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New Academy Research on Scalars Explores Key Elements of Potential Group Capital Regulation

WASHINGTON—The American Academy of Actuaries today released an original [research paper](#) on scalar methodologies to aggregate capital requirements across regulatory frameworks.

Scalars are a central part of efforts to develop capital adequacy measures for financial groups that operate businesses in more than one country and/or more than one industry. A summary of the paper will be presented to the National Association of Insurance Commissioners' (NAIC) International Insurance Relations (G) Committee during its Spring National Meeting today.

“Regulators examining the so-called building-block approach to regulating group capital of mixed entities can refer to this research to identify important advantages and disadvantages of different scalar methodologies, and for suggestions for responding to the challenges they pose,” said Steve Jackson, Ph.D., the Academy’s assistant director for research (public policy). Jackson will describe the research results in a virtual presentation to the NAIC today; he is the primary author of the Academy’s research paper, *Aggregating Regulatory Capital Requirements Across Jurisdictions: Theoretical and Practical Considerations*.

In the building-block approach proposed initially by the Federal Reserve Board in 2016, scalars can provide a way to effectively “translate” capital requirements that are not strictly comparable and vary across jurisdictions into a common regulatory framework. The Academy’s research describes four families of scalar methodology and assesses them based on four independent, general criteria.

Read about the research [here](#).

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The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted 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.