

Date: 01/21/20

Joint Conference Call

**PROPERTY AND CASUALTY RISK-BASED CAPITAL (E) WORKING GROUP
AND CATASTROPHE RISK (E) SUBGROUP**

**Monday, February 3, 2020
2:00 – 3:00 p.m. CT**

ROLL CALL

Property and Casualty Risk-Based Capital (E) Working Group

Tom Botsko/Dale Bruggeman, Chair	Ohio	Anna Krylova	New Mexico
Richard Ford	Alabama	Gloria Huberman/Sak-man Luk	New York
Mitchell Bronson	Colorado	Will Davis	South Carolina
Wanchin Chou	Connecticut	Miriam Fisk	Texas
Robert Ridenour	Florida	Randy Milquet	Wisconsin
Judy Mottar	Illinois		

NAIC Support Staff: Eva Yeung

Catastrophe Risk (E) Subgroup

Tom Botsko/Dale Bruggeman, Chair	Ohio	Gordon Hay	Nebraska
Robert Ridenour, Vice Chair	Florida	Anna Krylova	New Mexico
Susan Bernard	California	Sak-man Luk	New York
Mitchell Bronson	Colorado	Andrew Schallhorn	Oklahoma
Wanchin Chou	Connecticut	Will Davis	South Carolina
Judy Mottar	Illinois	Nicole Elliott/Miriam Fisk	Texas

NAIC Support Staff: Eva Yeung

AGENDA

1. Consider Adoption of Catastrophe Risk (E) Subgroup 2019 Fall National Meeting Minutes
—*Tom Botsko/Dale Bruggeman (OH)* Attachment A
2. Consider Adoption of Property and Casualty Risk-Based Capital (E) Working Group 2019 Fall National Meeting Minutes—*Tom Botsko/Dale Bruggeman (OH)* Attachment B
3. Consider Adoption of Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup E-vote Minutes—*Tom Botsko/Dale Bruggeman (OH)* Attachment C
4. Consider Adoption of Proposal 2018-19-P (Vulnerable 6 or Unrated Risk Charge)
—*Tom Botsko/Dale Bruggeman (OH)* Attachment D
 - a. Comment from Reinsurance Association of America (RAA) —*Scott Williamson (RAA)*
 - b. Comment from American Property Casualty Insurance Association (APCIA) —*Steve Broadie (APCIA)*
5. Discuss Referrals from the Statutory Accounting Principles (E) Working Group—*Dale Bruggeman (OH)* Attachment E
 - a. Ref # 2019-49: Retroactive Reinsurance Exception
 - b. Ref # 2019-40: Reporting of Installment Fees and Expenses
6. Discuss Any Other Matters Brought Before the Working Group and Subgroup—*Tom Botsko/Dale Bruggeman (OH)*
 - a. Time Changed for the Catastrophe Risk (E) Subgroup Spring Meeting
March 20, 2020 10:30a.m. – 12:00p.m.
7. Adjournment

w:\qa\rbc\prbc\2020\calls and meetings\joint call\2_3\joint prbcwg catrisksg agenda.docx

This page intentionally left blank.

Draft: 12/7/19

Catastrophe Risk (E) Subgroup
Austin, Texas
December 6, 2019

The Catastrophe Risk (E) Subgroup of the Property and Casualty Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met in Austin, TX, Dec. 6, 2019. The following Subgroup members participated: Tom Botsko, Chair (OH); Virginia Christy, Vice Chair (FL); Rolf Kaumann (CO); Wanchin Chou and Qing He (CT); Judy Mottar (IL); Anna Krylova (NM); Andy Schallhorn (OK); Joe Cregan (SC); and Miriam Fisk (TX). Also participating was: Phil Vigliaturo (MN).

1. Adopted its Nov. 8 Minutes

Mr. Botsko said the Catastrophe Risk (E) Subgroup met via conference call Nov. 8, 2019, in joint session with the Property and Casualty Risk-Based Capital (E) Working Group and took the following action: 1) adopted the Catastrophe Risk (E) Subgroup's Summer National Meeting minutes; 2) adopted the Property and Casualty Risk-Based Capital (E) Working Group's Summer National Meeting minutes; 3) adopted proposal 2019-11-P, which clarifies the instruction regarding Lloyd's of London and the 2019 reporting guideline; 4) adopted proposal 2019-12-P, which removes the PR038 adjustment for reinsurance penalty; 5) exposed the 2019 catastrophe event lists; 6) heard updates from the American Academy of Actuaries (Academy) on reviewing the underwriting risk components; 7) discussed the appropriate factor of unrated uncollateralized recoverables; and 8) discussed the factor of using aggregate exceedance probability AEP basis versus occurrence exceedance probability (OEP) basis.

