

## Capital Adequacy (E) Task Force

### RBC Proposal Form

- |   |   |   |
|---|---|---|
| <input checked="" type="checkbox"/> Capital Adequacy (E) Task Force           | <input type="checkbox"/> Health RBC (E) Working Group     | <input type="checkbox"/> Life RBC (E) Working Group                         |
| <input type="checkbox"/> Catastrophe Risk (E) Subgroup                        | <input type="checkbox"/> Investment RBC (E) Working Group | <input type="checkbox"/> Longevity Risk (A/E) Subgroup                      |
| <input type="checkbox"/> Variable Annuities Capital. & Reserve (E/A) Subgroup | <input type="checkbox"/> P/C RBC (E) Working Group        | <input type="checkbox"/> RBC Investment Risk & Evaluation (E) Working Group |

<b>DATE:</b> <u>1/27/24</u>		<b>FOR NAIC USE ONLY</b>
<b>CONTACT PERSON:</b> <u>Eva Yeung</u>		Agenda Item # <u>2024-02-CA</u>
<b>TELEPHONE:</b> <u>816-783-8407</u>		Year <u>2024</u>
<b>EMAIL ADDRESS:</b> <u>eyeung@naic.org</u>		<b>DISPOSITION</b>
<b>ON BEHALF OF:</b> <u>P/C RBC (E) Working Group</u>		<b>ADOPTED:</b>
<b>NAME:</b> <u>Tom Botsko</u>		<input checked="" type="checkbox"/> TASK FORCE (TF) <u>04/30/2024</u>
<b>TITLE:</b> <u>Chair</u>		<input type="checkbox"/> WORKING GROUP (WF) _____
<b>AFFILIATION:</b> <u>Ohio Department of Insurance</u>		<input type="checkbox"/> SUBGROUP (SG) _____
<b>ADDRESS:</b> <u>50 West Town Street, Suite 300</u>		<b>EXPOSED:</b>
<u>Columbus, OH 43215</u>		<input checked="" type="checkbox"/> TASK Force(TF) <u>1/31/24, 3/17/24</u>
		<input type="checkbox"/> WORKING GROUP (WG) _____
		<input type="checkbox"/> SUBGROUP (SG) _____
		<b>REJECTED:</b>
		<input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____
		<b>OTHER:</b>
		<input type="checkbox"/> DEFERRED TO _____
		<input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____
		<input type="checkbox"/> (SPECIFY) _____

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

- |   |  |  |
|---|--|--|
| <input checked="" type="checkbox"/> Health RBC Blanks | <input checked="" type="checkbox"/> Property/Casualty RBC Blanks | <input type="checkbox"/> Life and Fraternal RBC Blanks       |
| <input type="checkbox"/> Health RBC Instructions      | <input type="checkbox"/> Property/Casualty RBC Instructions      | <input type="checkbox"/> Life and Fraternal RBC Instructions |
| <input type="checkbox"/> Health RBC Formula           | <input type="checkbox"/> Property/Casualty RBC Formula           | <input type="checkbox"/> Life and Fraternal RBC Formula      |
| <input type="checkbox"/> OTHER _____                  |  |  |

#### DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

This proposal adds a line in the Blanks; and updates the instruction on XR008 and PR008 to include the total of residual tranches. During the Spring National Meeting, the Task Force agreed to re-expose this proposal with a 45% charge for a 30-day public comment period.

#### Additional Staff Comments:

04-30-24 eky The Task Force adopted the Residual Tranches "Structure" only.

