# IAIS Consultation

## Print view of your comments on "Public Consultation on draft criteria that will be used to assess whether the Aggregation Method provides comparable outcomes to the Insurance Capital Standard" - Date: 15.08.2022, Time: 20:25



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| | **Question** |
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| | Q1 Comment on criterion 1.1 |
| **Answer** | The draft criteria for High Level Principle 1 are wholly vague and subject to not only wide application but also politicization and a starting point which tilts all wheels impermissibly against the AM, seemingly predetermining a failure of the comparison.<br><br>The terms “significantly correlated," “business cycle," and “short term market fluctuations are poorly defined and could be subject to many different interpretations. Further, determining whether the two methodologies are comparable has been narrowed based on how someone may interpret the term “significantly correlated." Combine this with the fact that the beginning points – the valuation of assets and liabilities – are quite distinct between methodologies, adding not only complexity, but in our estimate, precluding the AM at the outset. We also have concerns that the meaning and final definitions of these terms won’t come until later in the process, perhaps too late to provide adequate stakeholder input. Given these concerns, we believe this would result in a process that would ultimately preclude the AM from being deemed outcomes equivalent to the ICS.<br><br>There has been a significant amount of data collected already through field-testing and now the monitoring period and this creates a significant reporting burden. Future data requests, particularly around sensitivity analysis will increase the reporting burden without the benefit of learning anything new about whether these two methods can be comparable in the first place. Alternatively, interim progress reports based on the data already collected could go a long way to understanding potential results of the comparability analysis. Some have suggested that the term “significantly correlated" is a concept that could be tested in the interim based on the data already collected. NAMIC would be interested in learning more about what the IAIS has gleaned from the data and analysis already completed that could be shared publicly and that would assist in understanding the key components – scenario and sensitivity analysis – to be used to assess comparability.<br><br>Finally, the acknowledgement in the Explanatory Note that the task to design a comparability assessment is complex because “the ICS and the AM framework are methodologically and conceptually quite distinct" is well understood; however, given the limiting nature of terms like “significantly correlated" and differing starting points (Market-Adjusted Valuation vs. Statutory Accounting or GAAP+) we believe this complicates the exercise further and could open it up to continuing changes in interpretations, weakening the overall process. Accordingly, NAMIC asserts that the framework and methodology is irrelevant when conducting a comparability evaluation. What is important is whether the result is comparable as a regulatory tool, given jurisdictional differences.<br><br>The IAIS should eliminate this criterion because it narrows how comparability will be assessed and precludes the AM at the outset. |
| | Q2 Comment on criterion 1.2 |

**Answer** See Response to Criterion 1.1.

Q3 Comment on criterion 1.2a)

**Answer** The criteria expressed in 1.2a) envision an analysis that includes how the AM and ICS respond based on changing economic and financial market conditions. NAMIC believes enough data has been collected already through field-testing and the monitoring period to understand how various risks respond to the reference-ICS and AM for non-life groups. In addition, RBC which is the basis for the GCC, has provided years of understanding of how market fluctuation impacts regulated insurers. The IAIS should instead be focused on how they can provide an understanding for how each method is responding and forgo conducting sensitivity analysis for non-life risks. Further, as it applies to financial market scenarios, this is not a material risk to the non-life sector due to regulatory limitations placed on insurer investments resulting in portfolios being made up of shorter-duration assets; therefore, we suggest eliminating this criterion.

Q4 Comment on criterion 1.3

**Answer** See Response to Criterion 1.2a).

Q5 Comment on criterion 1.3a)

**Answer** NAMIC appreciates the consideration of the concept of proportionality; however, it is unclear how this criterion contributes to an overall understanding of results of the various AM and ICS responses to sensitivity analysis, given the approximation approach utilized for one-third of total required capital of the Volunteer Group. Further, it is not clear how “total AM required capital" is understood in this criterion. We believe this adds complexity to an already complex exercise, which is why we suggest non-life risks to forgo conducting sensitivity analysis.

Q6 Comment on criterion 1.3b)

**Answer** No Comment.

Q7 Comment on criterion 1.3c)

**Answer** NAMIC asserts this is a significant reporting burden. Enough data has been collected already through field-testing and the monitoring period to understand how various risks respond to the reference-ICS and AM for non-life groups. The IAIS should instead be focused on how they can provide an understanding for how each method is responding and forgo conducting additional scenario analysis for non-life risks.

