NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Draft date: 11/05/26

GROUP CAPITAL CALCULATION (E) WORKING GROUP
Friday, November 6, 2026
1:30 p.m. – 2:30 p.m. ET / 12:30 – 1:30 p.m. CT / 11:30 a.m. – 12:30 p.m. MT / 10:30 – 11:30 a.m. PT

ROLL CALL

John Rehagen, Chair	Missouri	David Wolf	New Jersey
Susan Berry, Vice-Chair	Illinois	Bob Kasinow	New York
William Arfanis / Ken Cotrone	Connecticut	Zachary Wheatley	Ohio
Anoush Brangaccio	Florida	Kirstin Anderson	Oregon
Roy Eft	Indiana	Diana Sherman	Pennsylvania
Kevin Clark	Iowa	Trey Hancock	Tennessee
John Turchi/Christopher Joyce	Massachusetts	Jamie Walker	Texas
Steve Mayhew	Michigan	Doug Stolte/Greg Chew	Virginia
Barbara Carey	Minnesota	Amy Malm	Wisconsin
Anthony Quandt	Nebraska		

NAIC Support Staff: Ned Tyrrell / Dan Daveline

AGENDA

1.	Welcome & Receipt of Referral—*John Rehagen (MO)*	Attachment 1 Attachment 2
2.	Consider Adoption of Revised Japan Scalar into 2026 GCC—*Ned Tyrrell (NAIC)*	Attachment 3
3.	Brief Discussion of Other Possible Changes for 2027 GCC—*Ned Tyrrell (NAIC)*	Attachment 4 Attachment 5 Attachment 6
4.	Adjournment	

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Referral: Recommendations on Review of the US Group Solvency System

Background: The following are recommendations from the Aggregation Method Implementation (G) Working Group's (AMIWG) document, *US Group Solvency Regulation Review: Implementation of the Insurance Capital Standard via the Aggregation Method,* which was developed in early 2026 and exposed for public comment this Spring. The *Review* was developed based on technical work undertaken by AMIWG in 2025. The recommendations reflect discussions and revisions informed by regulator and interested party feedback from a regulator-only call (May 21) and two open calls (June 2 and June 11). The recommendations were approved by AMIWG on its June 11 call.

The recommendations were circulated to regulators and interested parties of the International Insurance Relations (G) Committee for comments in advance of the Summer National Meeting. At the G Committee meeting on August 13, the recommendations were approved without any further revision and are now being referred to the Financial Condition (E) Committee for implementation by the appropriate working group(s), where relevant.

The recommendations are targeted to where identified gaps can best be addressed: the Final Aggregation Method (AM) document; the Group Capital Calculation (GCC); ORSA; and/or additional work by AMIWG. AMIWG members and staff support are available to assist with this referral if need be.

Section 3.1: Excess Relative Ratio Scalars in GCC and AM	
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.
Section 3.2: Consideration of Comparability Assessment	
Gap Identified: Without scaling, differences in reserve conservatism between US and other regimes lead to inconsistencies in aggregated capital.	**Recommendation for GCC:** 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 on an entity category basis by the group-wide 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. Any selections made in this table are at the discretion of the group-wide supervisor and would be used within the Supervisory College framework. The selections and resulting ratios would not be disclosed outside of the Supervisory College, are not subject to public disclosure requirements, and will be confidential similar to other analysis that regulators perform on the GCC.
Section 4: Sensitivity to Changes in Interest Rates	
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.
Section 4.2 Impact of Scalars on Interest Rate Sensitivity	
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).
Section 4.3.1 (i) Other Tools & ORSA	
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".	**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

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.	"regulatory capital at the head of the IAIG level".
Section 4.3.1 (ii) and Section 4.3.2 Other Tools & Scenario Testing	
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.	**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] **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]
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.	**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.
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	**Recommendation [for AMIWG]:** After the finalization of the relevant ComFrame requirements, AMIWG should develop options for how ComFrame public reporting requirements could be implemented.

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.	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.

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

MEMORANDUM

To: John Rehagan (MO), Chair of the Group Capital Calculation (E) Working Group

From: Commissioner Nathan Houdek (WI), Chair of the Financial Condition (E) Committee
Commissioner Michael T. Caljouw (MA), Vice- Chair of the Financial Condition (E) Committee

Date: August 27, 2026

Re: Referral from the International Insurance Relations (G) Committee

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During the Summer National Meeting, the International Insurance Relations (G) Committee approved the recommendations of the Aggregation Method Implementation (G) Working Group's (AMIWG) document, *US Group Solvency Regulation Review: Implementation of the Insurance Capital Standard via the Aggregation Method.* Most of those recommendations relate specifically to the NAICs Group Capital Calculation and are included herein for your group to address.

The work at the International Insurance Relations (G) Committee was noted during the Summer National Meeting of this Committee, and we look forward to your incorporation of those recommendations into the NAIC products referred to in the recommendations document to be considered for adoption by this Committee once completed.

Any questions can be directed to Ned Tyrell (NTyrrell@naic.org), NAIC staff support for the Aggregation Method Implementation (G) Working Group.

Attachment 3

Group Capital Calculation Working Group

November 6, 2026

1. Welcome & Receipt of Referral

Background

- The Group Capital Calculation (GCC) template and instructions are updated annually and approved by the GCC Working Group.
- This year's update will include consideration of changes in response to recommendations made by the Aggregation Method Implementation (G) Working Group (AMIWG).
- This presentation proposes an approach to each set of recommendations.
  - For most, the proposal is to test the changes in 2026 before finalizing in 2027.
  - A change to Japan's solvency regime makes updates to their scalars more urgent.