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

**Revised 2-2023**

# FIXED INCOME ASSETS - MISCELLANEOUS

	Annual Statement Source	(1) Bk/Adj Carrying Value	(2) Factor	RBC Requirement
(1) Cash	Page 2, Line 5, inside amount 1		0.0030	
(2) Cash Equivalents	Page 2, Line 5, inside amount 2			
(3) Less: Cash Equivalents, Total Bonds	Schedule E, Part 2, Column 7, Line 2509999999			
(4) Less: Exempt Money Market Mutual Funds as Identified by SVO	Schedule E, Part 2, Column 7, Line 8209999999			
(5) Net Cash Equivalents	Lines (2) - (3) - (4)		0.0030	
(6) Short-Term Investments	Page 2, Line 5, inside amount 3			
(7) Short-Term Bonds	Schedule DA, Part 1, Column 7, Line 2509999999			
(8) Total Other Short-Term Investments	Lines (6) - (7)		0.0030	
(9) Mortgage Loans - First Liens	Page 2, Column 3, Line 3.1		0.0500	
(10) Mortgage Loans - Other Than First Liens	Page 2, Column 3, Line 3.2		0.0500	
(11) Receivable for Securities	Page 2, Column 3, Line 9		0.0240	
(12) Aggregate Write-Ins for Invested Assets	Page 2, Column 3, Line 11		0.0500	
(13) Collateral Loans	Included in Page 2, Column 3, Line 8		0.0500	
(14) NAIC 01 Working Capital Finance Investments	Notes to Financial Statement 5M(01a), Column 3		0.0038	
(15) NAIC 02 Working Capital Finance Investments	Notes to Financial Statement 5M(01b), Column 3		0.0125	
(16) Other Long-Term Invested Assets Excluding Collateral Loans, <b>Residual Tranches or Interests</b> and Working Capital Finance Investments	Included in Page 2, Column 3, Line 8		0.2000	
(17) Federal Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, Column 12 Lines 3599999 + 3699999		0.0014	
(18) Federal Non-Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, Column 12 Lines 3799999 + 3899999		0.0260	
(19) State Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, Column 12 Lines 3999999 + 4099999		0.0014	
(20) State Non-Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, Column 12 Lines 4199999 + 4299999		0.0260	
(21) All Other Low Income Housing Tax Credits	Schedule BA Part 1, Column 12 Lines 4399999 + 4499999		0.1500	
<b>(22) Total Residual Tranches or Interests</b>	<b>Schedule BA, Part 1, Column 12 Lines 4699999 + 4799999 + 4899999 + 4999999 + 5099999 + 5199999 + 5299999 + 5399999 + 5499999 + 5599999 + 5699999 + 5799999</b>		<b>TBD</b>	
<b>(23)</b> Total Other Long-Term Invested Assets (Page 2, Column 3, Line 8)	Lines (13) + (14) + (15) + (16) + (17) + (18) + (19) + (20) + (21) + <b>(22)</b>			
<b>(24)</b> Derivatives	Page 2, Column 3, Line 7		0.0500	
<b>(25)</b> Total Miscellaneous Fixed Income Assets RBC	Lines (1) + (5) + (8) + (9) + (10) + (11) + (12) + <b>(23)</b> + <b>(24)</b>			

Denotes items that must be manually entered on filing software.


# CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE

		(1) RBC Amount
<b>H0 - INSURANCE AFFILIATES AND MISC. OTHER AMOUNTS</b>		
(1)	Off-Balance Sheet Items	XR005, Off-Balance Sheet Page, Line (21)
(2)	Directly Owned Health Insurance Companies or Health Entities	XR003, Affiliates Page, Column (2), Line (1)
(3)	Directly Owned Property and Casualty Insurance Affiliates	XR003, Affiliates Page, Column (2), Line (2)
(4)	Directly Owned Life Insurance Affiliates	XR003, Affiliates Page, Column (2), Line (3)
(5)	Indirectly Owned Health Insurance Companies or Health Entities	XR003, Affiliates Page, Column (2), Line (4)
(6)	Indirectly Owned Property and Casualty Insurance Affiliates	XR003, Affiliates Page, Column (2), Line (5)
(7)	Indirectly Owned Life Insurance Affiliates	XR003, Affiliates Page, Column (2), Line (6)
(8)	Affiliated Alien Insurers - Directly Owned	XR003, Affiliates Page, Column (2), Line (9) + (10) + (11)
(9)	Affiliated Alien Insurers - Indirectly Owned	XR003, Affiliates Page, Column (2), Line (12) + (13) + (14)
(10)	Total H0	Sum Lines (1) through (9)
<b>H1 - ASSET RISK - OTHER</b>		
(11)	Holding Company in Excess of Indirect Subs	XR003, Affiliates Page, Column (2), Line (7)
(12)	Investment Subsidiary	XR003, Affiliates Page, Column (2), Line (8)
(13)	Investment in Upstream Affiliate (Parent)	XR003, Affiliates Page, Column (2), Line (15)
(14)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	XR003, Affiliates Page, Column (2), Line (16)
(15)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	XR003, Affiliates Page, Column (2), Line (17)
(16)	Directly Owned Life Insurance Companies Not Subject to RBC	XR003, Affiliates Page, Column (2), Line (18)
(17)	Affiliated Non-Insurer	XR003, Affiliates Page, Column (2), Line (19) + (20) + (21)
(18)	Fixed Income Assets	XR006, Off-Balance Sheet Collateral, Lines (27) + (37) + (38) + (39) + XR007, Fixed Income Assets - Bonds, Line (27) + <b>XR008, Fixed Income Assets - Miscellaneous, Line (25)</b>
(19)	Replication & Mandatory Convertible Securities	XR009, Replication/MCS Page, Line (9999999)
(20)	Unaffiliated Preferred Stock	XR006, Off-Balance Sheet Collateral, Line (34) + XR010, Equity Assets Page, Line (7)
(21)	Unaffiliated Common Stock	XR006, Off-Balance Sheet Collateral, Line (35) + XR010, Equity Assets Page, Line (13)
(22)	Property & Equipment	XR006, Off-Balance Sheet Collateral, Line (36) + XR011, Prop/Equip Assets Page, Line (9)
(23)	Asset Concentration	XR012, Grand Total Asset Concentration Page, Line (27)
(24)	Total H1	Sum Lines (11) through (23)
<b>H2 - UNDERWRITING RISK</b>		
(25)	Net Underwriting Risk	XR013, Underwriting Risk Page, Line (21)
(26)	Other Underwriting Risk	XR015, Underwriting Risk Page, Line (25.3)
(27)	Disability Income	XR015, Underwriting Risk Page, Lines (26.3) + (27.3) + (28.3) + (29.3) + (30.6) + (31.3) + (32.3)
(28)	Long-Term Care	XR016, Underwriting Risk Page, Line (41)
(29)	Limited Benefit Plans	XR017, Underwriting Risk Page, Lines (42.2) + (43.6) + (44)
(30)	Premium Stabilization Reserve	XR017, Underwriting Risk Page, Line (45)
(31)	Total H2	Sum Lines (25) through (30)

