality of the group capital calculation and group capital ratio produced within the calculation and any group capital information received from an insurance holding company supervised by the Federal Reserve Board or any U.S. group wide supervisor."

liquidity stress test information received from an insurance holding company supervised by the Federal Reserve Board and non-U.S. group wide supervisors.

Drafting Note: This group capital calculation and group capital ratio includes confidential information and filings received from insurance holding companies supervised by the Federal Reserve Board. Similarly, the liquidity stress test may include confidential information and filings received from insurance holding companies supervised by the Federal Reserve Board. The confidential treatment afforded to group capital calculation filings includes any Federal Reserve Board group capital filings and information.

- B. Neither the commissioner nor any person who received documents, materials or other information while acting under the authority of the commissioner or with whom such documents, materials or other information are shared pursuant to this Act shall be permitted or required to testify in any private civil action concerning any confidential documents, materials, or information subject to Subsection A.
- C. In order to assist in the performance of the commissioner's duties, the commissioner:
 - (1) May share documents, materials or other information, including the confidential and privileged documents, materials or information subject to Subsection A, including proprietary and trade secret documents and materials with other state, federal and international regulatory agencies, with the NAIC, and with any third-party consultants designated by the commissioner, with state, federal, and international law enforcement authorities, including members of any supervisory college described in Section 7, provided that the recipient agrees in writing to maintain the confidentiality and privileged status of the document, material or other information, and has verified in writing the legal authority to maintain confidentiality.
 - (2) Notwithstanding paragraph (1) above, the commissioner may only share confidential and privileged documents, material, or information reported pursuant to Section 4L(1) with commissioners of states having statutes or regulations substantially similar to Subsection A and who have agreed in writing not to disclose such information.
 - (3) May receive documents, materials or information, including otherwise confidential and privileged documents, materials or information, including propriety and trade-secret information from the NAIC and its affiliates and subsidiaries and from regulatory and law enforcement officials of other foreign or domestic jurisdictions, and shall maintain as confidential or privileged any document, material or information received with notice or the understanding that it is confidential or privileged under the laws of the jurisdiction that is the source of the document, material or information; and
 - (4) Shall enter into written agreements with the NAIC and any third-party consultant designated by the commissioner governing sharing and use of information provided pursuant to this Act consistent with this subsection that shall:
 - (a) Specify procedures and protocols regarding the confidentiality and security of information shared with the NAIC or a third-party consultant designated by the commissioner pursuant to this Act, including procedures and protocols for sharing by the NAIC with other state, federal or international regulators. The agreement shall provide that the recipient agrees in writing to maintain

the confidentiality and privileged status of the documents, materials or other information and has verified in writing the legal authority to maintain such confidentiality;

- (b) Specify that ownership of information shared with the NAIC or a third party consultant pursuant to this Act remains with the commissioner and the NAIC's or a third-party consultant's, as designated by the commissioner, use of the information is subject to the direction of the commissioner;
 - (c) Excluding documents, material or information reported pursuant to Section 4L(3), prohibit the NAIC or third-party consultant designated by the commissioner from storing the information shared pursuant to this Act in a permanent database after the underlying analysis is completed;
 - (d) Require prompt notice to be given to an insurer whose confidential information in the possession of the NAIC or a third-party consultant designated by the commissioner pursuant to this Act is subject to a request or subpoena to the NAIC or a third-party consultant designated by the commissioner for disclosure or production; and
 - (e) Require the NAIC or a third-party consultant designated by the commissioner to consent to intervention by an insurer in any judicial or administrative action in which the NAIC or a third-party consultant designated by the commissioner may be required to disclose confidential information about the insurer shared with the NAIC or a third-party consultant designated by the commissioner pursuant to this Act.
 - (f) For documents, material or information reported pursuant to Section 4L(3), in the case of an agreement involving a third-party consultant , provide for notification of the identity of the consultant to the applicable insurers.
- D. The sharing of information by the commissioner pursuant to this Act shall not constitute a delegation of regulatory authority or rulemaking, and the commissioner is solely responsible for the administration, execution and enforcement of the provisions of this Act.
- E. No waiver of any applicable privilege or claim of confidentiality in the documents, materials or information shall occur as a result of disclosure to the commissioner under this section or as a result of sharing as authorized in Subsection C.
- F. Documents, materials or other information in the possession or control of the NAIC or a thirdparty consultant designated by the commissioner pursuant to this Act shall be confidential by law and privileged, shall not be subject to [insert open records, freedom of information, sunshine or other appropriate phrase], shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action.
- G. The group capital calculation and resulting group capital ratio required under Section 4L(2) and the liquidity stress test along with its results and supporting disclosures required under Section 4L(3) are regulatory tools for assessing group risks and capital adequacy and group liquidity risks, respectively, and are not intended as a means to rank insurers or insurance holding company systems generally. Therefore, except as otherwise may be required under the provisions of this Act, the making, publishing, disseminating, circulating or placing before

