**Section 652.55 Group Capital Calculation**

a) The Director has the discretion to exempt the ultimate controlling person from filing the annual group capital calculation if the Director, acting as the lead state commissioner, makes a determination that the insurance holding company system meets all of the following criteria:

1) Has annual direct written and unaffiliated assumed premium (including international direct and assumed premium), but excluding premiums reinsured with the Federal Crop Insurance Corporation and Federal Flood Program, of less than $1,000,000,000;

2) Has no insurers within its holding company structure that are domiciled outside of the United States or one of its territories;

3) Has no banking, depository or other financial entity that is subject to an identified regulatory capital framework within its holding company structure;

4) The holding company system attests that there are no material changes in the transactions between insurers and non-insurers in the group; and

5) The non-insurers within the holding company system do not pose a material financial risk to the insurer’s ability to honor policyholder obligations.

b) The Director, acting as the lead state commissioner, has the discretion to accept in lieu of the group capital calculation a limited group capital filing if:

1) The insurance holding company system has annual direct written and unaffiliated assumed premium (including international direct and assumed premium), but excluding premiums reinsured with the Federal Crop Insurance Corporation and Federal Flood Program, of less than $1,000,000,000; and all of the following additional criteria are met:

A) Has no insurers within its holding company structure that are domiciled outside of the United States or one of its territories;

B) Does not include a banking, depository or other financial entity that is subject to an identified regulatory capital framework; and

C) The holding company system attests that there are no material changes in transactions between insurers and non-insurers in the group and the non-insurers within the holding company system do not pose a material financial risk to the insurers ability to honor policyholder obligations.

c) For an insurance holding company that has previously received an exemption with respect to the group capital calculation pursuant to subsection (a) or (b), the Director, acting as the lead state commissioner, may require at any time the ultimate controlling person or a controlling person who is not the ultimate controlling person to file an annual group capital calculation, completed in accordance with the NAIC Group Capital Calculation Instructions, if any of the following criteria are met:

1) Any insurer within the insurance holding company system is experiencing a Risk-Based Capital action level event as set forth in Sections 35A-15 through 35A-30 of the Code or a similar standard for a non-U.S. insurer; or

2) Any insurer within the insurance holding company system meets one or more of the standards of an insurer deemed to be in hazardous financial condition as defined in Section 186.1 of the Code; or

3) Any insurer within the insurance holding company system otherwise exhibits qualities of a troubled insurer as determined by the lead state commissioner based on unique circumstances including, but not limited to, the type and volume of business written, ownership and organizational structure, federal agency requests, and international supervisor requests.

d) A non-U.S. jurisdiction is considered to "recognize and accept" the group capital calculation if it satisfies the following criteria:

1) With respect to Section 131.14b(b)(4) of the Code:

A) The non-U.S. jurisdiction recognizes the U.S. state regulatory approach to group supervision and group capital, by providing confirmation by a competent regulatory authority in such jurisdiction, that insurers and insurance groups whose lead state is accredited by the NAIC under the NAIC Accreditation Program shall be subject only to worldwide prudential insurance group supervision including worldwide group governance, solvency and capital, and reporting, as applicable, by the lead state and will not be subject to group supervision, including worldwide group governance, solvency and capital, and reporting, at the level of the worldwide parent undertaking of the insurance or reinsurance group by the non-U.S. jurisdiction; or

B) When no U.S. insurance groups operate in the non-U.S. jurisdiction, that non-U.S. jurisdiction indicates formally in writing to the lead state with a copy to the International Association of Insurance Supervisors that the group capital calculation is an acceptable international capital standard. This will serve as the documentation otherwise required in subsection (d)(1)(A).

2) The non-U.S. jurisdiction provides confirmation by a competent regulatory authority in such jurisdiction that information regarding insurers and their parent, subsidiary, or affiliated entities, if applicable, shall be provided to the lead state commissioner in accordance with a memorandum of understanding or similar document between the Director and such jurisdiction, including but not limited to the International Association of Insurance Supervisors Multilateral Memorandum of Understanding or other multilateral memoranda of understanding coordinated by the NAIC. The Director shall determine, in consultation with the NAIC Committee Process, if the requirements of the information sharing agreements are in force.

e) A list of non-U.S. jurisdictions that "recognize and accept" the group capital calculation are published through the NAIC Committee Process:

1) A list of jurisdictions that "recognize and accept" the group capital calculation pursuant to Section 131.14b(b)(4) of the Code, is published through the NAIC Committee Process to assist the lead state commissioner in determining which insurers shall file an annual group capital calculation. The list clarifies those situations in which a jurisdiction is exempted from filing under Section 131.14b(b)(4) of the Code. To assist with a determination under Section 131.14b(b)(5) of the Code, the list identifies whether a jurisdiction that is exempted under either Section 131.14b(b)(3) or 131.14b(b)(4) of the Code requires a group capital filing for any U.S.-based insurance group’s operations in that non-U.S. jurisdiction.

2) For a non-U.S. jurisdiction where no U.S. insurance groups operate, the confirmation provided to meet the requirement of subsection (d)(1)(B) will serve as support for recommendation to be published as a jurisdiction that "recognizes and accepts" the group capital calculation through the NAIC Committee Process.

3) If the lead state commissioner makes a determination pursuant to Section 131.14b(b)(4) of the Code that differs from the NAIC list, the lead state commissioner will provide a thoroughly documented justification to the NAIC and other states.

4) Upon determination by the lead state commissioner that a non-U.S. jurisdiction no longer meets one or more of the requirements to "recognize and accept" the group capital calculation, the lead state commissioner may provide a recommendation to the NAIC that the non-U.S. jurisdiction be removed from the list of jurisdictions that "recognize and accept" the group capital calculation.

(Source: Amended at 47 Ill. Reg. 126, effective December 20, 2022)