Mr. Chou made a motion, seconded by Mr. Schallhorn, to adopt the Subgroup's Nov. 8 minutes (*see NAIC Proceedings – Fall 2019, Capital Adequacy (E) Task Force, Attachment **Four-B***). The motion passed unanimously.

2. Adopted Proposal 2019-14-CR (2019 Catastrophe Event Lists)

Mr. Botsko said, in order to avoid double-counting the catastrophe losses in the risk-based capital (RBC) formula, the U.S. and non-U.S. catastrophe event lists provide a routine annual update for those catastrophe events that should be excluded from the R5 calculation. He stated that the Subgroup exposed the list during the Nov. 8 conference call; no comments were received during the exposure period. Mr. Botsko also indicated that any additional events that occur between Nov. 1 and Dec. 31 will be exposed during the first week of January 2020. The Subgroup will either schedule a conference call or conduct an e-vote to consider adoption of the updated list.

Mr. Kaumann made a motion, seconded by Mr. Chou, to adopt proposal 2019-14-CR (2019 Catastrophe Event Lists). The motion passed unanimously.

3. Heard Presentations from the Academy on Wildfires and the ACI

Jeri Xu (Academy) said wildfires in California in 2017 and 2018 were among the largest and most costly on record. However, modeling of wildfire risk is very complex; acceptance and use of wildfire models by insurers and regulators is limited. She recommended the Subgroup: 1) study detailed claims from recent events to improve understanding of wildfire losses; 2) increase stakeholders' confidence in wildfire modeling by increasing the transparency of model assumptions; and 3) establish generally accepted modeling standards for wildfire model review.

Steve Jackson (Academy) said the Actuaries Climate Index (ACI) is an educational tool providing information about weather trends in the U.S. and Canada. It covers rainfall, temperature, dry spells, wind speed and sea level. He stated that the increase in average winter values is one factor driving the ACI's five-year moving average to new highs.

Mr. Botsko encouraged interested parties to review the materials the Academy provided and share their comments during an upcoming conference call.

Draft Pending Adoption

Attachment A
Attachment –
Capital Adequacy (E) Task Force
12/8/19

4. Discussed the Factor of Using AEP Basis vs. OEP Basis

Mr. Botsko said, based on the Risk Management Solutions (RMS) presentation at the Summer National Meeting, the factors to adjust OEP to AEP depend on: 1) peril; 2) geographic scope; 3) portfolio composition; and 4) insurance structure.

Mr. Botsko asked all interested parties to think about this issue and provide thoughts to the Subgroup during an upcoming conference call.

5. Discussed Modeling of Projected Losses

Mr. Botsko said, based on the RBC instructions, the projected losses can be modeled using: 1) one of the five approved third-party commercial vendor catastrophe models; or 2) any internal models that have been granted permission by the domestic or lead state insurance regulators. He stated that recently, more and more commercial vendors have informed the Subgroup on the process to become one of the approved vendors.

Mr. Botsko asked all interested parties to think about the potential approaches and provide thoughts to the Subgroup during an upcoming conference call.

Having no further business, the Catastrophe Risk (E) Subgroup adjourned.

W:\National Meetings\2019\Fall\TF\CapAdequacy\PCRBC\Att01_12_06propertycatsg.doc

Draft: 12/11/19

Property and Casualty Risk-Based Capital (E) Working Group
Austin, Texas
December 8, 2019

The Property and Casualty Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met in Austin, TX, Dec. 8, 2019. The following Working Group members participated: Tom Botsko, Chair (OH); Sheila Travis (AL); Eric Unger (CO); Wanchin Chou (CT); Virginia Christy (FL); Judy Mottar (IL); Anna Krylova (NM); Lee Hill (SC); Miriam Fisk (TX); and Randy Milquet (WI). Also participating were: Patrick McNaughton and Steve Drutz (WA).

1. Adopted its Nov. 8 Minutes

Mr. Botsko said the Property and Casualty Risk-Based Capital (E) Working Group met Nov. 8 in joint session with the Catastrophe Risk (E) Subgroup and took the following action: 1) adopted the Catastrophe Risk (E) Subgroup's Summer National Meeting minutes; 2) adopted the Property and Casualty Risk-Based Capital (E) Working Group's Summer National Meeting minutes; 3) adopted proposal 2019-11-P, which clarifies instructions regarding Lloyd's of London and the 2019 reporting guideline; 4) adopted proposal 2019-12-P, which removes PR038 adjustment for reinsurance penalty; 5) exposed the 2019 catastrophe event lists; 6) heard updates from the American Academy of Actuaries (Academy) on reviewing the underwriting risk components; 7) discussed the appropriate factor of unrated uncollateralized recoverables; and 8) discussed the factor of using aggregate exceedance probability (AEP) basis vs. occurrence exceedance probability (OEP) basis.