Denotes items that must be manually entered on filing software.

## CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE

			(1) <u>RBC Amount</u>
<b>H3 - CREDIT RISK</b>			
(32)	Total Reinsurance RBC	XR020, Credit Risk Page, Line (17)	
(33)	Intermediaries Credit Risk RBC	XR020, Credit Risk Page, Line (24)	
(34)	Total Other Receivables RBC	XR021, Credit Risk Page, Line (30)	
(35)	Total H3	Sum Lines (32) through (34)	
<b>H4 - BUSINESS RISK</b>			
(36)	Administrative Expense RBC	XR022, Business Risk Page, Line (7)	
(37)	Non-Underwritten and Limited Risk Business RBC	XR022, Business Risk Page, Line (11)	
(38)	Premiums Subject to Guaranty Fund Assessments	XR022, Business Risk Page, Line (12)	
(39)	Excessive Growth RBC	XR022, Business Risk Page, Line (19)	
(40)	Total H4	Sum Lines (36) through (39)	
(41)	RBC after Covariance Before Basic Operational Risk	$H0 + \text{Square Root of } (H1^2 + H2^2 + H3^2 + H4^2)$	
(42)	Basic Operational Risk	0.030 x Line (41)	
(43)	C-4a of U.S. Life Insurance Subsidiaries	Company Records	
(44)	Net Basic Operational Risk	Line (42) - (43) (not less than zero)	
(45)	RBC After Covariance Including Basic Operational Risk	Lines (41) + (44)	
(46)	Authorized Control Level RBC	.50 x Line (45)	

 Denotes items that must be manually entered on filing software.

**OTHER LONG-TERM ASSETS PR008**

	Annual Statement Source	(1) <u>Book/Adjusted</u> <u>Carrying Value</u>	<u>Factor</u>	(2) <u>RBC Requirement</u>
(1) Company Occupied Real Estate	P2 L4.1 C3	0	0.100	0
(2) Encumbrances	P2 L4.1, inside item	0	0.100	0
(3) Property Held For the Production of Income	P2 L4.2 C3	0	0.100	0
(4) Property Held For Sale	P2 L4.3 C3	0	0.100	0
(5) Encumbrances (Property Held For the Production of Income)	P2 L4.2, inside item	0	0.100	0
(6) Encumbrances (Property Held For Sale)	P2 L4.3, inside item	0	0.100	0
(7) Total Real Estate	L(1)+L(2)+L(3)+L(4)+L(5)+L(6)	0		0
(8) Mortgage Loans - First Liens	P2 L3.1 C3	0	0.050	0
(9) Mortgage Loans - Other Than First Liens	P2 L3.2 C3	0	0.050	0
(10) Total Mortgage Loans	L(8) + L(9)	0		0
(11) Schedule BA Assets - Total	P2 L8 C3	0		
(12) Less: Collateral Loans	PR009 L(13)	0		
(13) Federal Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, C12 L3599999 +L3699999	0	0.0014	0
(14) Federal Non-Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, C12 L3799999 +L3899999	0	0.0260	0
(15) State Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, C12 L3999999 +L4099999	0	0.0014	0
(16) State Non-Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, C12 L4199999 +L4299999	0	0.0260	0
(17) All Other Low Income Housing Tax Credits	Schedule BA Part 1, C12 L4399999 +L4499999	0	0.1500	0
(18) Working Capital Finance Investments	L(21)+L(22)	0		
(19) <b>Total Residual Tranches or Interests</b>	<b>Schedule BA, Part 1, Column 12 Lines 4699999 + 4799999 + 4899999 + 4999999 + 5099999 + 5199999 + 5299999 + 5399999 + 5499999 + 5599999 + 5699999 + 5799999</b>		<b>TBD</b>	
(20) Schedule BA Assets Excluding Collateral Loans, LIHTC, &-WCFI, & <b>Residual Tranches or Interests</b>	L(11)-L(12)-L(13)-L(14)-L(15) -L(16)-L(17)-L(18)-L(19)	0	0.2000	0
(21) NAIC 01 Working Capital Finance Investments	Notes to Financial Statement Item L5M(01a) C3	0	0.0038	0
(22) NAIC 02 Working Capital Finance Investments	Notes to Financial Statement Item L5M(01b) C3	0	0.0125	0
(23) Total Other Long-Term Assets	L(7)+L(10)+L(13)+L(14)+L(15) +L(16)+L(17)+L(19)+L(20)+L(21)+L(22)	0		0

