

Summary of Revisions Post GCC Meetings Held at the Virtual Summer National Meeting and on 9/2/20:

All highlighted in **blue** is new, deleted, or revised. The revisions cover the issues that were discussed during the calls on 7/29 and 9/2. Any language highlighted in **yellow** is either a drafting note or represents changes already made and distributed in early July in response to clarifications or technical comments received during the comment period.

All references to a “base” GCC have been deleted. The Definitions Section has been moved to earlier in the document (now Section II). There are comment bubbles on pages 23, 25, 29, 31, 32, 39, 41, 44, and 47.

Section I - Background

- Paragraphs 2, 3, 7, and 25 (Section III) related to what appeared to be reasonable comments on confusion related the use and purpose of the GCC.

Section II - Definitions

- Paragraph 9 narrows and includes activities / criteria to the definition of financial entities to delete the relationship to the insurance contract or operation that AHIP, ACPIA and United found particularly objectional **(further Input from IPS on this issue was offered - a separate document is close to completions with IPs. The latest version is attached (see Attachment 3) and has been put int the instructions document pending further edits.**
- Paragraph 15 adds a definition of material risk considerations based on APCIA suggestions but modified by NAIC Staff **(further Input from IPS on this issue was offered - a separate document is close to completions with IPs. The latest version is attached (see Attachment 3) and has been put int the instructions document pending further edits.**
- Paragraph 18 deleted the reference to de-stacking material nonfinancial Schedule A / BA Affiliates and the Drafting Note. The deletion if the Schedule A / BA affiliates is also behind the revisions to the Chart on page 19, the 1st bullet on page 21, the first paragraph on page 26 and on Page 33. **This is based on comments received and the strong potential that all material nonfinancial entities included in the scope of application whether owned within or outside the Insurance Group will get the approximation of a post covariance charge in the GCC, so de-stacking material non-financial Schedule A /BA affiliates from their insurer owners just adds an unnecessary complication.**
- Paragraph 20 adds a definition of cross support mechanisms.

Section III – Exemptions and Scope

- Paragraph 23 adds a reference to where the definition of Material risk will be found
- Paragraph 25 clarifies how the Scope of Application should be determined and points to the definitions of financial entities and material risk.
- Paragraph 25 deletes some unsupported language.
- Paragraph 28 adds rationale for grading risk for financial entities.
- Paragraph 29 adds clarity on using material risk to include or exclude entities and adds language for excluding nonmaterial non-financial entities from the scope of application.
- Paragraph 32 adds clarity on periodic reassessment of Scope of Application.

Input 1 – Schedule 1

- Paragraph 52 clarifies lead-State discretion to request additional detail.
- Paragraph 52 clarifies that all excluded entities need to be reported in Schedule 1B only. **This is for cross reference to Schedule Y for completeness. No financial data will be required.**
- Paragraph 53 (on page 20) and chart on page 19 delete the reference to separately identifying material non-financial Schedule A or BA affiliates as these will not be de-stacked. This causes other deleted language later in the document.

- Input 2 - Inventory
- Page 24 adds a clarification on GAAP equity.
- Paragraphs 60 – 62 add language on the difference in treatment between the GCC and RBC for several entity types.
- Paragraph 63 merges treatment of all financial entities with no specified regulatory capital requirement and adds charges based on high / medium / low risk determinations.
- Paragraph 63 Clarifies the drafting note language and adds a the APCA. proposed concept of a stratified risk charge (Low / Medium / High) for financial entities with no specified regulatory capital requirement. – **This is in line with a proposal from APCA.**
- Paragraph 64 Adjusts the post covariance approximated charge for material non-insurance / nonfinancial entities to a post -tax rate for Life and adjust all insurer types to an average charge per industry type and calibrate the charges to a 300% x ACL level. **The revised definition of financial entities will move some from financial to nonfinancial based on the narrowing of the definition of financial entities not subject to regulatory capital requirements.**

Input 3 - Capital Instruments

- Page 38 makes a clarification in subparagraph b.
- Page 39 (top of Page) introduces potential changes to the treatment of Capital Instruments.
- Page 39, Paragraph 71 increases the overall limit from 50% to 75% of Total Adjusted Carrying Value.

Input 5 – Sensitivity Analysis

- Page 41 introduces potential changes to the placeholder sensitivity analysis for scalars (adds Excess Relative Ratio Method and reference to Attachment 1) and other potential adjustments to the Sensitivity Analysis (Note that the XXX/ AXXX sensitivity was deleted).

Calc 1 – Scaling (Foreign Insurers)

- Page 47 revises the placeholder scaling methodology to 100% of jurisdictional PCR.

Appendix 1 is modified to add description of Excess Relative Ration Scaling Method

The GCC Template will be updated in line with the revised instructions.