

**Instructions for the April 2024 Aggregation Method (AM) Data Collection
Exercise of the Monitoring Period Project**

(“the AM Technical Specifications”)

This document must be read in conjunction with the associated 2024 Aggregation Method Data Collection Template and Questionnaire documentation to provide an accurate and up-to-date understanding of the data collection.



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Introduction and Purpose

In collaboration with the IAIS, the BIS is conducting this data collection exercise (the “April 2024 AM Data Collection”) as part of a multi-year exercise to support the development of ComFrame and additional capital standards (the “Monitoring Period Project”).

These Technical Specifications supplement the Guidelines for the Data Collection Exercises of the Monitoring Period Project by setting out the specificities of the April 2024 AM Data Collection conducted for the Monitoring Period Project. The Guidelines provide a general overview of the data collection exercises conducted for the Monitoring Period Project and how the requested data will be utilised and the applicable confidentiality protections. For a complete overview of data collection and processing in connection with the Monitoring Period Project, the Guidelines and these Technical Specifications must be read together.

Defined terms in this document shall have the same meaning as ascribed to them in the Guidelines unless otherwise defined herein.

Applicable Technical Standards

The Relevant Authorities must comply with the following standards when submitting Initial Data to the BIS:

- Individual Volunteer Group data must be submitted using the Template and Questionnaire distributed on eBIS
- The Relevant Authorities must name the Template and Questionnaire in accordance with the standard given in the “Instructions for uploading documents to the eBIS” (Annex 2)
- The Template and Questionnaire must not be modified in any way

The BIS will provide an error message on eBIS when Initial Data submitted to the BIS does not comply with the applicable technical standards. The Relevant Authorities are responsible for reviewing these error messages and re-transmitting a Template or Questionnaire that complies with the applicable technical standards.

The BIS shall not be obligated to process or permit the Analysis Team to process and analyse any Initial Data that is not transferred by Relevant Authorities in accordance with the applicable technical standards.

1 Reporting Date and Context

1. The reporting date (or balance sheet date) to be used by all Volunteer Groups should be year-end December 2023. Subject to previous discussion with the relevant group-wide supervisor (GWS), different valuation dates can be used for the purposes of this exercise (eg 31 March 2024 for Volunteer Groups based in Japan), as long as the necessary efforts are made to ensure the internal consistency of the results. For example, with respect to key assumptions such as the reference date to determine currency exchange rates or yield curves.

2. Balance sheet items should be valued in accordance with the specifications set out in the relevant sections.

3. This exercise may evolve and be refined over time.

1.1 Scope

4. In November 2017, the IAIS set out an agreement on the implementation of 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. The agreement acknowledges the development by the United States of the 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.

5. The purpose of this exercise is to collect data for both the development of the Aggregation Method (AM) by the US and interested jurisdictions and for the comparability assessment¹.

6. [Final criteria](#) for assessing comparability were released in March 2023. These criteria will neither preclude comparability at the outset nor give a free pass.

1.2 Proportionality

7. Calculations and valuation should be subject to the proportionality principle. When the Volunteer Group can demonstrate that taking into account a specific factor / rule in their calculation would lead to a significant increase in complexity, without material improvement to the quality of the figure produced, or to the assessment of risk linked to this figure, then this factor or rule can be ignored or simplified.

8. The materiality of the impact of using a simplification should be assessed with regard to:

¹ Refer to the Explanatory note on the final criteria for the Aggregation Method comparability assessment – March 2023

- The volume of the item valued
 - The overall volume of the Volunteer Group's business and available capital
 - The assessment of risk
9. Moreover, even though the use of a simplification would lead to a figure possibly significantly different from a full calculation, it might nevertheless be used subject to appropriate adjustment, provided that no other applicable methodology would lead to a better proxy.

2 Process and Timetable

10. The following table summarises the process and timetable to be followed:

Action	Timeline
Issuance of Technical Specifications, Template and Questionnaire for AM data collection	26 April 2024
Period in which Q&As will be published: - Refer to Q&A documents on https://volunteers.iaisweb.org/page/am-data-collection	As necessary, from 10 May to 28 June 2024
Deadline for the submission of the AM data collection Template and Questionnaire by the GWS.	31 July 2024 in the eBIS system by the GWS
Analysis by the Analysis Team & discussions of summary results by the IAIS.	August 2024 to October 2024

3 Aggregation Method Data Collection

3.1 Overview

11. The AM Technical Specifications describe the calculation of the Provisional AM as well as other possible versions of the final AM. The final AM will have the same structure as the Provisional AM but may differ in some areas, such as the choice of scalars, the exact adjustments made and the treatment of certain capital resources. Sufficient data is being collected to retrospectively recalculate changes (if any) from the Provisional AM to the final AM. While care should be taken to enter information for each legal entity correctly, it is of utmost importance that the values are reasonable in total. The terms and balances being requested, when possible, should be in accordance with the local jurisdictional statutory reporting. For entities that do not file statutory reports, local GAAP reporting should be used.

12. The scope of the AM data collection includes the same legal entities that would be reported in the GAAP balance sheet under the Insurance Capital Standard (ICS) as defined in the 2024 ICS Data Collection Technical Specifications (see Section 4 – *Perimeter of the ICS Calculation*).