the public, or causing directly or indirectly to be made, published, disseminated, circulated or placed before the public in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station or any electronic means of communication available to the public, or in any other way as an advertisement, announcement or statement containing a representation or statement with regard to the group capital calculation, group capital ratio, the liquidity stress test results, or supporting disclosures for the liquidity stress test of any insurer or any insurer group, or of any component derived in the calculation by any insurer, broker, or other person engaged in any manner in the insurance business would be misleading and is therefore prohibited; provided, however, that if any materially false statement with respect to the group capital calculation, resulting group capital ratio, an inappropriate comparison of any amount to an insurer's or insurance group's group capital calculation or resulting group capital ratio, liquidity stress test result, supporting disclosures for the liquidity stress test, or an inappropriate comparison of any amount to an insurer's or insurance group's liquidity stress test result or supporting disclosures is published in any written publication and the insurer is able to demonstrate to the commissioner with substantial proof the falsity of such statement or the inappropriateness, as the case may be, then the insurer may publish announcements in a written publication if the sole purpose of the announcement is to rebut the materially false statement.

Drafting Note: In Section 8C(4) above, the exclusion in subitem 4(c) is the result of the Liquidity Stress Test primary purpose, which is to be used as a tool for assessing macroprudential risks by the NAIC Financial Stability Task Force assisted by NAIC staff, including trend analysis over time. Provisions against the NAIC owning the information, databasing the results and disclosures, and obtaining written consent from the insurer when a consultant is involved were deemed inappropriate.

- (a) Specify that ownership of information shared with the NAIC or a third party consultant pursuant to this Act remains with the commissioner and the NAIC's or a third-party consultant's, as designated by the commissioner, use of the information is subject to the direction of the commissioner;
 - (b) Excluding documents, material or information reported pursuant to Section 4L(3), prohibit the NAIC or third-party consultant designated by the commissioner from storing the information shared pursuant to this Act in a permanent database after the underlying analysis is completed;
 - (c) Require prompt notice to be given to an insurer whose confidential information in the possession of the NAIC or a third-party consultant designated by the commissioner pursuant to this Act is subject to a request or subpoena to the NAIC or a third-party consultant designated by the commissioner for disclosure or production; and
 - (d) Require the NAIC or a third-party consultant designated by the commissioner to consent to intervention by an insurer in any judicial or administrative action in which the NAIC or a third-party consultant designated by the commissioner may be required to disclose confidential information about the insurer shared with the NAIC or a third-party consultant designated by the commissioner pursuant to this Act.
 - (e) For documents, material or information reported pursuant to Section 4L(3), in the case of an agreement involving a third-party consultant , provide for notification of the identity of the consultant to the applicable insurers.
- H. The sharing of information by the commissioner pursuant to this Act shall not constitute a delegation of regulatory authority or rulemaking, and the commissioner is solely responsible for the administration, execution and enforcement of the provisions of this Act.
- I. No waiver of any applicable privilege or claim of confidentiality in the documents, materials or information shall occur as a result of disclosure to the commissioner under this section or as a result of sharing as authorized in Subsection C.
- J. Documents, materials or other information in the possession or control of the NAIC or a third- party consultant designated by the commissioner pursuant to this Act shall be confidential by law and privileged, shall not be subject to [insert open records, freedom of information, sunshine or other appropriate phrase], shall not be subject to subpoena, and shall not be subject to discovery or admissible in evidence in any private civil action.
- K. The group capital calculation and resulting group capital ratio required under

Section 4L(2) and the liquidity stress test along with its results and supporting disclosures required under Section 4L(3) are regulatory tools for assessing group risks and capital adequacy and group liquidity risks, respectively, and are not intended as a means to rank insurers or insurance holding company systems generally. Therefore, except as otherwise may be required under the provisions of this Act, the making, publishing, disseminating, circulating or placing before the public, or causing directly or indirectly to be made, published, disseminated, circulated or placed before the public in a newspaper, magazine or other publication, or in the form of a notice, circular, pamphlet, letter or poster, or over any radio or television station or any electronic means of communication available to the public, or in any other way as an advertisement, announcement or statement containing a representation or statement with regard to the **group capital calculation, group capital ratio**, the liquidity stress test results, or supporting disclosures for the liquidity stress test of any insurer or any insurer group, or of any component derived in the calculation by any insurer, broker, or other person engaged in any manner in the insurance business would be misleading and is therefore prohibited; provided, however, that if any materially false statement with respect to the group capital calculation, resulting group capital ratio, an inappropriate comparison of any amount to an insurer's or insurance group's liquidity stress test result or supporting disclosures is published in any written publication and the insurer is able to demonstrate to the commissioner with substantial proof the falsity of such statement or the inappropriateness, as the case may be, then the insurer may publish announcements in a written publication if the sole purpose of the announcement is to rebut the materially false statement.

Drafting Note: In Section 8C(4) above, the exclusion in subitem 4(c) is the result of the Liquidity Stress Test primary purpose, which is to be used as a tool for assessing macroprudential risks by the NAIC Financial Stability Task Force assisted by NAIC staff, including trend analysis over time. Provisions against the NAIC owning the information, databasing the results and disclosures, and obtaining written consent from the insurer when a consultant is involved