Q8 Comment on criterion 1.3d)

**Answer** Future data requests, particularly around sensitivity analysis and additional scenario analysis will increase the reporting burden without the benefit of learning anything new about whether these two methods can be comparable in the first place. NAMIC believes enough data has been collected already through field-testing and the monitoring period to understand how various risks respond to the reference-ICS and AM for non-life groups. The IAIS should instead be focused on how they can provide an understanding for how each method is responding and forgo conducting additional scenario analysis for non-life risks.

Q9 Comment on criterion 1.3e)

**Answer** No Comment.

Q10 Comment on criterion 2.1

**Answer**

A comparability of outcomes suggests that similar levels of exposure and risk would trigger similar supervisory and market responses; therefore, due consideration of the use of other supervisory tools that also mitigate exposure to such risks needs to be part of the comparability analysis. This is how we interpret prudence to mean in this criterion. The ICS is just one tool that must also operate in the context of a jurisdiction's overall regulatory regime. Supervisory outcomes such as policyholder protection and financial stability require both qualitative and quantitative measures as well as a review of supervisory processes.

In the U.S., regulators focus is on individual carriers to maintain solvency, and the requirements – for example, legal, accounting, and capital – are directed at the individual carrier to maintain solvency. The U.S.-developed AM is a method that will achieve the goal of providing regulators with an understanding of group capital valuations and potential entities that are weak in a group. It is built off existing capital frameworks, has been around in some form for decades, and provides enhanced public/consumer protection as compared to non-U.S. systems.

In the U.S., there are provisions included in state law like prior-notice-of-transaction or (dis)approval of dividends that ensure that companies are not pulling money out of one legal entity to the benefit of another. Before the advent of all the solvency tools in place today, rating laws were first developed to ensure companies maintain solvency by requiring rates to be adequate, but the laws have been expanded to prohibit inadequate, excessive, or unfairly discriminatory rates. Over the years, however, many different solvency tools were developed and designed to capture the risk of rates being inadequate.

Even after a company has been declared insolvent the needs of the insurance policyholders are top-of-mind for regulators. In the U.S. the state guaranty funds provide basic coverage to policyholders if their insurance company goes insolvent, and companies writing insurance in each state are assessed for the claims payment of those policyholders. Further each insurer in the group is subject to quarterly and annual financial statement filings and annual risk-based capital submissions. RBC reporting and compliance includes charges for affiliate risk, investment risk, asset risk, credit risk, market risk, premium/underwriting/reserve risk, modelled catastrophe risk, and operational risk. State regulators have the authority to inquire through financial analysis additional information about reserve and loss costs trends, among other inquires. State regulators can request insurers provide a plan about how they intend to improve their solvency position before any RBC regulatory actions are triggered.

The Supervisory College can also help supervisors understand intra-group risk. In addition to supervisory college reviews, annual enterprise risk reporting (Own Risk and Solvency Assessment and Enterprise Risk Reports), regular comprehensive financial examinations, annual independent audits, market conduct examinations, disclosures of corporate governance, investment limitations, and regular financial analysis of capital trend tests, risk profiles, and other material risks to the group are all legal requirements other than capital that address concerns about the solvency of insurance groups. The U.S. approach to insurance company supervision has always been focused on the individual legal entities. Because it is insurance legal entities that write insurance contracts, U.S. regulators – for the protection of policyholders – require capital to be held by the company that is writing the insurance policy. This approach has stood the test of time and proven itself time and again.

Q11 Comment on criterion 2.2

**Answer**

See Response to Criterion 2.1.

Q12 Comment on criterion 2.3

**Answer**

We have significant concerns with this criterion as it would preclude the AM from being considered an outcomes equivalent approach to the ICS at the outset. Determining the "level of solvency protection" implies this criterion is about comparing solvency ratios. A single quantitative measurement can never be a complete picture of the solvency health of a group and comparing ratios will not provide useful information. In fact, that methodology may signal a false sense of security depending on economic and financial market conditions. More importantly, group solvency doesn't necessarily mean individual insurer solvency, something that is being regulated directly in some jurisdictions.

The 99.5% Value at Risk (VaR) over one-year time-horizon is too prescriptive for a global group capital evaluation. There is no evidence that this level of capital requirement has achieved any better results than the lower levels of capital requirements in other jurisdictions. It does not provide the flexibility required in several jurisdictions with other regulatory requirements and other supervisory tools to address solvency questions. It results in unnecessary levels of trapped capital invested in low performing investments.

