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NEWS RELEASE

FOR RELEASE

September 19, 2014

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Academy Proposes 10 Principles in Developing Insurance Group Capital and Solvency Standards

WASHINGTON— The American Academy of Actuaries today offered its assistance to the National Association of Insurance Commissioners' (NAIC) efforts to develop insurance group capital and solvency standards, and submitted recommendations for principles and priorities that should be considered in the process.

The NAIC's ComFrame Development and Analysis Working Group of the International Insurance Relations (G) Committee is examining proposals for insurance group capital and solvency standards. The Academy's Solvency Committee of the Risk Management and Financial Reporting Council submitted a letter to the NAIC outlining 10 principles that should be contemplated as it develops those standards.

"Actuaries have decades of experiencing working with insurance and other financial-sector regulators to develop prudent rules addressing insurer solvency, including capital requirements," said Elizabeth K. Brill, chairperson of the Academy's Solvency Committee. "To help with this process, the Academy has offered some guiding principles that we think could help the NAIC develop these important insurance standards."

The Academy's recommendations include:

- Clearly defining the regulatory purpose and goals for the new standards.
- Promoting responsible risk management in the regulated group and encouraging risk-based regulation. Actuaries can identify where factor-based systems may miss key emerging risks, set reasonable boundaries around more subjective estimates and modeling and, as appropriate, render actuarial opinions.
- Focusing on the total asset requirement rather than the level of required reserves or capital on a separate basis. The goal should be to hold adequate total assets to meet obligations as they come due.

(MORE)

09-19-14 - ACADEMY PROPOSES 10 PRINCIPLES IN DEVELOPING INSURANCE GROUP CAPITAL AND SOLVENCY STANDARDS

The principles were contained in a letter to Commissioner Kevin McCarty, chair of the NAIC's Working Group. The full letter is available [on the Academy's website](#).

Please contact David J. Nolan, director of communications at the Academy, to arrange an interview. He may be reached by email at nolan@actuary.org or by phone at (202) 785 7889.

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The American Academy of Actuaries is an 18,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. The Academy assists public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.