Mr. Chou made a motion, seconded by Ms. Mottar, to adopt the Working Group's Nov. 8 minutes (*see NAIC Proceedings – Fall 2019, Capital Adequacy (E) Task Force, Attachment **Four-B***). The motion passed unanimously.

2. Adopted the Report of the Catastrophe Risk (E) Subgroup

Mr. Botsko said the Catastrophe Risk (E) Subgroup met Dec. 6 and took the following action: 1) adopted its Nov. 8 minutes; 2) adopted proposal 2019-14-CR (2019 Catastrophe Event Lists); 3) heard presentations from the Academy on: a) "Wildfire: Lessons Learned from the 2017-2018 Events"; and b) the Actuaries Climate Index (ACI); and 3) discussed the possibility of allowing additional third-party commercial vendor models.

Ms. Mottar made a motion, seconded by Ms. Travis, to adopt the report of the Catastrophe Risk (E) Subgroup (Attachment **Six-xx**). The motion passed unanimously.

3. Exposed Proposal 2018-19-P (Vulnerable 6 or Unrated Risk Charge)

Mr. Botsko said the purpose of this proposal is to modify the instruction to reflect the factors for all uncollateralized reinsurance recoverable from unrated reinsurers be the same for authorized, unauthorized, certified and reciprocal reinsurance. He stated that the current 14% factors for uncollateralized reinsurance recoverable was based on Standard & Poor's 500 index (S&P 500) asset risk factors for reinsurance credit risk plus a margin of 3% for other than credit risk. Also, the analysis that the Working Group members performed earlier that confirmed that the factor changed between 10–30% would be minimally effective with respect to risk-based capital (RBC) action level changes for filers. Mr. Botsko recommended that the Working Group consider using the 14% in 2020 reporting. Then, the data will be re-evaluated annually until reaching any agreed upon change to the factor. Ralph Blanchard (Travelers) commented that unrated reinsurers should not be grouped with vulnerable companies.

The Working Group agreed to expose proposal 2018-19-P for a 45-day public comment period ending Jan. 21.

4. Discussed the 2020 P/C RBC Working Agenda

Mr. Botsko summarized the changes to the 2020 Property/Casualty (P/C) RBC working agenda: 1) removed "evaluate the proposed changes from the Investment Risk-Based Capital WG related to Bond changes in the P/C formula" in the new items section; and 2) added "evaluate the possibility of using the NAIC as centralized location for reinsurer designations" and "evaluate the possibility of allowing additional third-party models to calculate the catastrophe model losses" in the carry-over items and new items sections, respectively.

Mr. Milquet made a motion, seconded by Mr. Chou, to agree to forward the 2020 P/C RBC working agenda to the Capital Adequacy (E) Task Force for consideration. The motion passed unanimously.

5. Discussed the Possibility of Using the NAIC as a Centralized Location for Reinsurer Designations

Mr. Botsko said based on the previous 2018 credit risk analysis, the Working Group identified a large amount of possible reporting errors on Schedule F, Part 3, such as incorrectly filed by: 1) wrongful categories; 2) pool status; and 3) overstated/understated reinsurer financial strength ratings. He stated that one of the possible solutions is using the NAIC as a centralized location for reinsurer designations. However, prioritization of the technology resources and obtaining the approval funds will be the biggest hurdle of this project. Mr. Botsko anticipated that it will move faster if the industry is willing to assist with the funding portion. Mr. Blanchard suggested that any such effort should focus on reinsurers with material volumes in Schedule F, Part 3, as this would reduce the cost. Mr. Milquet commented that one of the options is to integrate the jumpstart report to validate whether the items reported in the Schedule F are correct. Scott Williamson (Reinsurance Association of America—RAA) said analysis indicated that many reinsurer designations reported in the Annual Statement Schedule F were understated. Using the NAIC as a centralized location will benefit the industry, as this will potentially reduce the R3 charges. He also stated regarding the issue of the resources and cost of this project, that he anticipated that it should be a straightforward process; and it should not be taking a long time to implement it. Mr. Blanchard suggested that any effort should focus on reinsurers with material volumes in Schedule F, as this would reduce the cost. He also stated that reinsurers with small volumes below \$100,000 are not significant, so it may not have an impact. Mr. Botsko asked all the interested parties to consider: 1) whether building a centralized location for reinsurer designations will be a benefit to both state insurance regulators and the industry; and 2) the possibility of funding the project from the industry.