Calculation of Total Risk-Based Capital After Covariance PR030 R0-R1

(1)

R0 - Subsidiary Insurance Companies and Misc. Other Amounts		PRBC O&I Reference	RBC Amount
(1)	Directly Owned Property and Casualty Insurance Affiliates	PR004 L(2)C(2)	0
(2)	Indirectly Owned Property and Casualty Insurance Affiliates	PR004 L(5)C(2)	0
(3)	Directly Owned Life Insurance Affiliates	PR004 L(3)C(2)	0
(4)	Indirectly Owned Life Insurance Affiliates	PR004 L(6)C(2)	0
(5)	Directly Owned Health Insurance Companies or Health Entities	PR004 L(1)C(2)	0
(6)	Indirectly Owned Health Insurance Companies or Health Entities	PR004 L(4)C(2)	0
(7)	Directly Owned Alien Insurance Companies or Health Entities	PR004 L(9)+L(10)+L(11)C(2)	0
(8)	Indirectly Owned Alien Insurance Companies or Health Entities	PR004 L(12)+L(13)+L(14)C(2)	0
(9)	Misc Off-Balance Sheet - Non-controlled Assets	PR014 L(15) C(3)	0
(10)	Misc Off-Balance Sheet - Guarantees for Affiliates	PR014 L(16) C(3)	0
(11)	Misc Off-Balance Sheet - Contingent Liabilities	PR014 L(17) C(3)	0
(12)	Misc Off-Balance Sheet - SSAP No.101 Par. 11A DTA	PR014 L(19) C(3)	0
(13)	Misc Off-Balance Sheet - SSAP No.101 Par. 11B DTA	PR014 L(20) C(3)	0
(14)	Total R0	L(1)+L(2)+L(3)+L(4)+L(5)+L(6)+L(7)+L(8)+L(9)+L(10)+L(11)+L(12)+L(13)	0
<b>R1 - Asset Risk - Fixed Income</b>			
(15)	Bonds Subject to Size Factor	PR006 L(27)C(5)	0
(16)	Bond Size Factor RBC	PR006 L(30)C(5)	0
(17)	Off-balance Sheet Collateral & Sch DL, PT1 - Total Bonds	PR015 L(27)C(4)	0
(18)	Off-balance Sheet Collateral & Sch DL, PT1 - Cash, & Short-Term Investments and Mort Loans on Real Est.	PR015 L(38)+(39)C(4)	0
(19)	Other Long-Term Assets - Mortgage Loans, LIHTC, & WCFI, & Residual Tranches or Interests	PR008 L(10)+L(13)+L(14)+L(15)+L(16)+L(17)+L(19)+L(21)+L(22)C(2)	0
(20)	Misc Assets - Collateral Loans	PR009 L(13)C(2)	0
(21)	Misc Assets - Cash	PR009 L(3)C(2)	0
(22)	Misc Assets - Cash Equivalents	PR009 L(7)C(2)	0
(23)	Misc Assets - Other Short-Term Investments	PR009 L(10)C(2)	0
(24)	Replication - Synthetic Asset: One Half	PR010 L(9999999)C(7)	0
(25)	Asset Concentration RBC - Fixed Income	PR011 L(21)C(3) Grand Total Page	0
(26)	Total R1	L(15)+L(16)+L(17)+L(18)+L(19)+L(20)+L(21)+L(22)+L(23)+L(24)+L(25)	0