3.2 General Instructions

13. AM Template worksheets

a) *AM24.Read-Me*

b) *AM24.Entity Input – Schedule 0 (S0)*

- This worksheet is to identify the Volunteer Group, contact information, reporting dates and reporting currency.

c) *AM24.Entity Input – Schedule 1 (S1)*

- This worksheet is to identify legal entities within the Volunteer Group and corresponding financial information.

d) *AM24.Entity Input – Schedule 2 (S2)*

- This worksheet is to provide information on the carrying value (available capital) and required capital for all entities in the Volunteer Group before and after de-stacking of the entities. This worksheet will include the adjustments to de-stack entities and adjust for intra-group arrangements, accounting differences and other adjustments to be defined. Each row in this worksheet should correspond to an entry in Schedule 1.

e) *AM24.Financial Instruments – Schedule 3 (S3)*

- This worksheet is to be used to gather necessary information to test various levels of possible adjustments to increase the Volunteer Group's available capital

based on the concept of structural subordination applied to senior or other subordinated debt issued by the Volunteer Group.

f) *AM24.Scaling Options* – Schedule 4 (S4) through Schedule 6 (S6)

- This worksheet lists predetermined countries, and provides factors for scaling, as available, to set required capital at a comparable basis. It also allows for set scaling options and will accommodate scaling of capital requirements for non-insurance entities. Scaling options are applied at the legal entity level and provide an example of what different testing options would look like for each category. In practice, the preferred way to handle the many options for scope, grouping and testing criteria that are included in the AM data collection is to have the results of those options calculated in the background from the input worksheets. The results are shown side by side in the *AM24.Summary* worksheet to reflect a top-level summary.

g) *AM24.Summary* – Schedule 8 (S8) through Schedule 10 (S10)

- This worksheet provides summary AM ratios for the Volunteer Group and compares options for financial instruments and scaling that are included in the AM data collection.

h) *AM24.Param*

- This worksheet provides parameters used for the AM data collection.

3.3 Simplifications

14. In an effort to facilitate the AM development process and streamline the AM data collection, the following simplifications may be used. While most entities should be reported on their own line of the *AM24.Entity Input* worksheet, certain legal entities, if they meet the criteria below, can be grouped together. Alternative groupings should be described in the Questionnaire.

15. In situations where the final amount of available/required capital is not impacted, immaterial legal entities can be reported with their parent. When the capital ratio is the same, regardless of whether a legal entity is stacked or de-stacked, then only the parent entity should be reported. If all subsidiaries of a parent have their own row, then the legal entity is de-stacked and the row contains a single entity. If the subsidiaries are not reported separately, then the legal entity is stacked and the row contains multiple entities. Such entries should be marked as “Multiple” on the *AM24.Entity Input* worksheet; available and required capital should be reported for the parent with no adjustment for investment in any subsidiary that is not reported on another line. Examples of entities that can be stacked:

- Non-insurance/non-financial entities that are not directly subject to a regulatory regime.
- Insurance/financial entities that represent an immaterial portion of the Volunteer Group. The available/required capital for each such entity should be included with

that of its parent. For the purposes of these entities, the materiality standard is 2.5% of total available capital.

16. Legal entities that have material exposure to the total available capital should not be reported with their parent if any of the following conditions apply:

- a) The legal entity is subject to a different regulatory regime than its parent.
- b) The legal entity is in a different *Entity Category* than its parent. (See the next section for the definition of *Entity Category*)
- c) The legal entity is subject to a regulatory regime where the consolidated group capital requirements differ from the sum of the capital requirements for the individual legal entities.
- d) The legal entity has issued debt that is listed on the *AM24.Financial Instruments* worksheet.
- e) If, for any reason, the stacked and de-stacked available/required capital differ, it is preferable to report the de-stacked capital.
- f) Foreign branches of a Volunteer Group that are subject to capital requirements should be shown de-stacked as if it were a subsidiary.

17. Legal entities that are subject to consolidated group capital requirements should be reported individually. The *Entity Required Capital (Local Regime)* is equal to the consolidated capital requirement for the parent legal entity. The amount reported as *Investment in Subsidiary* for the parent legal entity should be determined by recalculating the consolidated requirement for each subsidiary legal entity. However, if this recalculation results in undue burden, it is permitted to calculate *Investment in Subsidiary* using the following simplification: *Investment in Subsidiary (Required Capital)* = *Investment in Subsidiary (Available Capital)* – [Sum of each subsidiary legal entity (*Available Capital* – *Required Capital*)].

3.4 Entity Input

Relevant Worksheet in Template:	AM24.Entity Input	Due 31 July 2024
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18. Enter the *Name of Group*, name of the person the Template is *Completed by* and the *Date Completed* in Schedule 0 (S0). Also report the *Reporting Date* of data provided, *Reporting Currency* and *Currency Unit*. All figures should be converted to a common reporting currency using the same exchange rates as in the 2024 ICS Data Collection. The reporting currency and currency unit should also be the same as in the 2024 ICS Data Collection. Lastly, indicate the version number of information being reported in *Version of reporting*.

