

MEMORANDUM

TO: Financial Regulation Standards and Accreditation (F) Committee
FROM: Risk Retention Group (E) Task Force
DATE: September 1, 2022
RE: Response to Group Capital Calculation Accreditation Standard Exposure

The Risk Retention Group (E) Task Force is charged with following the work of the Financial Regulation Standards and Accreditation (F) Committee and providing input on the applicability to risk retention groups (RRGs) of new or revised standards. The F Committee exposed significant elements to include the 2020 revisions to the *Insurance Holding Company System Model Act* (#440) and *Insurance Holding Company System Model Regulation* (#450) as updates to the Part A accreditation standards. The revisions implement a Group Capital Calculation (GCC) for the purpose of group solvency supervision and a Liquidity Stress Test (LST) for macroprudential surveillance.

The Task Force discussed the proposed revisions and provides the following recommendations.

Liquidity Stress Test

The Task Force recommends the proposed significant elements not be included in the RRG Part A standards because the Liquidity Stress Test applies to large life insurers and RRGs are not authorized to write life business.

Group Capital Calculation

The Task Force recommends that the proposed significant elements be included in the RRG Part A standards, with the understanding that the proposed significant elements are adopted as exposed. Specifically, the allowance for commissioners to grant exemptions to groups meeting the qualifications set forth in Model #450 Section 21A and Section 21B without the requirement to file at least once. This flexibility is necessary to allow for the unique nature of many RRG holding company groups without limiting regulatory authority in situations when the filing is appropriate.

Thank you for the opportunity to comment on this matter.