The prescriptive calibration level and differing starting points (Market-Adjusted Valuation vs. Statutory Accounting or GAAP+) are differences too big to overcome if attempting to compare the framework and methodologies of the two regulatory tools. Based on these fundamental differences in approach, we believe this criterion would preclude the AM from being considered an outcomes equivalent approach if the underlying framework and methodology is the focus of the comparison rather than the outcome.

Q13 Comment on criterion 2.4

**Answer**

The criterion in 2.4 [2.4a) to 2.4d)] weigh heavily towards the ICS as being the only standard of comparable measure. The goals of policyholder protection are germane for all stakeholders; therefore, there should not be a standard created that favors one approach as supreme when the objective is shared equally. There is no attempt to gain an understanding of the differences, rather the presumption is the ICS is primary and the considerations are focused on how the AM responds to the elements included in the ICS.

There is a presumption that exists throughout the criteria that the ICS will calculate the 'correct' amount of capital in every jurisdiction and that it will be comparable. This is a flawed assumption. The application of the same capital standard to unique companies that come from very different regulatory environments with very different economic and political goals will not produce comparable conclusions about capital and solvency.

Q14 Comment on criterion 2.4a)

**Answer**

See Response to Criterion 2.4.

Q15 Comment on criterion 2.4b)

**Answer**

See Response to Criterion 2.4.

Q16 Comment on criterion 2.4c)

**Answer**

See Response to Criterion 2.4.

Q17 Comment on criterion 2.4d)

**Answer**

See Response to Criterion 2.4.

Q18 Comment on criterion 3.1

**Answer**

Obtainment of comparable regulatory parameters should not invoke superiority in objective. We believe this criterion would preclude the AM from being deemed outcomes equivalent to the ICS.

A comparability of outcomes suggests that similar levels of exposure and risk would trigger similar supervisory and market responses; therefore, due consideration of the use of other supervisory tools that also mitigate exposure to such risks needs to be part of the comparability analysis. This is how we interpret prudence to mean in this criterion. We believe the view should be that the ICS is just one tool that must also operate in the context of a jurisdiction's overall regulatory regime. Supervisory outcomes such as policyholder protection and financial stability require both qualitative and quantitative measures as well as a review of supervisory processes.

In the U.S., regulators focus is on individual carriers to maintain solvency, and the requirements – for example, legal, accounting, and capital – are directed at the individual carrier to maintain solvency.

In the U.S., there are provisions included in state law like prior-notice-of-transaction or (dis)approval of dividends that ensure that companies are not pulling money out of one legal entity to the benefit of another. Before the advent of all the solvency tools in place today, rating laws were first developed to ensure companies maintain solvency by requiring rates to be adequate, but the laws have been expanded to prohibit inadequate, excessive, or unfairly discriminatory rates. Over the years, however, many different solvency tools were developed and designed to capture the risk of rates being inadequate.

Even after a company has been declared insolvent the needs of the insurance policyholders are top-of-mind for regulators. In the U.S. the state guaranty funds provide basic coverage to policyholders if their insurance company goes insolvent, and companies writing insurance in each state are assessed for the claims payment of those policyholders. Further each insurer in the group is subject to quarterly and annual financial statement filings and annual risk-based capital submissions. RBC reporting and compliance includes charges for affiliate risk, investment risk, asset risk, credit risk, market risk, premium/underwriting/reserve risk, modelled catastrophe risk, and operational risk. State regulators have the authority to inquire through financial analysis additional information about reserve and loss costs trends, among other inquires. State regulators can request insurers provide a plan about how they intend to improve their solvency position before any RBC regulatory actions are triggered.

The Supervisory College can also help supervisors understand intra-group risk. In addition to supervisory college reviews, annual enterprise risk reporting (Own Risk and Solvency Assessment and Enterprise Risk Reports), regular comprehensive financial examinations, annual independent audits, market conduct examinations, disclosures of corporate governance, investment limitations, and regular financial analysis of capital trend tests, risk profiles, and other material risks to the group are all legal requirements other than capital that address concerns about the solvency of insurance groups.

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Q19 Comment on criterion 3.1a)

**Answer**

See Response to Criterion 3.1.

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Q20 Comment on criterion 4.1

**Answer**

No Comment.