19. Enter information on legal entities as follows in Schedule 1 (S1).

- a) Insurance/Non-Insurance – This will be populated by a formula, so input is not required. The column denotes whether this is an insurance or non-insurance legal entity.
- b) Does row contain single entity or multiple entities? – Identify *Single* if the legal entity is fully de-stacked and reported as a sole legal entity without subsidiaries. Identify *Multiple* if multiple legal entities are being reported on the same line (ie the legal entity is stacked or only partially de-stacked and reported with subsidiaries). Refer to Section 3.3 *Simplifications* for more information.
- c) Entity Identifier – Provide a unique string for each legal entity. This will be used as a cross reference to other parts of the Template such as the *AM24.Financial Instruments* worksheet. If possible, use a standardised entity code such as ISO Legal Entity Identifier or NAIC Company Code (CoCode). CoCodes should be entered as text and not number (eg if CoCode is 01234, then the entry should be “01234” and not “1234”). If there is a different code that is more appropriate (such as a code used for internal purposes), please use that instead. If no code is available, then input a unique string or number in each row in whatever manner is convenient (eg A, B, C, D... or 1, 2, 3, 4...). Do not leave blank.
- d) Entity Identifier Type – Enter the type of code that was entered in the *Entity Identifier* column. Choices include ISO Legal Entity Identifier, NAIC Company Code, Volunteer Defined and Other.
- e) Entity Name – Provide the name of the legal entity.
- f) Entity Category – Select the local regulatory regime that applies to the legal entity or the closest appropriate category. A holding company that is subject to capital requirements should be mapped to the underlying entity category. All other holding companies should be mapped to the *Non-Insurer Holding Company* category. Lloyd’s syndicates should be mapped to the regime that is used for their capital requirement. For example, a Texas syndicate writing P&C business would be mapped to ‘RBC Filing Insurer (P&C)’. Do not add entity categories. An existing category should be used and further information about the issue provided in the Questionnaire.
- g) Parent Identifier – Provide the *Entity Identifier* of the immediate parent legal entity for each legal entity, as applicable. If there are multiple parents, select the parent entity with the largest ownership percentage. Only include one entry. For the top holding company, enter not applicable (N/A).
- h) Parent Name – This will be populated by a formula, so input is not required.
- i) % Owned by Immediate Parent – Enter the percentage ownership by the immediate parent of the legal entity (as indicated in *Parent Identifier*). While the information in this column will be useful for many entities, it is understood that it will be inadequate where the ownership structure is complex due to the existence of multiple parents, or for some other reason.

- j) % Owned within Group Structure – Enter the percentage ownership by the Volunteer Group of the legal entity to represent entities partially-owned by third parties. For partially-owned entities of the holding company, the carrying value and required capital should only represent the owned portion of the legal entity.
 - k) Country – For each legal entity, select the country of domicile from the drop-down list in each cell. There should be only one country of domicile selected for each legal entity.
 - l) Basis of Accounting – Provide a description of the basis of accounting that each legal entity uses for its local regulatory reporting. If the legal entity is not subject to regulatory reporting, this column should specify the accounting basis applicable to the amounts reported as carrying value.
 - m) Rating Agency and Rating – Provide a credit rating of the legal entity as of the reporting date, as applicable.
 - n) Revenue – Enter the average of the annual gross revenue of the legal entity for the past three years adjusted to eliminate any intercompany income including dividends received from subsidiaries. This will be used to test proposals for establishing the capital requirement. For insurance and banking entities this column will not be used and can be left blank.
 - o) Assets, Liabilities, and Equity – Record the assets and liabilities held in each legal entity according to local regulatory reporting requirements. For unregulated entities, local GAAP can be used. Please do not report regulated entities on the basis of local GAAP unless that aligns with local regulatory reporting. Equity is automatically calculated as assets less liabilities.
20. Enter information on adjustments to carrying value in S2: Additional clarification specific to different types of entities are discussed later in this section.
- a) Carrying Value (Parent Regime) – If a legal entity is subject to a different regulatory regime than its immediate parent, then record the carrying value under the parent regulatory regime here. All adjustments are made relative to the carrying value under the local regulatory regime, which is entered in the next column. This column is for informational purposes to assist in understanding reconciling differences caused by the parent reporting under a different local regulatory regime than the legal entity. No adjustments are made to the figure entered in this column. For the lead entity (eg group holding company) where there is no parent regulatory regime, this can be left blank.
 - b) Carrying Value (Local Regime) – Record the available capital resources recognised by the jurisdictional insurance supervisor. The total available capital should be the result of the sum of equity items from the balance sheet, plus any debt that is recognised as qualifying capital resources, less any deductions from capital resources (eg inadmissible assets). For more information, refer to paragraph 22.

