

TO: Justin Schrader (NE), Chair of the Group Solvency Issues (E) Working Group
FROM: NAIC Staff
DATE: February 11, 2020
RE: ComFrame Gap Analysis

The Group Solvency Issues (E) Working Group received a charge to “Assess the IAIS Common Framework for the Supervision of Internationally Active Insurance Groups (ComFrame) and make recommendations on its implementation in a manner appropriate for the U.S.” for 2020.

At the 2019 Fall National Meeting the Working Group received comments on and led a discussion of how to address this charge in 2020. As a result of those discussions, the Working Group asked NAIC staff to conduct a detailed ComFrame gap analysis to identify significant elements not already incorporated into the U.S. system of insurance regulation.

In conducting the analysis, staff noted that many of the key elements of ComFrame have already been incorporated into the state-based system of U.S. insurance regulation through recent amendments to the holding company models, the establishment of ORSA requirements and other existing regulatory practices. Staff also noted that some of the more prescriptive elements of ComFrame may not be appropriate for the U.S. system.

In conducting the analysis, staff was also asked to outline recommendations for addressing any significant gaps identified. As such, the following recommendations are outlined for regulator consideration. Additional details regarding the full analysis conducted by NAIC staff and the resulting recommendations can be made available upon request.

Reference	Recommendations
ICPs 5, 7, 8	Require that a Corporate Governance Annual Disclosure be filed at the Head of the IAIG level to ensure that processes are evaluated at an appropriate level for the full group
ICPs 5, 7, 8, 9, 10, 16, 23, 25	Update the Financial Analysis Handbook to provide additional guidance for use in completing holding company analysis of IAIG groups. Update the Financial Condition Examiners Handbook to provide additional guidance for use in conducting coordinated exams of IAIG groups. For example, consider development of additional guidance/procedures related to: <ul style="list-style-type: none"> • Assessment of group-wide governance framework and reporting • Assessment of group-wide control functions • Group-wide oversight of outsourced activities • Preventive/Corrective measures • Recovery/Resolution planning and crisis management groups • Group-wide investment strategy/oversight • Processes/controls around capital fungibility • Head of IAIG determination
ICPs 7, 8, 16	Require that ORSAs be conducted and filed at the Head of the IAIG level to ensure that risk exposures and control functions are evaluated at an appropriate level for the full group

Reference	Recommendations
ICPs 8, 16	<p>Update the ORSA Guidance Manual to encourage additional discussion of certain elements in IAIG ORSA reporting. For example, consider additional discussion of:</p> <ul style="list-style-type: none"> • Group business strategy • Mapping of risks/processes to legal entities • Independence of the risk management function • Actuarial function and its role in ERM/ORSA • Independent review/validation of ERM/ORSA processes • Macroeconomic stresses and counterparty risk • Liquidity risk and stresses • Resolution/Recovery planning
ICP 9	<p>Finalize a project being led by the Group Capital Calculation (E) Working Group to develop a tool for use in assessing capital at the Head of the IAIG. In addition, the NAIC should continue to work with other regulatory stakeholders to develop and finalize an aggregation method approach for ICS.</p>
ICP 12	<p>Finalize a project being led by the Receivership and Insolvency (E) Task Force to encourage consistent adoption of certain provisions into law for key areas of receivership. This project may include consideration of amendments to the Financial Regulation Standards and Accreditation Program Part A standards for receivership and guaranty fund laws.</p>
ICP 16	<p>Finalize a project being led by the Liquidity Assessment (EX) Subgroup of the Financial Stability (EX) Task Force to develop a liquidity stress testing framework for life insurers.</p>