6. Discussed the Possible Treatment of the R3 Related to the Runoff and Captive Companies

Mr. Botsko said during the previous call and meeting, some companies asked the Working Group to consider different R3 treatment for run-off and captive companies. Mr. Blanchard said that there are two types of runoff companies; vulnerable runoff and others. As for captives, he believed that most of the balances are collateralized, so they should not create any RBC issues. Mr. Williamson thought that identifying the run-off companies will be the biggest challenge for this issue. Mr. Botsko asked all the interested parties to consider what the appropriate charges are for these groups of companies and provide thoughts to the Working Group during the upcoming conference call.

7. Discussed Other Matters

Mr. Botsko said the Mortgage Guaranty Insurance (E) Working Group is currently working with the consultant on the testing and finalization of a proposed risk-based mortgage guaranty capital model for monoline mortgage guaranty insurers. The Working Group will closely monitor the model development and discuss any potential impact to the P/C RBC formula.

Mr. Botsko also said the Restructuring Mechanisms (E) Subgroup is considering the need to make changes to the P/C RBC formula to better assess the minimum surplus requirements for companies in runoff. He stated that the Working Group will work closely with the Subgroup to address this issue.

Having no further business, the Property and Casualty Risk-Based Capital (E) Working Group adjourned.

W:\National Meetings\2019\Fall\TF\CapAdequacy\PCRBC\Att01_12_8propertyrbwg.doc

Draft: 1/24/20

Property and Casualty Risk-Based Capital (E) Working Group and Catastrophe Risk (E) Subgroup
E-Vote
January 22, 2020

The Property and Casualty Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force conducted an e-vote with the Catastrophe Risk (E) Subgroup of the Property and Casualty Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force that concluded Jan. 22, 2020. The following Working Group members participated: Tom Botsko, Chair (OH); Mitchell Bronson (CO); Wanchin Chou (CT); Robert Ridenour (FL); Judy Mottar (IL); Anna Krylova (NM); Sak-man Luk (NY); Will Davis (SC); Miriam Fisk (TX); and Randy Milquet (WI). The following Subgroup members participated: Tom Botsko, Chair (OH); Robert Ridenour, Vice Chair (FL); Mitchell Bronson (CO); Wanchin Chou (CT); Judy Mottar (IL); Anna Krylova (NM); Sak-man Luk (NY); Andrew Schallhorn (OK); Will Davis (SC); and Miriam Fisk (TX).

1. Adopted the Updated 2019 U.S. and Non-U.S. Catastrophe Risk Event Lists

The Working Group and the Subgroup conducted an e-vote to consider adoption of the updated 2019 U.S. and non-U.S. catastrophe risk event lists.

Mr. Bronson made a motion, seconded by Mr. Schallhorn, to adopt the lists. The motion passed unanimously.

Having no further business, the Property and Casualty Risk-Based Capital (E) Working Group and the Catastrophe Risk (E) Subgroup adjourned.

W:\National Meetings\2020\Spring\TF\CapAdequacy\PCRBC\Att01_01-22propertycatsg.doc

This page intentionally left blank.

Capital Adequacy (E) Task Force

RBC Proposal Form

- | | | |
|---|---|--|
| <input type="checkbox"/> Capital Adequacy (E) Task Force | <input type="checkbox"/> Health RBC (E) Working Group | <input type="checkbox"/> Life RBC (E) Working Group |
| <input checked="" type="checkbox"/> Catastrophe Risk (E) Subgroup | <input type="checkbox"/> Investment RBC (E) Working Group | <input type="checkbox"/> Op Risk RBC (E) Subgroup |
| <input type="checkbox"/> C3 Phase II/ AG43 (E/A) Subgroup | <input type="checkbox"/> P/C RBC (E) Working Group | <input type="checkbox"/> Stress Testing (E) Subgroup |

DATE: <u>11/8/2019</u>	<u>FOR NAIC USE ONLY</u>
CONTACT PERSON: <u>Eva Yeung</u>	Agenda Item # <u>2019-14-CR</u>
TELEPHONE: <u>816-783-8407</u>	Year <u>2019</u>
EMAIL ADDRESS: <u>eyeung@naic.org</u>	<u>DISPOSITION</u>
ON BEHALF OF: <u>Catastrophe Risk (E) Subgroup</u>	<input checked="" type="checkbox"/> ADOPTED <u>12/8/19</u>
NAME: <u>Tom Botsko</u>	<input type="checkbox"/> REJECTED _____
TITLE: <u>Chair</u>	<input type="checkbox"/> DEFERRED TO _____
AFFILIATION: <u>Ohio Department of Insurance</u>	<input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____
ADDRESS: <u>50 West Town Street, Suite 300</u>	<input checked="" type="checkbox"/> EXPOSED <u>11/8/19 / 1/7/20</u>
<u>Columbus, OH 43215</u>	<input type="checkbox"/> OTHER (SPECIFY) _____

