

Explanatory note on the final criteria for the Aggregation Method comparability assessment

1 Background

In November 2017, the International Association of Insurance Supervisors (IAIS) set out an agreement on the implementation of Insurance Capital Standard (ICS) Version 2.0, including a unified path to convergence of group capital standards in furtherance of its ultimate goal of a single ICS that achieves comparable outcomes across jurisdictions.¹ The agreement acknowledges the development by the United States of the Aggregation Method (AM) to a group capital calculation. While the AM is not part of the ICS, the IAIS aims to be in a position by the end of the monitoring period to assess whether the AM provides comparable (ie substantially the same (in the sense of the ultimate goal)) outcomes to the ICS. If so, it will be considered an outcome-equivalent approach for implementation of ICS as a prescribed capital requirement (PCR). At the same time, the IAIS agreed to help collect data from the US and interested jurisdictions that will aid in the development of the AM.

In November 2019, the IAIS agreed on a process and timeline for developing criteria to assess whether the AM provides comparable outcomes to the ICS. As previously communicated in an [Explanatory Note](#), the IAIS agreed on a draft definition of comparable outcomes and an overarching approach (ie areas of focus) to guide the development of high-level principles (HLPs) and criteria. Based on the draft definition and overarching approach, the IAIS developed draft HLPs to inform the criteria that will be used to assess whether the AM provides comparable outcomes to the ICS.

In March 2021, following public consultation, the IAIS agreed on a definition of comparable outcomes and six HLPs to guide the development of the comparability criteria. The IAIS began developing the draft comparability criteria in April 2021. Detailed criteria were developed for each HLP and released for public consultation in June 2022.

2 Comparability criteria development post-consultation

The IAIS received numerous comments from the public consultation on draft criteria that provided valuable input for further advancing work on the comparability criteria. Comments across the draft criteria varied and included, for example, support for the approaches taken, asking for clarification or elaboration on the draft criteria, or criticism or disagreement with what was being proposed. The IAIS spent the latter part of 2022 reviewing the feedback received and considering revisions to the draft criteria relevant to each HLP.

With respect to the draft criteria relevant to HLP 1 in particular, several respondents suggested that additional engagement with stakeholders on the design of the scenarios that would be used in the comparability assessment would be welcome and helpful. Recognising the value that additional technical input from stakeholders would provide, the IAIS organised a series of workshops (virtual and in-person) to allow stakeholders to provide further input into the development of the scenarios.

¹ Refer to the document [Implementation of ICS Version 2.0](#)

Two virtual workshops were held in October and November 2022, culminating in a hybrid stakeholder workshop in December 2022.

Using the input from these additional workshops, as well as the written stakeholder feedback from the public consultation, the IAIS has agreed on the final criteria that will be used to assess whether the AM provides comparable outcomes to the ICS. The final criteria ensure that, as agreed in November 2019, the AM is neither precluded at the outset as an outcome equivalent approach to the ICS for measuring group capital nor given a free pass. The US is the only interested jurisdiction for the purposes of the upcoming assessment.

The finalisation of the criteria, through a robust and transparent process, marks an important milestone in the comparability assessment process. Work continues on this important project as the IAIS prepares for the commencement of the comparability assessment that is scheduled to begin in Q3 2023 and will follow an assessment methodology, process and governance as agreed upon by the IAIS².

The final criteria can be accessed [here](#), along with consolidated responses to the public consultation (available [here](#)) and a resolution of comments document (available [here](#)) that summarises the key themes from the consultation and how those were addressed in finalising the criteria.

3 Key dates

Following the finalisation of the comparability criteria, the IAIS will begin the comparability assessment.

The comparability assessment will be conducted using the candidate ICS as a PCR, which will be part of the 2023 ICS data collection for the fourth year of the monitoring period and publicly consulted on during 2023 Q3, and the AM as specified in the 2023 AM data collection. The 2023 ICS and AM data collection packages (ie the technical specifications, template and qualitative questionnaire) will be made publicly available before the start of the comparability assessment.

Any changes made to the ICS in response to the public consultation on the candidate ICS as a PCR and the ICS economic impact assessment on the final design of the ICS as a PCR will be considered in the comparability assessment, as well as any changes arising from the final stages of AM development.

The upcoming milestones of the comparability assessment project are:

- 2023, Q3: *Assessment of whether the AM provides comparable outcomes to the ICS begins;*
- 2024, Q2: *Assessment of whether the AM provides comparable outcomes to the ICS ends;*
- 2024, Q3: *Decision on whether the AM provides comparable outcomes to the ICS; and*
- 2024, Q3: *Publication of a report on the outcome of the assessment of whether the AM provides comparable outcomes to the ICS.*

² Refer to the [Explanatory Note on the draft criteria for the AM comparability assessment - June 2022](#)