- c) Investment in Subsidiary – Enter an adjustment to remove the investment carrying value of directly owned subsidiary(ies) from parent's carrying value. The Sum of Subsidiaries column may provide a useful check against this entry but it will not necessarily be equal.
 - d) Intra-group Financial Instruments – This column is automatically calculated from inputs to the *AM24.Financial Instruments* worksheet. It reflects an adjustment to remove double counting of the carrying value for intra-group financial instruments.
 - e) Intra-group Guarantees, LOCs and Other – Enter an adjustment to reflect the notional value for reported intra-group guarantees, letters of credit, or other intra-group financial support mechanisms.
 - f) Other Intra-group Assets/Liabilities – Enter the amounts to adjust for and to remove double counting of the carrying value for other intra-group assets, which could include intercompany balances, such as:
 - loans, receivables and arrangements to centralise the management of assets or cash;
 - derivative transactions;
 - dividends, coupons, and other interest payments;
 - provision of services or agreements to share costs; and
 - purchase, sale or lease of assets.
 - g) Other Adjustments – Enter amounts that reflect other differences between *Carrying Value (Local Regime)* of insurance subsidiaries and the *Adjusted Carrying Value*. This should include (but is not limited to) differences between the GAAP value and jurisdictional statutory accounting value for a consolidated non-insurer holding company or other legal entity where the accounting basis changes (eg Schedule D carrying value of directly owned U.S. insurance subsidiaries).
21. Enter information on adjustments to required capital in S2 corresponding to adjustments to carrying value:
- a) Entity Required Capital (Parent Regime) – If a legal entity is subject to a different regulatory regime than its immediate parent, then record the required capital under the parent regulatory regime here. All adjustments should be made relative to the required capital under the local regulatory regime, which is entered in the next column. This column is for information purposes to assist in understanding reconciling differences caused by the parent reporting under a different local regulatory regime than the legal entity. No adjustments are made to the figure entered in this column. Where the parent regulatory regime is the same as the local regulatory regime or there is no parent regulatory regime, this column should be equal to the *Entity Required Capital (Local Regime)*.
 - b) Entity Required Capital (Local Regime) – Enter required capital and adjustments for each legal entity using the local reporting value. For more on required capital for

insurance and non-insurance entities, see below. All adjustments should be made relative to the required capital under the local regulatory regime.

22. Additional clarification on carrying value and capital requirements:

- a) Insurance Entities – The local capital requirement should be reported, by legal entity, at a Prescribed Capital Requirement (PCR) level.
 - i. For Australian subsidiaries, the PCR is the target capital as set by the insurer/group in accordance with APRA requirements. Effectively, this would be "Target capital under ICAAP". PCR is not a set multiple of MCR.
 - ii. For Bermudian subsidiaries, the Legal Entity PCR in Bermuda for medium and large commercial insurers is called the "Enhanced Capital Requirement" (ECR) and is calibrated to Tail-VaR at 99% confidence level over a one-year time horizon.
 - iii. For Brazilian subsidiaries, the PCR is reported as the Brazilian MCR (in Portuguese, CMR – Capital Mínimo Requerido).
 - iv. For Canadian life entities, the baseline PCR should be stated to be "100% of the LICAT Base Solvency Buffer". The carrying value should include surplus allowances and eligible deposits on a net of reinsurance basis. For property/casualty entities, the PCR should be the MCT capital requirement at the target level.
 - v. For Chilean subsidiaries, the PCR is 100% of the total capital requirement which is the maximum between minimum capital, maximum debt ratios and a solvency margin.
 - vi. For Chinese subsidiaries, the PCR is 100% of the C-ROSS total capital.
 - vii. For Chinese Taipei subsidiaries, the PCR is 200% of the RBC ratio.
 - viii. Subsidiaries based in the European Union should use the Solvency II Solo SCR (Solvency Capital Requirement) as the PCR.
 - ix. For Hong Kong subsidiaries, the PCR is the HKRBC (to be implemented in July 2024) prescribed capital amount (PCA), calibrated at a VaR 99.5% level over a one-year horizon. However, for YE 2023 reporting the current rule-based capital regime is also applicable and if applied similar to the concept of PCR, the current regime's PCR would be 150% of MCR for life insurers and 200% of MCR for non-life insurers.
 - x. For Indian subsidiaries, the PCR is a factor-based solvency approach, based on a Solvency I type model, to maintain an excess of the value of assets over the amount of liabilities of not less than 50% of the amount of minimum capital subject to the control level of a solvency ratio of 150%.
 - xi. For Japanese subsidiaries, the PCR is the solvency margin ratio of 200%.
 - xii. For Korean subsidiaries, the PCR is 100% of risk-based solvency margin ratio.

