

Draft Pending Adoption

Draft: 7/31/25

Aggregation Method Implementation (G) Working Group
Virtual Meeting
June 9, 2025

The Aggregation Method Implementation (G) Working Group of the International Insurance Relations (G) Committee met June 9, 2025. The following Working Group members participated: Andrew N. Mais, Chair (CT); Rebecca Easland, Vice Chair (WI); Kevin Clark (IA); Jennifer Niles (IL); Christopher Joyce (MA); John Rehagen (MO); Anthony Quandt (NE); David Wolf (NJ); Bob Kasinow (NY); Diana Sherman (PA); Elizabeth Kelleher Dwyer and Patrick Smock (RI); and Scott A. White and Dan Bumpus (VA).

1. Adopted its Spring National Meeting Minutes

Kasinow made a motion, seconded by Easland, to adopt the Working Group's March 25 minutes. The motion passed unanimously.

2. Received a Presentation on its Ongoing Activities

Ned Tyrrell (NAIC) gave an update on the Working Group's ongoing work (Attachment 1). His presentation included updates on scalars, aggregation method (AM) review, technical input, and the Working Group's work plan (Attachment 2).

Regarding scalars, Tyrrell presented on the background of different methodologies considered during the development of the AM, scalar research by the Federal Reserve Board (FRB) Insurance Policy Advisory Committee, and analysis during the comparability assessment. Tyrrell said the main focus of future scalar work would be on the excess relative ratio approach with a calibration level of 200% of the authorized control level (ACL). This is the same scaling method used in the group capital calculation (GCC). A formal recommendation for the methodology to be used in the final AM will be made at the Summer National Meeting.

Tyrrell also provided an update on the Working Group's review of existing documentation, processes, and procedures. It raised the possibility of a technical group that could provide input on this review, particularly regarding the sensitivity of U.S. life insurers to changes in interest rates. Commissioner Mais added that the Working Group has always been intended to be a collaborative process and suggested creating a technical group.

Commissioner Mais asked Tyrrell to hold a series of open calls for any stakeholders interested in providing technical input. He encouraged interested parties to contact Tyrrell for information on these meetings.

Christopher Bailey (Markel) asked whether the technical group would address the impact of non-proportional catastrophe insurance on scalars. Tyrrell responded that the technical group would predominantly focus on life insurance issues. He added that scalars already address how reinsurance is treated in the underlying solvency regimes.

Tyrrell gave an overview of the Working Group's work plan. He noted this is a more detailed version of the timeline provided at the Working Group's previous meeting and that its next meeting will be during the Summer National Meeting.

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3. Heard Comments from Interested Parties

Commissioner Mais thanked attendees for their support over the past decade of work on the AM and comparability. He opened the floor to further questions.

Mariana Gomez-Vock (American Council of Life Insurers—ACLI) said that the ACLI strongly supports the excess relative ratio approach to scaling and thanked the Working Group for providing the timeline of deliverables.

Tom Finnell (AHIP) asked for more clarity on the difference between the AM, GCC, and insurance capital standard (ICS) and whether they must be reported separately. Tyrrell stated that the GCC will be an implementation of the AM, which is in turn the U.S. implementation of the ICS. He said that only the GCC will need to be reported.

Having no further business, the Aggregation Method Implementation (G) Working Group adjourned.

Sharepoint/Teams/GovernmentAffairsInternationalPolicy/InternationalDocuments/(G) Committee/AM Implementation (G)
WG/Meetings/06092025 Call/Minutes