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Q21 Comment on criterion 5.1

**Answer**

We do not have a good sense for how many volunteers have participated, nor do we know how many jurisdictions are involved with collecting data from Volunteer Groups. However, we are generally concerned that this standard is being developed with very little input. Further, the standard under development will apply to a small number of groups compared to other international standards, lending credence to the assumption that a very small number of groups from a limited amount of jurisdictions are the only ones influencing the standard being developed. It is unknown how this could ultimately impact the ICS or other future local capital standards. This could jeopardize the representativeness principle that the IAIS is striving to achieve.

Review and ultimate determination of comparability should not hinge upon a rigid prescriptive minimum participation from the insurance sector. Small participation from Volunteer Groups from AM jurisdictions would result in precluding the AM from being considered an outcomes equivalent approach by virtue of the myopic view of participants. The comparison should seek strongly representative input both in number of participants as well as their representative regulatory regimes.

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Q22 Comment on criterion 5.2

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| **Answer** | See Response to Criterion 5.1. |

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| | Q23 Comment on criterion 5.2a) |
| **Answer** | No Comment. |

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| | Q24 Comment on criterion 5.2b) |
| **Answer** | No Comment. |

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| | Q25 Comment on criterion 5.2c) |
| **Answer** | No Comment. |

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| | Q26 Comment on criterion 5.2d) |
| **Answer** | No Comment. |

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| | Q27 Comment on criterion 5.2e) |
| **Answer** | No Comment. |

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| | Q28 Comment on criterion 5.3 |
| **Answer** | See Response to Criterion 5.1. |

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| | Q29 Comment on criterion 6.1 |
| **Answer** | No Comment. |

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| | Q30 Comment on criterion 6.2 |
| **Answer** | No Comment. |

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| | Q31 Please provide any feedback on the design and parameters of scenarios that the IAIS could use to conduct the sensitivity analysis envisaged in criterion 1.3 in order to adequately capture different economic and financial market conditions over the business cycle. |
| **Answer** | Enough data has been collected already through field-testing and the monitoring period to understand how various risks respond to the reference-ICS and AM for non-life groups. The IAIS should instead be focused on how they can provide an understanding for how each method is responding and forgo conducting additional scenario analysis for non-life risks. |

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| | Q32 Please provide feedback on the appropriateness of the analysis to determine representativeness of the sample as described in criterion 5.2, including the appropriateness of the indicators and the level of homogeneity of the non-life market for the US and other interested jurisdictions (5.2 d). |
| **Answer** | See Response to Criteria 5.1. |

Q33 General comment on the draft criteria to inform the criteria that will be used to assess whether the Aggregation Method provides comparable outcomes to the ICS

**Answer**

The National Association of Mutual Insurance Companies (NAMIC) appreciates the opportunity to provide comments on the consultation document on the draft criteria that will be used to assess whether the Aggregation Method provides comparable outcomes to the Insurance Capital Standard (hereinafter “Comparability Criteria").

NAMIC is the largest property/casualty insurance trade group with a diverse membership of more than 1,500 local, regional, and national member companies, including seven of the top 10 property/casualty insurers in the United States. NAMIC members lead the personal lines sector representing 66 percent of the homeowner’s insurance market and 53 percent of the auto market. Through our advocacy programs NAMIC promotes public policy solutions that benefit NAMIC member companies and the policyholders they serve and foster greater understanding and recognition of the unique alignment of interests between management and policyholders of mutual companies.

Introductory Comments While NAMIC appreciates the IAIS’ efforts to establish a method to compare jurisdictional approaches to group capital, we have significant reservations with performing a comparability assessment that sets one framework and methodology (AM) in opposition against the other (ICS) and deems the ICS as the gold standard for which the AM must strive to emulate. The IAIS assessment process should instead be focused on the practical aspects that the AM affords to supervisors, such as gaining an appreciation for the jurisdictional differences, supporting the exchange of information between supervisors, and providing regulators with a better understanding of the risk management framework and solvency situation of the insurers in an insurance group.

The proposed criteria and methodology for evaluating comparability are incompatible with the U.S. approach to solvency regulation and have limited to no basis in understanding of the outcomes achieved. Any capital approach and its’ quantitative results must be considered in conjunction with other group supervision prudential tools within the specific prudential regulatory system, rather than inflexibly looking at just a set of quantitative factors produced by a predetermined reference method and comparing them.

Problem The ICS/AM Comparability Criteria will not work as currently being undertaken, because there are too many fundamental differences between the two approaches.