- xiii. For Malaysian subsidiaries, the PCR is the individual target capital level calculated by individual entities based on policy requirements set by the Bank Negara Malaysia. It reflects the individual insurer's/Takaful Operator's own risk profile and risk management practices, and includes additional capacity to absorb unexpected losses beyond those covered in the Risk-Based Capital Frameworks for Insurance and Takaful Operators.
 - xiv. For Mexican subsidiaries, the PCR is the solvency capital requirement (SCR) based on a Solvency II type model, using both Value at Risk (VaR) methodologies, considering the time horizon of one year at a confidence level of 99.5%, and Probable Maximum Loss (PML) methodologies for catastrophic risks.
 - xv. For Singaporean subsidiaries, the PCR at the legal entity level under the enhanced valuation and capital framework for insurers (RBC 2) is calibrated at the 99.5% VaR over a one-year period.
 - xvi. For South African subsidiaries, the PCR is 100% of the SAM SCR.
 - xvii. For Switzerland subsidiaries, the Legal Entity PCR under the "Swiss Solvency Test" (SST) is 100% of the target capital, which is calibrated to Tail-VaR at 99% confidence level over a one-year time horizon.
 - xviii. Subsidiaries based in the UK should use the Solvency UK Solo SCR (Solvency Capital Requirement) as the PCR, calibrated at a VaR 99.5% level over a one-year time horizon.
 - xix. For US subsidiaries, the RBC Company Action Level of each insurer should be re-calibrated to the point at which regulatory action can be taken in any state based on RBC alone, ie, the point at which the trend test begins, which is one and a half times company action level.
 - xx. For any entities that cannot be mapped to the above categories, please use the blank categories (Regime A, Regime B, etc.). Certain legal entities subject to similar regimes are to be grouped together as described in *Simplifications*. Provide further information about these local regulatory regimes in the Questionnaire.
- b) Non-insurance Financial Entities – For reporting available and required capital, follow guidance in Section 7.7.1 *Baseline Current Regulatory Reporting* in the 2024 ICS Data Collection Technical Specifications. Include available capital resources and the capital requirement imposed by any securities, banking or other financial regulator. For unregulated banking business, Volunteer Groups are requested to apply the Basel III leverage ratio framework and the full RWA calculation under the Basel III Framework. The Basel III monitoring workbook is available to calculate these figures at <https://www.bis.org/bcbs/qis/index.htm>.
23. Reference Calculations Checks – These are calculations that can serve as checks on the reasonability/consistency of entries.
- a) Sum of Subsidiaries – This automatically generated column calculates the total carrying value of the underlying subsidiaries. It is provided for reference when filling

out the *Investment in Subsidiary* column. This sum will often, but not always, be equal to the *Investment in Subsidiary* column.

- b) Available Capital / Adjusted Required Capital – This is a capital ratio calculated using the adjusted figures. Double-check entities with abnormally large/small/negative figures to make sure that adjustments were done correctly.

3.5 Financial Instruments

Relevant Worksheet in Template:	<i>AM24.Financial Instruments</i>	<i>Due 31 July 2024</i>
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24. Volunteer Groups should provide all relevant information pertaining to paid-up financial instruments issued by the Volunteer Group (including senior debt issued by a holding company), except for common or ordinary shares and preferred shares. This worksheet aims to largely capture financial instruments such as surplus notes, senior debt and hybrid instruments. Where a Volunteer Group has issued multiple financial instruments, the Volunteer Group should not use a single row to report that information; one instrument per row should be reported. Only qualifying debt should be reported whereas other accounts such as treasury stock or retained earnings should not be reported.

- a) Surplus Notes – In all cases, treat the assets transferred to the issuer of the surplus note as available capital. If the purchaser is an affiliate, eliminate the investment value from the affiliated purchaser of the surplus note. If the purchaser is an insurer or other regulated legal entity, eliminate the purchaser's capital charge (eg RBC charge) on the Surplus note investment.
- b) Senior Debt, Hybrid Instruments and Other Debt issued – Various levels of recognition for structurally subordinated debt will be tested to increase available capital. For purposes of recognition treat as additional capital if both of the following criteria are met:
- The instrument has a fixed term of at least five years at the date of issue or refinance, and no call options in the first five years.
 - Supervisor's prior review of dividends paid from an insurance subsidiary to the holding company, and in the case of extraordinary dividends, prior supervisory approval of dividends paid from an insurance subsidiary to the holding company. There shall be no expectation, either implied or through the terms of the instrument, that such approval will be granted without supervisory review.

25. Enter information on legal entities as follows in Schedule 3 (S3).

- a) Name of Issuer – Input the name of the company that issued the financial instrument. The name of the issuer will populate automatically from the *AM24.Entity Input* worksheet using the *Entity Ref #*.
- b) Entity Identifier – Provide the reference number that was input in the *AM24.Entity Input* worksheet.

- c) Type of Financial Instrument – Select the type from the drop-down list. Selections include Senior Debt, Surplus Notes (or similar), Hybrid Instruments and Other.
- d) Instrument Identifier (eg CUSIP) – Provide a unique security identifier.
- e) Entity Category – Links automatically to the selection made on *AM24.Entity Input* worksheet.
- f) Year of Issue – Provide the year that the financial instrument was issued.
- g) Year of Maturity – Enter the year that the financial instrument will mature.
- h) Balance as of the financial statement reporting date – Enter the balance as reported in the general purpose financial statements of the issuer.
- i) Treatment on the Entity Input Tab – Select from dropdown whether the instrument is treated as a liability, an intragroup financial instrument or recognised as capital on the *AM24.Entity Input* worksheet.
- j) Intra-group Issuance – Select whether the financial instrument was issued on an intra-group basis (issued to a related legal entity within the group). This column will be used to remove double counting. This column includes a drop-down list with the options “Y” and “N”.
- k) Purchasing Entity Identifier – Enter the *Entity Identifier* of the legal entity that purchased the financial instrument. This column should only be completed for intra-group financial instruments.
- l) Deduct financial instruments issued on an intra-group basis – This column is calculated automatically and feeds into the *AM24.Entity Input* worksheet. The aim is to remove the double counting of the carrying value of financial instruments issued on an intra-group basis.