OUR MEETING WILL BEGIN SHORTLY

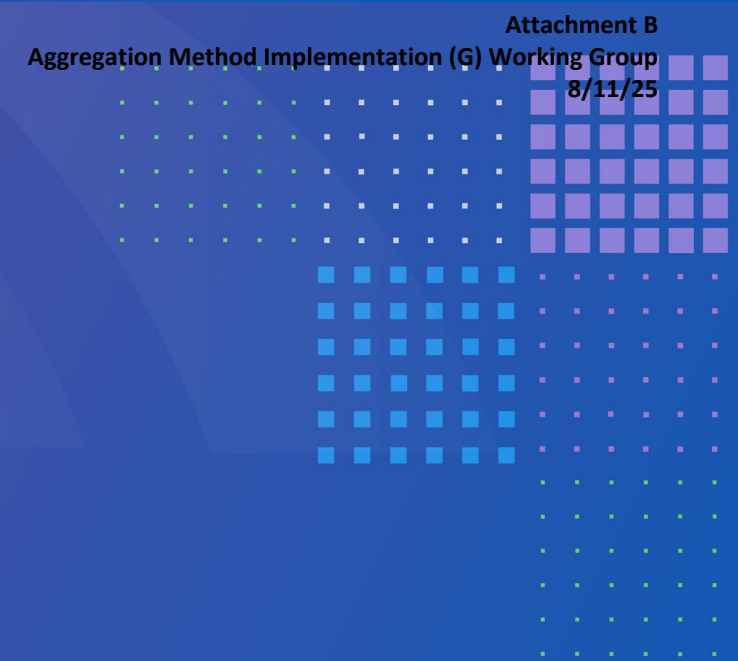
Aggregation Method Implementation (G) Working Group

August 11, 2025

In-person Attendees

Wi-Fi Network: NAIC2025

Password (case sensitive):
SecureTomorrow25



OUR MEETING WILL BEGIN SHORTLY

Aggregation Method Implementation (G) Working Group

Virtual Attendees

- Audio will be muted upon entry.
- To request to speak, use the "Raise Hand" feature. The chair will be alerted.
- Video optional.
- Use the "Chat" feature for questions, comments, or assistance.
- If joining by phone, press *6 to mute/unmute.

Webex help or other technical issues: (816) 783-8960

Connect access or other questions: (816) 783-8961

Scalars

- On June 9, the Aggregation Method Implementation (G) Working Group discussed the choice of scalar methodology for use in the final version of the Aggregation Method
- The goal for the final AM is to select a scaling methodology that is meaningful from a prudential point of view, relevant for the monitoring of financial soundness and that provides for comparable outcomes to the ICS
- Excess Relative Ratio (ERR) approach could address the two issues highlighted during the comparability assessment (sensitivity to changes in interest rates and timing of supervisory intervention)

Scalar Recommendation

- Attachment C has a recommendation for changing the AM scalar approach from unscaled (as used in the Provisional AM) to the ERR for purposes of planning the final AM
 - Recommended calibration is 200% of Authorized Control Level
 - Same scaling methodology as the Group Capital Calculation
- Supporting materials being developed – including the technical review of the AM and supervisory reporting – will focus on the ERR

Technical Group

- On June 9, AMIWG discussed and recommended creation of a group for stakeholders to provide technical input
- Focus of the group will be on sensitivity to changes interest rates
- Whole group meets monthly and the four individual work areas meet as needed
 - Meetings already held June 27 and July 24
- Workproducts will be completed by end of this year

Technical Group: Work Areas

- Four work areas: valuation, scalars, statistics, and other tools
 - Each area produces a workproduct (such as a short paper) that will be used as reference in the review/finalization of the AM
 - Review is of US system (not individual insurers) on a forward looking basis
- Interested party volunteers are actively participating in at least one area
- Each work area will have a leader
 - Valuation: Shannon Jones (ACLI)
 - Scalars: Anthony Quandt (Nebraska DOI)
 - Volunteers needed for statistics and other tools

Workproducts

- **Valuation:** Paper on the sensitivity of life insurers to changes in interest rates under US SAP/RBC for an international audience
- **Scalars:** Paper that will explain how ERR scalars impact the AM's sensitivity to changes in interest rates
- **Statistics:** Tables, based on existing reporting, on sensitivity to interest rates and the transition to Principles Based Reserving
- **Other tools:** Summary, with examples, of how interest rate risk/sensitivity is already addressed in group capital tools such as ORSA, Form F, and GCC