AMIWG Recommendations

- AMIWG's charges include a review of the US group solvency system and its potential for implementation of the Insurance Capital Standard (ICS) developed by the International Association of Insurance Supervisors (IAIS).
- The review identified gaps and made recommendations. These were adopted by the International Insurance Relations (G) Committee at the 2026 Summer National Meeting.
  - Recommendations related to GCC and ORSA referred to respective working groups
- The recommended changes to GCC affect Internationally Active Insurance Groups (IAIGs)
  - Changes to scalars impact some non-IAIGs with international exposure
  - Purely domestic groups are unaffected

Templates for Discussion Today

Name of File	Description
2026 GCC Template v20261106 (Blank)	Proposed official 2026 GCC template for all groups (domestic and international) to submit to their regulator in 2027. Includes updates to entity categories and Japan scalars.
2026 GCC Template for IAIG Testing v20261106 (Blank)	The 2026 template with additional inputs/tools related to the AMIWG recommendations. This is for *testing purposes* and not official submission. This template does not apply to domestic groups.
2026 GCC Template for IAIG Testing v20261106 (Sample Data)	Same as above but with sample (i.e. dummy) data to make clear how the formulas work. This is *for testing purposes* and does not apply to domestic groups.

2. Consider Adoption of Revised Japan Scalar into 2026 GCC

Updates to Japan Scalars (Life / P&C)

- Effective with the start of their financial year on April 1, 2026, Japanese insurers are subject to a new capital regime based on the Insurance Capital Standard (ICS).
- The transition leads to a significant reduction in average solvency ratios and so will require an update to the scalars.
- Reporting was due on October 31, 2026. Based on data available as of this meeting, NAIC staff calculated average solvency ratios for Japan [and US] of 203% [443%] for Life entities and 250% [321%] for P&C entities.

Japan Scalars*	Old	New
P&C	1.21	0.68
Life	1.24	0.30

*Scalar = (Local Solvency Ratio – 100%) / (US Solvency Ratio – 100%)

Updates to Japan Scalars (Health)

- The GCC applies a separate scalar to entities that write a significant amount health business
  - *GCC instructions: If health is greater than 60% of total life business (referred to as "First Sector") and health business (referred to as "Third Sector") combined, as reflected by annualized premium for the year reported, then that group may elect to use the Japan health scalar set rather than the life scalar set.*
- As they can be written in the same entity, the scalar methodology adopted in 2024 applied an adjustment factor to the life scalar to calculate a health scalar. Under the old regime this factor was 0.72. There is insufficient data (at least at present) to calculate the adjustment factor under the new regime.
- **Proposal for GCCWG:**
  - For this year's GCCWG, use the same adjustment factor to get a health scalar of 0.22 (=0.30 *0.72)
  - When GCC scalar methodology is updated in 2027, identify data from Japan's new regime to calculate appropriate solvency ratios for calculating the health scalar in future years

3. Other Possible Changes for 2027 GCC

Adoption of AMIWG Recommendations

AMIWG GCC Recommendation	Proposal
1. Scalar Analysis Tool	Test in 2026 and finalize in 2027.
2. Summary of Reserves by VM	Test in 2026 and finalize in 2027.
3. Scalar Process / Updates	Entity categories updated in official 2026 template; will have more formal process when consultant hired in 2027. Scalar figures require further data. Japan is most urgent and should be updated this year. Other scalars can be updated in 2027.
4. Inclusion of Interest Rate Sensitivity Test	Test in 2026 and finalize in 2027.
5. Updates to Practices/Procedures	To be addressed in 2027 after supervisory reporting has been addressed by AMIWG.

Scalar Analysis Tool

- **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 on an entity category basis by the group-wide supervisor.
- **Proposal for GCCWG:**
  - Provide a sample calculation for testing in 2026. (See 'Summary 4 – IAIG' in the template provided for this meeting). This is an automatic calculation and so will not require instructions on inputting data.
  - It will require updated average capital levels for each entity category. For testing purposes, these figures are derived from current scalars and assume a US ratio of 425%. This will be refined in final version.

Summary of Reserves by VM

- **Recommendation**: 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.
- **Proposal for GCCWG:**
  - Provide a sample calculation for testing in 2026. (See 'Input 7 – IAIG Only' in the template provided for this meeting).
  - Instructions will say that this data should be produced by mapping aggregate reserves from Exhibit 5 of the Life Annual Statement by Valuation Manual.

Scalar Process

- **Recommendation:** 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).
- **Proposal for GCCWG:**
  - GCC template will have updated entity categories with all material jurisdictions split by Life, P&C and, in case of Japan, Health. This requires splitting the Australia and Bermuda entity categories.
  - See earlier slide for updates to Japan scalar. A more formal process document and updates to all scalars will be developed by a consultant for use in 2027 (and later) versions of GCC.

Inclusion of Interest Rate Sensitivity Test (Life IAIG Only)

- **Recommendation:** 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.
- **Proposal for GCCWG:**
  - Provide a sample calculation for testing in 2026. (See 'Input 7 – IAIG Only' in the template provided for this meeting).
  - The instructions will direct Life IAIGs to enter a brief description of an interest-rate scenario and its impact on GCC results. If possible, this scenario should be from the ORSA.

Updates to Practices / Procedures

- **Recommendation**: 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.
- **Proposal for GCCWG:**
  - This issue overlaps with the issue of "supervisory reporting" of the Aggregation Method which will be addressed by AMIWG in early 2027. [Note that this is confidential reporting to the group-wide supervisor]
  - Propose addressing this issue after supervisory reporting of the AM has been addressed