26. For senior debt and other debt with similar characteristics, please provide the following information. For all other financial instruments, these cells should be left blank.

- a) Is subordination to policyholders legal/contractual or structural?
- b) Does the financial instrument have an initial maturity of at least five years? (Y/N)
- c) [For structurally subordinated instruments] Are dividends from insurance subsidiaries of the holding company subject to prior supervisory approval? (Y/N/UC (Under Certain Circumstances)/NA)
- d) Are distributions linked to the credit standing or financial condition of the insurance group? (Y/N)
- e) Does the financial instrument give holders the right to accelerate repayment during or outside of a winding up of the issuer? (Y/N)

27. For all financial instruments listed, provide the following information that may be used for the analysis for the comparability assessment. The associated ICS principle is included in the parentheses.

- a) Is instrument fully paid-up? (availability to absorb losses/permanence)
- b) Does instrument have a maturity date? (permanence)
- c) Does the issuer have full discretion at all times to cancel distributions or payments? (loss absorbing capacity/availability to absorb losses)
- d) Is the instrument secured or covered by a guarantee given by the issuer, or a related entity of the issuer? (absence of encumbrances and mandatory servicing costs)

28. Selections as to how these criteria will be applied are made on the *AM24.Summary* worksheet. Given those selections, the following will be calculated:

- a) Base (pre-criteria) – Amount recognised in local regulatory regime.
- b) Disallow financial instruments without selected characteristics – This column is calculated automatically and feeds into the *AM24.Summary* worksheet.

3.6 Scaling Options

Relevant Worksheet in Template:	<i>AM24.Scaling Options</i>	<i>Due 31 July 2024</i>
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29. Given differences between solvency frameworks, scalars will be used to bring the required capital for each legal entity to a common level. The Template allows for a range of scaling methodologies to be tested. Each scaling methodology will indicate one scalar per entity category to be used for the full term of the annual AM data collection. Based on an assessment of the data and the annual AM data collection process, a decision will be made as to which scaling methodology to use in the final version of the AM. The goal is to select a scaling methodology for the final AM that is meaningful from a prudential point of view, relevant for the monitoring of financial soundness and helps provide comparable outcomes to the ICS. AM results from the annual AM data collection will be recalculated using the selected set of scalars.

30. To achieve the above goal, work is underway to identify the full range of reasonable methods of determining scalars. The final scaling methodology will either be one of the tested methodologies or some combination/variation that falls within the range of options under consideration. The final scaling methodology, once decided, will be calculated under *FINAL AM (for back-testing)* and allow for back-testing results of the annual AM data collection. No data inputs from Volunteer Groups are necessary on this worksheet.

31. The range of scaling methodologies under consideration have been reviewed using the framework provided in the American Academy of Actuaries paper “Aggregating Regulatory Capital Requirements Across Jurisdictions: Theoretical and Practical Considerations”. This is a range of reasonable scaling methodologies that have the potential

to achieve the goals of a scaling methodology as described in the AM Level 1 document. Because the AM is expected to continue to evolve, the inclusion of an option here should not be taken to mean that these scalars will ultimately be used. Annex 1 provides additional information on the review of different scaling options. The scaling options are being tested at two calibration levels: one using NAIC RBC at 300% of the Authorized Control Level (ACL) and another using NAIC RBC at 200% of ACL.

- a) For each option, required capital cannot be negative. The Template automatically applies a floor of zero at the entity category level.
- b) Provisional AM – This method will serve as the default calculation while the AM is under development. Until such a determination of the final scalars to use in the AM, the ‘Provisional AM’ will use scalars of 100% (ie it will be unscaled). For US entities, “unscaled” is equivalent to NAIC RBC at 300% of the ACL.
- c) Pure Relative Ratio Approach (Pure RRA) – This method adjusts only the capital requirement of regulated entities for each local regulatory regime within the Volunteer Group. It compares the average capital ratios relative to required capital at the first intervention level. For purposes of the Template, scalars have been developed from publicly available information for certain jurisdictions where such data was available. The scalars may differ if the jurisdiction applies different formulas to the industry segments (Life, P/C and Health). The scalars will require periodic maintenance to provide accurate scaling for each reporting year but will likely always lag by at least one calendar year. For jurisdictions where a scalar has not been provided, scalars will not be applied. Scalars will be applied using the prescribed capital requirement as the first intervention level. This option will be tested with both NAIC Risk Based Capital at 300% of ACL and at 200% of ACL.
- d) Excess Relative Ratio Approach – This method adjusts both available capital and required capital. It adds a step to the Pure RRA by looking at the excess capital (also referred to as free surplus) ratio above the first intervention level requirement. Therefore, to calculate a jurisdiction’s excess capital ratio, one would first calculate the amount of the capital ratio in excess of the capital ratio required at the first intervention level. This amount would then be divided by the capital ratio required at the first intervention level. As with the Pure RRA, scalars have been provided in the Template relying on publicly available information for certain jurisdictions, where such data was available. The scalars may differ if the jurisdiction applies different formulas to the industry segments (Life, P/C and Health). The scalars will require periodic maintenance to provide accurate scaling for each reporting year but will likely always lag by at least one calendar year. For jurisdictions where a scalar has not been provided, scalars will not be applied. Scalars will be applied using the prescribed capital requirement as the first intervention level. This option will be tested with both NAIC Risk Based Capital at 300% of ACL and at 200% of ACL.
- e) 99.5% Value at Risk – This method will include scalars that are calibrated to a 99.5% Value at Risk (VaR). Regimes that are calibrated to a 99.5% VaR level over a one-year time horizon and/or are equivalent to regimes calibrated to that level are

unscaled under this method. Current scalars were estimated using regimes' stated confidence levels and existing equivalence agreements.

