

Capital Adequacy (E) Task Force

RBC Proposal Form

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|---|--|--|
| ☐ Capital Adequacy (E) Task Force | ☐ Health RBC (E) Working Group | ☐ Life RBC (E) Working Group |
| ☐ Catastrophe Risk (E) Subgroup | ☐ P/C RBC (E) Working Group | ☐ Longevity Risk (A/E) Subgroup |
| ☐ Variable Annuities Capital. & Reserve (E/A) Subgroup | ☐ Economic Scenarios (E/A) Subgroup | ☒ RBC Investment Risk & Evaluation (E) Working Group |

DATE: <u>4/20/23</u>		FOR NAIC USE ONLY	
CONTACT PERSON: <u>Dave Fleming</u>		Agenda Item # <u>2023-09-IRE</u>	
TELEPHONE: <u>816-783-8121</u>		Year <u>2023</u>	
EMAIL ADDRESS: <u>dfleming@naic.org</u>		DISPOSITION	
ON BEHALF OF: <u>RBC Inv. Risk & Eval. (E) Working Group</u>		ADOPTED:	
NAME: <u>Philip Barlow</u>		☒ TASK FORCE (TF) <u>6/30/23</u>	
TITLE: <u>Associate Commissioner for Insurance</u>		☒ WORKING GROUP (WG) <u>6/14/23</u>	
AFFILIATION: <u>District of Columbia</u>		☐ SUBGROUP (SG) _____	
ADDRESS: <u>1050 First Street, NE Suite 801</u>		EXPOSED:	
<u>Washington, DC 20002</u>		☐ TASK FORCE (TF) _____	
		☒ WORKING GROUP (WG) _____	
		☐ SUBGROUP (SG) _____	
		REJECTED:	
		☐ TF ☐ WG ☐ SG _____	
		OTHER:	
		☐ DEFERRED TO _____	
		☐ REFERRED TO OTHER NAIC GROUP _____	
		☐ (SPECIFY) _____	

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

- | | | |
|--|---|---|
| ☐ Health RBC Blanks | ☐ Property/Casualty RBC Blanks | ☒ Life and Fraternal RBC Blanks |
| ☐ Health RBC Instructions | ☐ Property/Casualty RBC Instructions | ☐ Life and Fraternal RBC Instructions |
| ☐ Health RBC Formula | ☐ Property/Casualty RBC Formula | ☐ Life and Fraternal RBC Formula |
| ☐ OTHER _____ | | |

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

This proposal applies a .45 base RBC factor in the life RBC formula for residual tranches.

Additional Staff Comments:

DF – The Working Group adopted a factor of .30 for yearend 2023 to be replaced by .45 beginning with yearend 2024 with consideration of positive or negative adjustment based on additional information.

EY- The Task Force adopted this proposal and 2023-10-IRE together during June 30 meeting.

**** This section must be completed on all forms.**

Revised 2-2023

OTHER LONG-TERM ASSETS (CONTINUED)

			(1)	(2)	(3)	(4)	(5)
		<u>Annual Statement Source</u>	<u>Book / Adjusted</u> <u>Carrying Value</u>	<u>Unrated Items</u> ‡	<u>RBC Subtotal</u> †	<u>Factor</u>	<u>RBC</u> <u>Requirement</u>
	<u>Schedule BA - Unaffiliated Common Stock</u>						
(42)	Schedule BA Unaffiliated Common Stock-Public	AVR Equity Component Column 1 Line 65			X	\$	=
(43)	Schedule BA Unaffiliated Common Stock-Private	AVR Equity Component Column 1 Line 66			X	0.3000	=
(44)	Total Schedule BA Unaffiliated Common Stock (pre-MODCO/Funds Withheld)	Line (42) + (43)					
(45)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(46)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
(47)	Total Schedule BA Unaffiliated Common Stock (including MODCO/Funds Withheld.)	Lines (44) - (45) + (46)					
	<u>Schedule BA - All Other</u>						
(48.1)	BA Affiliated Common Stock - Life with AVR	AVR Equity Component Column 1 Line 67					
(48.2)	BA Affiliated Common Stock - Certain Other	AVR Equity Component Column 1 Line 68					
(48.3)	Total Schedule BA Affiliated Common Stock - C-1o	Line (48.1) + (48.2)			X	0.3000	=
(49.1)	BA Affiliated Common Stock - All Other	AVR Equity Component Column 1 Line 69					
(49.2)	Total Sch. BA Affiliated Common Stock - C-1cs	Line (49.1) + AVR Equity Component Column 1 Line 93			X	0.3000	=
(50)	Schedule BA Collateral Loans	Schedule BA Part 1 Column 12 Line 2999999 + Line 3099999			X	0.0680	=
(51)	Total Residual Tranches or Interests	AVR Equity Component Column 1 Line 93			X	0.3000	=
(52.1)	NAIC 01 Working Capital Finance Notes	AVR Equity Component Column 1 Line 94			X	0.0050	=
(52.2)	NAIC 02 Working Capital Finance Notes	AVR Equity Component Column 1 Line 95			X	0.0163	=
(52.3)	Total Admitted Working Capital Finance Notes	Line (52.1) + (52.2)					
(53.1)	Other Schedule BA Assets	AVR Equity Component Column 1 Line 96					
(53.2)	Less NAIC 2 thru 6 Rated/Designated Surplus Notes and Capital Notes	Column (1) Lines (23) through (27) + Column (1) Lines (33) through (37)					
(53.3)	Net Other Schedule BA Assets	Line (53.1) less (53.2)			X	0.3000	=
(54)	Total Schedule BA Assets C-1o (pre-MODCO/Funds Withheld)	Lines (11) + (21) + (31) + (41) + (48.3) + (50)+ (52.3) + (53.3)					
(55)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(56)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
(57)	Total Schedule BA Assets C-1o (including MODCO/Funds Withheld.)	Lines (54) - (55) + (56)					
(58)	Total Schedule BA Assets Excluding Mortgages and Real Estate	Line (47) + (49.2) + (51) + (57)					

† Fixed income instruments and surplus notes designated by the NAIC Capital Markets and Investment Analysis Office or considered exempt from filing as specified in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* should be reported in Column (3).

‡ Column (2) is calculated as Column (1) less Column (3) for Lines (1) through (17). Column (2) equals Column (3) - Column (1) for Line (53.3).

§ The factor for Schedule BA publicly traded common stock should equal 30 percent adjusted up or down by the weighted average beta for the Schedule BA publicly traded common stock portfolio subject to a minimum of 22.5 percent and a maximum of 45 percent in the same manner that the similar 15.8 percent factor for Schedule BA publicly traded common stock in the Asset Valuation Reserve (AVR) calculation is adjusted up or down. The rules for calculating the beta adjustment are set forth in the AVR section of the annual statement instructions.

Denotes items that must be manually entered on the filing software.