AMIWG Workplan

Review of US capital regulation

Scalars / Tech Papers by 2025Q4

Complete Review by 2026Q2

Finalization of AM

Draft AM: 2026Q2 (based on review)

Final AM: 2027 (or later: will consider assessments)

ICS Assessments

Self-Assessment: 2026Q4

IAIS Assessment: TBD (2027 at earliest)

Implementation of AM

TBD (2027 at the earliest)



2025 SUMMER NATIONAL MEETING
MINNEAPOLIS, MN

Recommendation on Use of Excess Relative Ratio Scalars *Aggregation Method Implementation (G) Working Group*

On June 9, the Aggregation Method Implementation (G) Working Group discussed the choice of scalar methodology for use in the final version of the Aggregation Method (AM). The goal for this methodology is to be “meaningful from a prudential point of view, relevant for the monitoring of financial soundness and that provides for comparable outcomes to the ICS”.¹ The Working Group discussed possible scalar options that were identified and tested during the data collection as part of the AM comparability assessment process within the International Association of Insurance Supervisors (IAIS). The discussion noted that the Excess Relative Ratio (ERR) approach could address two issues highlighted during the comparability assessment: the timing of supervisory intervention and sensitivity due to changes in interest rates.

Excess Relative Ratio Approach: A scalar adjusts for differences in the level of calibration between types of capital requirements and differences in valuation between the entities. A scalar methodology is a means of using data, statistical analysis and/or judgment to calculate a set of scalars. The ERR approach adjusts available and required capital to produce the same average solvency ratio in each jurisdiction while keeping the excess capital (i.e. the amount by which available exceeds required capital) unchanged for each individual entity. This provides an adjustment for differing levels of reserve conservatism while still respecting the underlying regimes approach to measuring solvency. When considered for purposes of the Group Capital Calculation (GCC), it was argued the ERR approach “best recognizes cross-jurisdictional differences in required reserves” and “best reflects capital management practices of prudent global insurers”. The GCC proposal also noted that ERR scalars can be “leveraged for IAIS comparability purposes – to convert GCC into ICS equivalent figures.”²

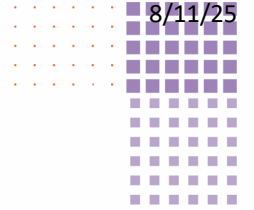
Choice of Intervention Level: ERR scalars can be calibrated to different intervention levels. The AM data collection considered levels of 200% and 300% of the Authorized Control Level (ACL) in NAIC Risk-Based Capital.³ The GCC uses 200% of the ACL for its base calculation and 300% of the ACL for a sensitivity test. One goal of AM scalars is to produce comparable results to the ICS. Criterion 2.3 of the comparability assessment says the AM should provide “a similar level of solvency protection as the ICS” which is defined as a “99.5% Value at Risk over a one-year time horizon”.⁴ There is no single method for identifying what RBC intervention level this corresponds to. One suggestion during the comparability assessment was to use a reverse engineered ICS methodology (i.e. select scalars that produce the same average results as the ICS). This methodology was not selected for use in the AM as it is sensitive to the sample size and how results are weighted. However, for a volume weighted sample of all US internationally active insurance groups during the ICS Monitoring Period, the reverse engineered ICS produces results close to a 200% of ACL calibration.

¹ <https://content.naic.org/sites/default/files/committee-related-provisional-am-comparability-assessment.pdf>

² https://content.naic.org/sites/default/files/call_materials/GCCWG%20Call%206-13_combined.pdf

³ 200% is also referred to as the Company Action Level and 300% is a point when the trend test can begin

⁴ <https://www.iais.org/uploads/2023/03/final-aggregation-method-comparability-assessment-criteria.pdf>



Recommendation: At this stage, recommend changing the AM scalar approach from unscaled (as used in the Provisional AM) to the ERR for purposes of planning the final AM and for the ERR approach to use scalars with a calibration of 200% of the ACL. This is the same scalar methodology that is used in the GCC. This change will also help in considering other potential AM implementation issues and options. Any supporting materials – including the technical review of the AM and supervisory reporting – will focus on the ERR.