If the goal of the ICS is to maintain solvency, pinning one approach against the other highlights a fundamental difference of how supervisors will act; the question of whether the supervisor looks to the group or the individual legal entity to maintain solvency is at odds between approaches. The comparability criteria have not been designed to recognize jurisdictional flexibility in the context of existing national and sub-national standards or tools. The comparability criteria don’t respect jurisdictional deference to how group capital is assessed or how individual regulated insurers’ solvency is regulated in an insurance group.

In the U.S., regulators focus is on individual carriers to maintain solvency under the “windows and walls" approach, and the requirements – for example, legal, accounting, and capital – are directed at the individual carrier to maintain solvency. Further, there are provisions included in state law like prior-notice-of-transaction or (dis)approval of dividends that ensure that companies are not pulling money out of one legal entity to the benefit of another. Before the advent of all the solvency tools in place today, rating laws were first developed to ensure companies maintain solvency by requiring rates to be adequate, but the laws have been expanded to prohibit inadequate, excessive, or unfairly discriminatory rates. This expansion improves the system for consumers and companies alike, enabling regulators to determine wholistically that rates are fairly tested, enabling stronger markets.

Furthermore, even if a company has been declared insolvent, the needs of the insurance policyholders are top-of-mind for regulators. In the U.S. the state guaranty funds provide basic coverage to policyholders if their insurance company goes insolvent, and companies writing insurance in each state are assessed for the claims payment of those policyholders. These are just a few examples of the overall solvency regulatory scheme already in place in the U.S. which include many different components that are not found in other countries. The unique nature of the insurance regulatory system in the U.S. is a strength that focuses on consumer protection and solvency regulation to cultivate and maintain robust markets.

If the goal of the ICS is to maintain solvency of insurance entities, the way the ICS has been designed looks to the group to do something if there is a solvency issue. The financial health of the group is important but understanding the financial health of the individual insurance entity issuing the insurance contract is essential. In the U.S., regulators cannot compel other entities in the group or the group parent to do something about an individual insurance company’s financial solvency. Rather the regulator’s responsibility at the entity level ensures that all policyholder obligations are met. These legal and contractual limitations on the fungibility of capital with an insurance group are fundamental differences between the ICS and AM.

There is a presumption that exists throughout the criteria that the ICS will calculate the ‘correct’ amount of capital for the insurance group in every jurisdiction and that it will be comparable. This is a flawed assumption. The application of the same capital standard to unique insurance groups that come from very different regulatory environments with very different economic and political goals will not produce comparable conclusions about capital and solvency.

Even if all countries used the same valuation model, qualifying capital, target level and specific capital formula, the ICS and AM will not produce useful outcomes. Every country has a unique regulatory system with unique features that influence the solvency of the individual insurance companies in an insurance group doing business in that regulatory environment. While the methods of supervision differ, each have found effective ways to supervise their insurance industry despite having unique political and rule-making environments.

Digging deeper into the differences, in the U.S. each insurer in the group is subject to quarterly and annual financial statement filings and annual risk-based capital submissions, as well as an overall risk assessment. State regulators have the authority to inquire through financial analysis additional information about reserve and loss costs trends, among other inquires. State regulators can request insurers provide a plan about how they intend to improve their solvency position before any RBC regulatory actions are triggered. These plans can result in the individual entity; for example, seeking regulatory approval for a rate increase, reducing exposure, and/or requesting a surplus note or a reinsurance contract from the parent.

Any effort to designate a single capital standard should be principle-based, outcomes-focused and fluid enough to recognize the major differences in the jurisdictions. The proposed criteria are too rigid and completely miss the mark in accepting these differences. The criteria have been established in such a way that would make the assessment overly dependent on specific numeric outcomes to prove outcomes comparability. Moreover, the comparability criteria have been narrowed down and limited through the introduction of concepts like “significantly correlated," “business cycle," and “short term market fluctuations" which by itself could preclude the AM from being considered an outcome-equivalent approach to the ICS.

A principles-based, outcomes-focused approach accommodates existing local capital requirements, and it does not assume all risks are the same or that all legal environments and regulatory systems be modified to reflect these same risks. Critically missing in the attempt to create a global capital standard that strives for comparability is the acknowledgment that companies supervised in different countries don’t start from the same basic position. Unfortunately, the proposed criteria do not reflect this reality.

Because the overall goal of the ICS is to protect policyholders and contribute to financial stability, shouldn’t the comparison be more about the overall results of how these tools work given the jurisdictional differences instead of how supervisors can contemplate ways to ensure solvency?

Now that we have demonstrated why setting one approach against the other and anchoring comparability analysis to an untested reference ICS is a problem, the IAIS should consider pivoting away from the comparability assessment towards providing a platform for the exchange of information to gain a better understanding on various approaches.

