

NAIC Group Capital Calculation



National Association of Insurance Commissioners

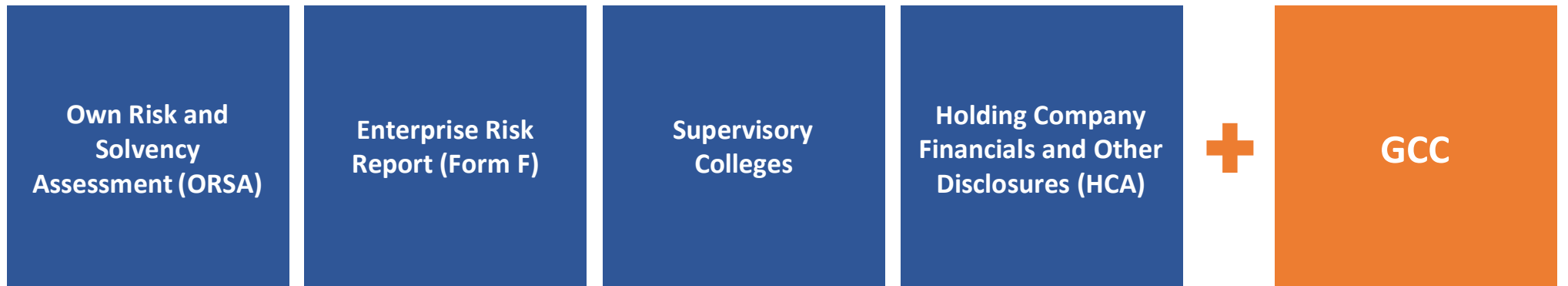
Context of a Group Capital Calculation (GCC)

CURRENT

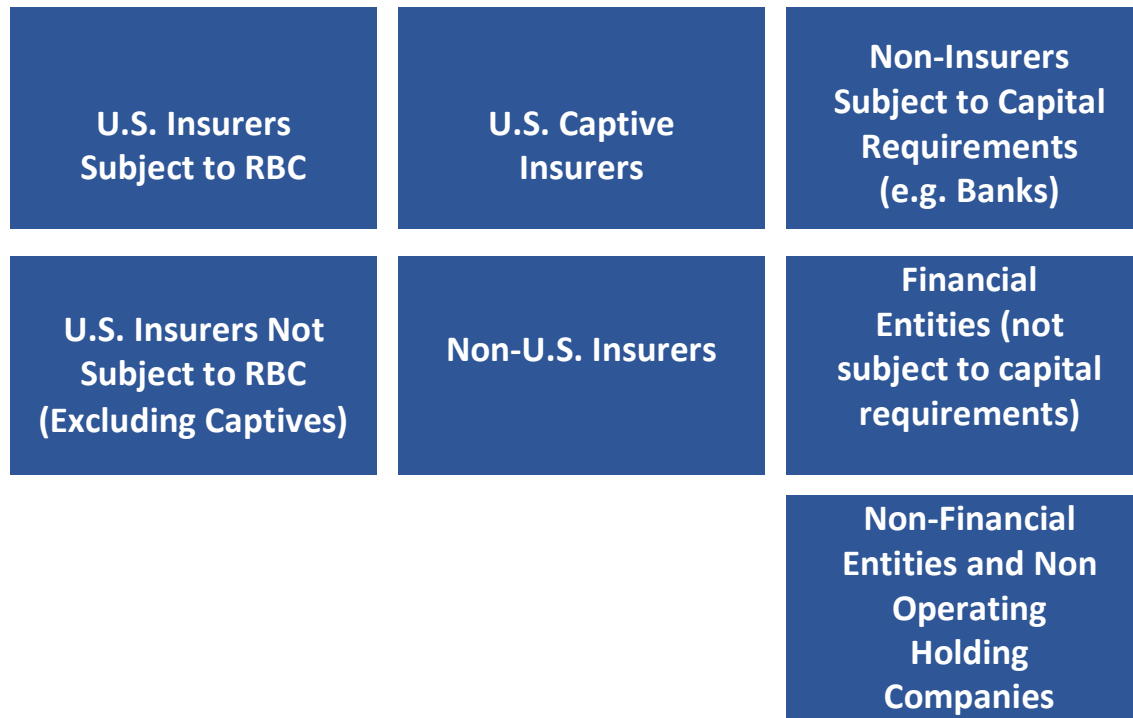
U.S. regulators currently utilize various tools to help perform group supervision.

FUTURE

GCC is complementary to the existing framework.



Components of the GCC



Entities within a holding company generally fall within one of seven categories.



GCC Methodology (Aggregation)

STEP 1

Calculate entity-level data (including available capital and calculated capital) using RBC amounts and capital requirements for other regulated entities where available and defined capital calculations for entities without regulatory capital requirements

STEP 2

Eliminate any double-counting for all entities

STEP 3

Aggregate the results for all entities, calculating total available and required capital

STEP 4

Analyze the results — the group capital ratio

The Group Capital Calculation Ratio

For each entity within the group, two amounts must be provided – available capital and calculated* capital.

AVAILABLE CAPITAL


CALCULATED CAPITAL

**GROUP
CAPITAL
RATIO**

**Capital required of regulated entities (e.g. banks and insurers) and a capital calculation for non-regulated entities*

Benefits of the GCC

- Allows for greater transparency
- Use required amounts from the functional/ jurisdictional regulator
- Includes inventory of all entities in the group
- Compatible with U.S. regulatory framework
- Accounts for long-term nature of insurance company investments
- Provide financial information for each entity
- Helps identify entities that are seen as sources of strength
- Provide for greater analytical capabilities
- Helps identify entities that appear to bear more risks

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- Filing parameters specified in amended Holding Company Model Law and Regulation
 - Exemptions
 - Limited GCC filings
 - Confidentiality
 - Reference to GCC Template and Instructions



- Amendments to Holding Company Model Act (#440) and Regulation (#450) adopted by NAIC in December 2020 and considered as part of revised accreditation standards
- GCC Template and Instructions Adopted by NAIC in December 2020
- Analysis guidance to be completed in 2021
- Addition data collection under consideration
- Further work on refining foreign insurer scalars underway
- GCC template and instructions to be maintained in a similar manner as RBC