MEMORANDUM

TO: Justin Schrader (NE)
    Chair of the Group Solvency Issues (E) Working Group

FROM: Commissioner David Altmaier (FL)
    Chair of the Group Capital Calculation (E) Working Group

DATE: TBD

RE: Confidentiality of Group Capital Calculation

In 2016 the NAIC formed the Group Capital Calculation (E) Working Group (the “Working Group”), which was charged with constructing a U.S. group capital calculation (the “GCC”) using a risk-based capital (“RBC”) aggregation approach. Since that time, the Working Group has focused on developing the details of such a GCC and recently completed field testing on the GCC. While changes to the GCC as a result of the field testing have yet to be considered, it’s expected that the GCC will be finalized for adoption in 2020. Most of the implementation of the GCC will not require changes to existing legal authorities of state insurance departments, however, certain issues such as the confidentiality of the GCC will need to be addressed statutorily. In an effort to achieve consistency across states in this regard, the Working Group desires for the confidentiality protection and other legal authorities needed for the GCC to be incorporated into the Insurance Holding Company System Regulatory Act (#440).

The purpose of this memorandum is to request the assistance of the Group Solvency Issues (E) Working Group in drafting and adopting such changes needed to the NAIC models. This request is being made in part to recognize the fact that the Group Solvency Issues (E) Working Group is the primary NAIC group that has purview over Model #440. During the 2019 Fall National Meeting, the NAIC Executive (EX) Committee approved the necessary model law request for work on this project to begin. Below are recommended approaches to be used in drafting the changes that would be made to Model #440.

Section 4

- Require a new item “M” that requires submission of an annual GCC to the lead state regulator (like Item L Enterprise Risk Filing) through a new Form G filing required by the Insurance Holding Company System Model Regulation with Reporting Forms and Instructions (#450).

- Specify the following entities as being exempt from the GCC:
  - Small mutual insurance companies (similar to the exemption in the Annual Financial Reporting Model Regulation (#205)).
  - Groups required to file with the U.S. Federal Reserve, but separately require that such groups provide a copy of the filing with the Federal Reserve to file to the lead state.
Groups for which the group-wide supervisor is a reciprocal or qualified jurisdiction per the Credit for Reinsurance Model Law (#785).

Group not considered a reciprocal or qualified jurisdiction but for which the group-wide supervisor:
  i) accepts the GCC for any U.S. insurance group; or
  ii) recognizes the GCC as an acceptable international capital standard to the International Association of Insurance Supervisors (IAIS); and
  iii) has been sponsored by an accredited lead-state.

- With respect to the exemptions, the model should provide the lead state commissioner the authority to require the GCC of any group otherwise determined to be exempt, like the language in the Own Risk and Solvency Assessment (ORSA). Also, with respect to a company previously exempt, the model should provide appropriate transition guidance.

**Section 8.1**
- Confidentiality language consistent with that recommended by a comment letter directed to the Working Group from the Coalition (see attached) which, among other things, prohibits the filing of the report with the NAIC unless supported by a confidentiality agreement (similar to the Risk Management and Own Risk and Solvency Assessment Model Act [#505]).

Please contact me or NAIC staff for this project, Dan Daveline (ddaveline@naic.org), if you have any questions.