



NAIC's Interpretive Guidance on ICS Comparability Assessment Framework

The International Association of Insurance Supervisors (IAIS) recently agreed on a definition of comparable outcomes and an overarching approach to guide the development of high principles and criteria

High-level principles and criteria for the comparability assessment will take into account:

1. Analysis of the responsiveness of the ICS and AM to changes in conditions over including economic and financial market conditions over the business cycle, not short-term market fluctuations.
 - x Highlights that the comparability assessment looks at responsiveness of the group solvency approaches over business cycles rather than at each and every point in time. Also acknowledges that the assessment will consider results over time rather than in response to temporary market movements.
 - x Rather than refer to “stress situations” and various phrases that would force the AM to recreate the volatility inherent in a market-based valuation (MAV) (e.g., at a point in time), focuses on results over the business cycles, which may include sustained economic or market downturns, but not temporary market movements.
2. Analysis of individual elements of a group solvency approach, ie valuation, capital resources, and capital requirement (including range and level of material risks) support the assessment of



content, quality and scope of information on ICS and AM, required across different models, that is sufficient to deliver the comparability assessment.

- x Rejects any notion that U.S. IAIGs would be required by the IAIS to participate with the reference ICS during the monitoring period. Also omits reference to “strongly encouraging” IAIGs to participate with the reference ICS. U.S. IAIGs may report on the reference ICS and/or the AM during the monitoring period, based on discussions with the relevant GWS
- x Removes suggestion of unilateral and subjective determination by the IAIS as to whether data submitted through participation by IAIGs in the monitoring period is sufficient to deliver the comparability assessment. Team USA rejected a precondition to delivering the comparability assessment, i.e. insufficient data, comparability assessment not completed.

6. The levels of transparency of the group solvency position of the IAIG under the ICS.

- x Adopts Team USA objective for transparency in the overall process as discussed at the October stakeholder session at Treasury
- x Consistent with ICS Principle 10, ICS is transparent, particularly with regard to the disclosure of final results. Having transparency is key to providing mutual understanding and greater confidence, thus it should not be assumed that any form of implementing the ICS (including GAAP Plus, Internal Models, etc.) automatically provides the level of transparency expected.

Additionally, the IAIS will include opportunities for stakeholder engagement through public consultation.

- x Adopts Team USA objective for transparency in the overall process as discussed at the October stakeholder session at Treasury

As noted under #2, although the KL Agreement calls for a decision on inclusion of GAAP Plus and all Models as viable options for the ICS by the end of the monitoring period, no decision has yet been made. Similar to AM, these should not be precluded but also do not get a free pass. The outcomes their use produces will be assessed following a process laid out in the holistic plan and timeline. The definition and overarching approach described in 9.6 (e)-3 (s) of the Aic