Solution The comparability criteria analysis should be abandoned and instead supervisors should focus their energy on how the AM provides regulators with valuable insight into the overall health of groups and, given the differences in regulatory structures where the AM is employed, the comparability of its overall value.

The AM is a method that will achieve the goal of providing regulators with an understanding of group capital valuations and potential entities that are weak in a group. It is built off existing capital frameworks and has been around in some form for decades. Gaining a better understanding of how the various approaches work for the U.S. and other similar jurisdictions – based on the intended goal and purpose of giving supervisors insight on the health of a group – is a good path forward.

The U.S. approach to insurance company supervision has always been focused on the individual legal entities from legal, accounting, and capital standpoints. Since insurance contracts are written by insurance legal entities and not insurance groups, and since the focus of U.S. regulation is the protection of policyholders, the U.S. has always believed that the capital must be held at the level of the company that is writing the insurance policy.

U.S. state insurance regulators are highly focused both on solvency and market regulation. They must balance the two to ensure the insurance industry they regulate continues to be strong, secure, and stable while delivering the products and services to consumers in compliance with the laws. To meet these objectives, state insurance regulators rely on a solvency supervisory system that is more hands-on compared to the systems in other countries. Some of those tools that provide regulators with a better understanding of group solvency other than capital include group financial analysis, holding company reporting, the Own Risk and Solvency Assessment (ORSA), as well as entity specific tools like hazardous financial condition laws, independent audits, financial examinations, (dis)approval of dividends, IRIS ratios, and many more. Therefore, in addition to the Group Capital Calculation – the U.S. version of the AM – there are many other tools regulators rely on to support the AM and solvency regulation in general.

The IAIS should be considering the outcomes more broadly than focusing on quantitative capital levels. For example, a review of the outcomes should include the rate of insolvencies, back-up protections of policyholders in the event of insolvencies, market conduct regulation, and financial analysis and examinations to detect hazardous financial conditions. These features of the U.S. legal/regulatory system are missing from the comparability criteria and should be part of the analysis in determining whether changes to capital levels are warranted.

Ultimately, the criteria is impractical and the approach is incompatible with the regulatory framework in many jurisdictions outside the EU. The IAIS has not taken a holistic approach that considers all of the prudential tools available to a group supervisor nor limitations of the fungibility of capital among the entities in an insurance group. The IAIS has failed to develop a comparison of each of the regulatory environments, a critical task which would have facilitated a better understanding of each regulatory philosophy and how the checks and balances work in different jurisdictions. This is a missed opportunity to enhance understanding; however, it is not too late to pivot in this direction.

As the AM has already proven itself as a capable measurement of group capital, the comparability assessment should be focused on how those tools work given the jurisdictional differences. Any capital approach and its' quantitative results must be considered in conjunction with other group supervision prudential tools.

There is still time for the IAIS to change course, and if willing, there are many benefits for supervisors and the industry to realize.

By facilitating supervisors understanding of the practical utility that the AM affords supervisors and helping to educate stakeholders about the jurisdictional differences in approach to group capital, insurers will benefit from the certainty of what future regulatory and solvency reporting will entail.

Supervisors would benefit from a greater appreciation for the differences in legal, accounting, and capital regimes. There would also be enhanced understanding of what is contributing to group capital valuations, while retaining jurisdictional flexibility and without presuming that the ICS is any more accurate than the AM.

Avoiding a one-size-fits-all capital requirement is beneficial, because it is not possible to create an international requirement that calculates the 'correct' amount of capital in every jurisdiction and that it will be comparable. Promoting heterogeneity allows individual jurisdictions to continue to address any inadequacies in capital through local regulation without superimposing an unworkable global standard.

Conclusion NAMIC appreciates the opportunity to share our perspectives on the problems with performing a comparability assessment that sets the AM in opposition to the ICS and asserts the ICS as the barometer for which the AM must strive to emulate. We believe there is merit in the IAIS changing course and abandoning the comparability assessment in favor of establishing an initiative to assist regulators in understanding the tools that the AM relies on, so they can gain the valuable insight they seek regarding the overall solvency of insurers in an insurance group and the relative health of insurance groups. There are many benefits of pursuing this alternative.

If the alternative method we suggest is agreeable, supervisors and insurers will be able to operationalize and manage what is already well understood while allowing supervisors to continue using the tools put in place to address solvency.