

NAIC Position Statement on Final IAIS Criteria to Assess Whether the AM Provides Comparable Outcomes to the ICS

The issuance of the [final criteria](#) to assess whether the Aggregation Method (AM) provides comparable outcomes to the Insurance Capital Standard (ICS) is an important milestone for the global insurance sector. We are confident that these criteria provide a viable and fair path forward for the AM to be deemed an outcome-equivalent approach for implementation of the ICS. Finalization of these criteria represent years of work by supervisors at the International Association of Insurance Supervisors (IAIS) to fulfill the Financial Stability Board's charge to develop a comprehensive, group-wide supervisory and regulatory framework for Internationally Active Insurance Groups (IAIGs), including a quantitative capital standard.

Following the 2019 agreement in Abu Dhabi to develop a framework for fairly assessing whether the AM provides comparable outcomes to the ICS, the resulting final criteria reflect an important collaboration among supervisors and stakeholders to reach consensus and a way forward. This achievement has been made possible through the engagement of supervisors around the globe to develop a common understanding of multiple regulatory frameworks, accounting systems, and risk assessment methodologies, with the shared mission of enhancing financial stability and ensuring adequate capital to protect policyholders. Another key component has been the inclusion of and input from stakeholders, with two public consultations, in-person and virtual stakeholder sessions and workshops, and the submission of data by volunteers to support the development of the AM and the ICS. Stakeholder participation and feedback was given serious consideration and ultimately incorporated into the criteria. The difficult task of reconciling and resolving sometimes conflicting comments has resulted in a practical and achievable approach to comparability.

A useful group capital standard provides supervisors with meaningful and reliable information about the solvency risks presented by and to IAIGs. The AM, including as developed and implemented in the U.S. by state insurance regulators as the Group Capital Calculation, is adaptable to the diverse business models, product designs, and risk management approaches employed by insurance groups around the world that create resilience within the insurance sector. Because the AM relies on a fully transparent methodology and is consistent with existing legal entity requirements, it will help contribute to the overall stability of the insurance sector as a ready and sound capital framework for detecting a need for appropriate supervisory intervention at the group level.

The final comparability criteria also represent a recognition and acceptance of jurisdictional differences in effective group supervision and capital standards that are embodied in the Covered Agreements between the U.S. and the European Union and the United Kingdom and in the NAIC's process for evaluating Reciprocal Jurisdictions. More than 70% of the global insurance market is supervised by a Reciprocal Jurisdiction, either through a Covered Agreement or written recognition of the U.S. state regulatory approach. Through the sharing of information pursuant to the Covered Agreements and with Reciprocal Jurisdictions, or through supervisory colleges, insurance supervisors in different jurisdictions collaborate to ensure that the insurance sector is effectively supervised and contributes to global financial stability.

In supervising the U.S. insurance market, state insurance regulators emphasize financial examination and analysis combined with public disclosure and control of intra-group transactions and dividend payments. The criteria recognize the richness of the audited publicly available financial data that is collected and analyzed by the states as part of their solvency monitoring activities. As much as possible, the criteria rely upon existing data collected by the IAIS during the monitoring period and publicly available data. With the final criteria, the IAIS takes into account the practical realities of the global insurance market, recognizes the differences between life and non-life groups, and leverages the wealth of data that has been collected in recent years. We strongly support the development of standards that have broad application in the insurance sector and enhance existing supervisory frameworks.

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State insurance regulators remain deeply committed to the implementation of appropriate group capital standards. As the criteria evolved from the agreement by the IAIS to collect data for the recognition of the AM, policyholder protection has remained critically important. The final criteria result from lessons learned from the solicitation and consideration of stakeholder input, the dedication of resources by insurance supervisors and the firms we oversee, and the application of technical expertise to find a workable approach to group capital standards.

Beginning later this year, the IAIS will embark on the comparability assessment, and it is envisioned as a robust technical process that is both fair and neutral. We look forward to the final decision on comparability that establishes the AM as an outcome-equivalent approach for implementation of the ICS.