- f) Banking Equivalent – This method will include scalars that are calibrated to a level equivalent to Basel banking requirements.
- g) Internal Models – This method will include scalars that are calibrated to a level equivalent to the average level indicated by a legal entity's internal model results. These scalars will be set to a 99.5% VaR level. This is the level of policyholder protection used for reporting internal models in the ICS. If there are differences between the scalars and the Volunteer Group's own view of risk, please provide further details in the Questionnaire.
- h) Supervisory Assessment Approach – This method uses the local PCR (or equivalent) as the required capital for regimes that produce comparable outcomes to the ICS based on certain criteria (eg equivalent level of solvency protection). That is, scalars are equal to 100%. This approach is a sub-set of the unscaled approach. This approach is numerically equivalent to the Provisional AM; therefore, a separate column is not included in the Template.
- i) Reverse Engineered ICS – This method is calibrated to the average level of ICS Version 2.0 for the monitoring period. After review, this method was determined to not be within the range of reasonable methodologies that have the potential to achieve the goals described in the AM Level 1 document. It is listed here for completeness but will not be included in the Template.

32. To aid with the development of scalars, input was solicited on the reasonableness of the methodologies being tested. One response received is that scalar methodologies may need to differentiate between risk-based and non-risk-based regimes. An insurance capital regime is risk-based if the amount of capital that an insurer is required to hold varies with its solvency risk. When an appropriate scaling method is chosen, it is possible to scale one risk-based regime to a level that is equivalent to another. An example of a non-risk-based requirement is a fixed (ie constant) capital requirement. Regimes, material to the AM data collection, are being reviewed to determine whether they are risk-based. A list of the status of each regime is on the *AM24.Scaling Options* worksheet. Regimes that have not been reviewed are marked as "non-risk-based". While the appropriate choice of scalar is expected to bring different risk-based regimes to a common level, it is not yet known if this would be possible for all types of non-risk-based requirements.

33. To ensure adequate capital for non-risk-based regimes, results from the AM data collection are being used to investigate the materiality of this issue and possible safeguards for mitigation. The default safeguard – which is applied automatically in the Template – floors required capital for non-risk-based entities at 50% of the amount of available capital. The default safeguard is a placeholder and subject to further review.

34. In Schedule 4 (S4), entities are aggregated by their category and then scaled. Results are shown – both scaled and unscaled – aggregated between insurance and non-insurance entities. Schedule 6 (S6) reports each *Entity Category* in total.

3.7 Summary

Relevant Worksheet in Template:	<i>AM24.Summary</i>	<i>Due 31 July 2024</i>
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35. Summary – This is the main output worksheet. There are drop-down lists to select a method of calculation. The calculation itself is automatic. The options presented are meant to cover a range of possibilities and should not be taken as an indication of the final form the AM will take. Also included is a high-level breakdown of results.

- a) Which scalars to use – Select a preliminary scalar.
- b) Criteria for Recognising Financial Instruments – Select which criteria should be applied to recognise financial instruments.
- c) Limits Applied to Financial Instruments – Select a limit as a percentage of either available or required capital (unscaled).

Annex 1 Analysis on Potential AM Scalars

The objective of Annex 1 is to further describe the scalar methodologies that are under consideration and the analysis being conducted to evaluate reasonableness. The purpose of providing this context is to assist Volunteer Groups in completing the AM data collection package.

The American Academy of Actuaries released a paper on 10 March 2021 “Aggregating Regulatory Capital Requirements Across Jurisdictions: Theoretical and Practical Considerations” (Academy paper). The goal of the Academy paper is to assist group-wide supervisors that are creating an aggregation-based group capital standard. The Academy paper does not make a recommendation as to which scalar(s) should be used nor does it discuss comparability of the AM and ICS. Rather, it provides a useful framework for discussing scalar analysis.

Scalar Analysis

The Academy paper describes four families of methodologies for estimating scalars. Each includes multiple variations. The following table provides a mapping of the 2024 AM data collection scalar options to the Academy methodology families:

AM Scalar Option	Academy Methodology Family
Provisional AM	No Scalar
Pure Relative Ratio Approach	Capital Ratios
Excess Relative Ratio Approach	Capital Ratios
0.5% Probability of Default	Probability of Negative Outcomes
Banking Equivalent	Equivalence of Two Points
Supervisory Assessment Method	No Scalar
Internal Model	No Equivalent Family

The Academy paper presents four *general criteria for assessment* of scalar methodologies: validity, reliability, ease of implementation and stability of parameters. Assessments are provided for each of the four families above. The Academy paper’s description of these criteria is paraphrased below. After each description, there is a discussion of related AM data collection analysis including the role of the data being collected.

