

GCCWG – FIELD TESTING KICK-OFF PRESENTATION

Thursday, May 9, 2019, Friday May10, 2019, Monday May 20, 2019

“Volunteers”

- 15 States / 33 Insurance Groups:
 - 13 Life focused
 - 11 P/C focused
 - 2 Composite (focus split between Life & P/C)
 - 2 with Reinsurance focus
 - 5 health
 - 5 Potential IAIGs
 - 2 or more with U.S. depository entities

Purpose and Scope

- Purpose is to Inform the Development of GCC Version 1:
 - Collect data that will be used to field test alternative risk metrics.
 - Conduct impact analysis for alternative entity risk measures (and possibly different levels of aggregation).
 - Leverage Lead-State knowledge of the volunteer
- Scope of the Group:
 - All entities under the ultimate controlling person
- Initial Scope of GCC Application
 - All entities within the scope of the group except:
 - Schedule BA subsidiaries will remain in parent insurer values
 - Entities designated by the volunteer as “exclude” will be tested as both within and outside of the scope of application

Inventory Approach (Available Capital)

- Carrying Values:
 - All HC layers and affiliate entities broken out and listed on look thru basis (consistent with Schedule Y and supplemental State-based information)
 - Schedule BA Treatment
 - Entities not-admitted for RBC purposes shown at zero value
 - Initially includes duplication

Inventory Approach (Calc Capital)

- Capital Calculation:
 - Starting point is required capital under RBC at trend test level (i.e. 300% of ACL / 150% of CAL).
 - Table of required capital to use for other regimes is provided
 - All HC layers and affiliate entities broken out and listed on look thru basis (consistent with Schedule Y and supplemental State-based information)
 - Capital calculations for RBC filers and non financial affiliates initially reported based on RBC treatment
 - ❑ Entities not-admitted for RBC purposes shown at zero capital calculation
 - Initially includes duplication

Adjusting & Eliminating Duplication

- Carrying Values Adjusted:
 - Non-admitted entities reported at accounting basis values
 - Duplication eliminated (e.g. ownership; surplus notes; intra group transactions not including reinsurance; etc.)
 - Specified alternative values to be tested (e.g. U.S. banks and foreign insurers)
- RBC Treatment Adjusted:
 - RBC being tested at levels of 100% and 150% of CAL.
 - Adjustments to the capital calculation to be tested for all except U.S. RBC filing entities
 - Capital calculations assigned to all material entities (including those currently with no regulatory capital calculation)

Key Testing Alternatives

- Entities to Exclude
- Non- Admitted Entities
- Calibration Level
- Additional Allowance for Senior Debt
- Scaling
- Materiality
- Grouping
- Large Number of Combinations to be Tested

Template Tab 1 - Schedule 1

- Primary Source of:
 - Background data
 - Entities to be excluded per Volunteer
 - Inputs for tests for non-financial entities
 - Calculations applying testing options for specified other and non-financial entities
 - Data to support an alternate grouping option

Template Tab 2 - Inventory

- Primary Purpose is to:
 - Bring forward basic entity identifying information from Schedule 1
 - Make adjustments to each entity's initial carrying value to eliminate intra-group double counting of carrying value
 - Make adjustments to each entity's initial required capital to eliminate intra-group double counting of capital calculations and add values for those with no capital requirements

Template Tab 3 – Capital Instruments

- Primary purposes is to:
 - Provide data on capital instruments issued
 - Reflect amount already recognized as capital by the local regulator for the issuing entity
 - Identify intragroup leveraging of capital instruments
 - Provide support for later calculations of various levels of recognition of capital instruments as additional available capital

Template Tab 4 – On Top Adjustments

- Primary purpose is to:
 - Test options for adjusting asset and liability balances for XXX / AXXX captives (specified Term Life and U.L. business only)
 - Support calculations using the alternative values

Template Tab 5 – Questions & Information

- Primary purposes is to provide additional information from the volunteer related to:
 - Materiality standard used for non-financial entities
 - Intercompany guarantees, capital maintenance agreements, and intra-group assets
 - Detail for “other adjustments to carrying value or capital calculations in the Inventory Tab
 - Other pertinent information to assist in the analysis of the Volunteer’s submission
 - Prescribed / Permitted Practices
 - Schedule BA Assets

Template – Calculation Tabs

- Primary purpose is to:
 - Apply scalars to calculated capital
 - Perform calculations for different testing options including impact of various levels of recognition of capital instruments as additional available capital
 - Allow selection of a base option to be used in later summaries

Template - Summary Tabs

- Primary purpose is to:
 - Provide overview of results for different testing options
 - Provide insight into issues that will be investigated in Field Test review
 - Summary 1: Detailed results by entity category
 - Summary 2: Sample summaries of group-level results
 - Summary 3: Results under different options for treatment of sub debt
 - Summary 4: Alternate summary developed by Health industry

Confidentiality and Sharing of Data

- Info-sharing Agreement Executed between Lead-State and NAIC based on State Law
- NAIC Will Participate in Analysis with Reliance on Reasonableness of Data and Other Input on Substance from the Lead-State
- Specific Individual Company Data Points and other Summarized Information May be Shared Only with GCCWG Members in Regulator Session
- Results can be Segregated for Company Types (e.g. Life / PC / Health focused Groups)

Process / Timing of the Exercise

- Data thru Y.E. 2018 (Hardship requests for 2017 Y.E. Data)
- All submissions requested by mid-August (Earlier Submission Encouraged)
- Q & A Process with Public Access Version
- Planned Meetings (Primarily Calls) Upon Submission
- Initial Analysis Expected During August and September.
- Meetings (Primarily Calls) to go Over Findings and Get Feedback
- GCCWG Regulator Session to be Scheduled as Necessary to interact with the GCCWG Members on Progress and Analysis
- Exercise Ends with Development of GCC Version 1 for Additional Field Test or Other Course as Determined by the GCCWG Members