Validity means that the selected methodology generates values for available and required capital for an entity in a foreign jurisdiction. There are two common ways in which validity of the scalar measures are evaluated: the reasonableness of assumptions, and the correlation of the measure with other known measures of similar quantities. The Academy paper relies on reasonableness of assumptions. The AM data collection analysis also looks at how various measures of group capital adequacy compare to AM results and to each other.

Reliability means that any entity or group calculating a scalar will know with confidence they are using the same information which any other entity or group would use. This implies that the definition of the scalars must be: transparent, unambiguous and based on broadly available and understood data. Ease of implementation is based on availability of data and

compatibility with existing procedures. Each Volunteer Group participating in the AM data collection use the same scalars. These are listed on the *AM24.Scaling Options* worksheet. The following table provides the sources of data used for the AM data collection scalar options. There will be further discussion on the degree to which these sources are available, understood and compatible with existing procedures for analysis.

AM Scalar Option	Data Source
Provisional AM	No Scalar (ie same as entity PCR or equivalent as identified by local supervisor)
Pure Relative Ratio Approach	Industry data as provided by local supervisors
Excess Relative Ratio Approach	Industry data as provided by local supervisors
0.5% Probability of Default	Initial factors based on jurisdictions stated calibration-level and/or level of jurisdictions they have declared themselves to be equivalent. Subject to review based on empirical estimates of probability.
Banking Equivalent	Empirical analysis done by local banking regulators
Supervisory Assessment Method	No Scalar (ie same as entity PCR or equivalent as identified by local supervisor)
Internal Model	A legal entity's internal model results

Stability of parameters is important if the parameters are to be useful. Depending on the purposes for which the scalars are to be used, more or less sensitivity to changing conditions might be appropriate. The Academy paper discusses sensitivity analysis in two different dimensions: (1) sensitivity of results to changes of parameters within a model and (2) sensitivity of results to differences in methods of calculating scalars. Sensitivity analysis is also performed on the AM data collection. This is done by reweighting figures on the *AM24.Entity Inputs* worksheet by changing the size of different scalar options and/or looking at the impact of individual categories of entities on individual and total results.

Annex 2 Instruction for uploading documents to eBIS

The completed Template and Questionnaire for the 2024 AM Data Collection Exercise of the Monitoring Period Project should be uploaded to eBIS <https://www.ebis.org> by the Relevant Authorities before the deadline specified in the documentation. Access to uploaded documents on eBIS is limited to persons authorised by the BIS and respective representatives from Relevant Authorities.

1. Preparation for data submission

- Relevant Authorities are responsible for the data quality. They are kindly asked to check data in liaison with the Volunteer Groups and in consultation with other functional supervisors.
- Relevant Authorities and Volunteer Groups should use only the original data Template(s) and Questionnaire(s) and not alter their structure or try to unlock protected cells.
- All accompanying qualitative information, if any, must be in English.
- The submitted documents should be named as follows:

Due to BIS by 31 July 2024:	
AM Data Collection Template	IAIS2024_AM_<countryID>_<companyID>_v<versionNumber>.xlsx
AM Data Collection Questionnaire	IAIS2024_AM_<countryID>_<companyID>_v<versionNumber>.docx
Whereby	
• <countryID> is the ISO ALPHA-2 code, eg. US, FR, ES, CH etc. The country alpha-2 ISO codes are available via http://en.wikipedia.org/wiki/ISO_3166-1. • <companyID> is 3 letters corresponding to the company name - please ensure the companyID does not change with different submissions • <versionNumber> starts at 1 for the first submission and should be increased for each subsequent submission.	
If any supplementary materials (beyond the above-indicated submissions) are to be submitted:	
• Name the file according to the following format: IAIS2024_AM_<countryID>_<companyID>_v<versionNumber>_<short descriptive name>.pdf • Please provide <u>PDFs only</u>	

2. Data upload via eBIS

- Documents must be uploaded as individual uncompressed Microsoft Excel files, individual uncompressed Microsoft Word files, or individual PDF files.

- Relevant Authorities should log on to the secured web address: <https://www.ebis.org> with the provided username and password. At first login the user will be requested to change the initial password. Already issued login details remain valid.

It is not possible to edit documents that have been uploaded to eBIS. If a document has been posted and needs to be revised, upload the revised version with **a new version number**.

3. Post-submission data checking

The BIS will provide an error message via the country's eBIS folder when the requested data does not comply with the applicable technical standards. The Relevant Authorities are kindly requested to review the message and resubmit the file in order to achieve compliance with the required standards.

The BIS shall not be obligated to process or permit the Analysis Team to process and analyse any Initial Data that is not transferred in accordance with the applicable technical standards.

4. Submission check list

Please ensure that the following checks are performed prior any submission

- ✓ Have you followed the file name convention as outlined in this documentation?
- ✓ Have you increased the version number in the file name in case of a resubmission?
- ✓ Have you chosen the correct file format (.xlsx for the Template and .docx for the Questionnaire)?
- ✓ Have you checked that the correct Excel data Template or Word Questionnaire has been used?