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

- | | | |
|---|---|--|
| <input type="checkbox"/> Health RBC Blanks | <input type="checkbox"/> Property/Casualty RBC Blanks | <input type="checkbox"/> Life RBC Instructions |
| <input type="checkbox"/> Fraternal RBC Blanks | <input type="checkbox"/> Health RBC Instructions | <input type="checkbox"/> Property/Casualty RBC Instructions |
| <input type="checkbox"/> Life RBC Blanks | <input type="checkbox"/> Fraternal RBC Instructions | <input checked="" type="checkbox"/> OTHER <u>Cat Event Lists</u> |

DESCRIPTION OF CHANGE(S)

2019 U.S. and non-U.S. Catastrophe Event Lists

REASON OR JUSTIFICATION FOR CHANGE **

New events were determined based on the sources from Swiss Re and Aon Benfield.

Additional Staff Comments:

11/8/19 The Catastrophe Risk SG exposed the proposal for 14 days public comment period ending 11/24/19.
 12/6/19 The Catastrophe Risk SG adopted the lists. For any additional events that occur between 11/1 and 12/31, the SG will either schedule a call or conduct an email vote to adopt the updated list.
 12/8/19 The PCRBC WG adopted the lists. For any additional events that occur between 11/1 and 12/31, the SG will either schedule a call or conduct an email vote to adopt the updated list.
 1/7/20 The Catastrophe Risk SG exposed the additional events for 14 days public comment period ending 1/21/20. One earthquake event was added to the non-U.S. Catastrophe Event Lists.

** This section must be completed on all forms.

Revised 11-2013

This page intentionally left blank.

U.S. List of Catastrophes for Use in Reporting catastrophe Data in PR037 and PR100+

Attachment C

Type of Event	Name	Date	Location	Overall losses when occurred
Tropical Storm	Hermine	2010		\$ 120,000,000
Hurricane	Earl	2010		\$ 45,000,000
Hurricane	Irene	2011		\$ 4,300,000,000
Tropical Storm	Lee	2011		\$ 315,000,000
Hurricane	Sandy	2012		\$ 50,000,000,000
Hurricane	Isaac	2012		\$ 970,000,000
Tropical Storm	Debby	2012		\$ 105,000,000
Earthquake		2014	California	25+ million
Hurricane	Patricia	2015		25+ million
Hurricane	Joaquin	2015		25+ million
Hurricane	Matthew	2016	Florida, North Carolina, South Carolina, Georgia and Virginia	\$ 2,698,400,000
Hurricane	Hermine	2016	Florida, North Carolina, South Carolina, Georgia and Virginia	\$ 245,640,000
Hurricane	Harvey	2017	Texas, Louisiana	25+ million
Hurricane	Jose	2017	East Coast of the United States	25+ million
Hurricane	Irma	2017	Eastern United States	25+ million
Hurricane	Maria	2017	Southeastern United States, Mid-Atlantic States	25+ million
Hurricane	Nate	2017	Louisiana, Mississippi, Alabama, Tennessee and Eastern United States	25+ million
Tropical Storm	Alberto	2018	Southeast, Midwest	25+ million
Hurricane	Lane	2018	Hawaii	25+ million
Tropical Storm	Gordon	2018	Southeast, Gulf coast of the United States, Arkansas and Missouri	25+ million
Hurricane	Florence	2018	Southeast, Mid-Atlantic	25+ million
Hurricane	Michael	2018	Southeastern and East Coasts of United States	25+ million
Hurricane	Dorian	2019	Southeast, Mid-Atlantic	500+ million
Hurricane	Barry	2019	Southeast, Midwest, Northeast	300+ million

Non U.S. List of Catastrophes For Use in Reporting Catastrophe Data in PR037 and PR100+

Attachment C

Year	Event Type	Begin	End	Event	Country	Affected Area (Detail)	Munich Re NatCATService Insured losses (in original values, US\$m) Criteria: insured losses equal/greater US\$ 25m. Tries to reflect non-US losses only	Swiss Re Sigma: Insured Loss Est. US\$m (mid point shown if range given) Mostly reflect total US and nonUS losses combined.	
2010	Earthquake	04/09/2010	04/09/2010	Earthquake	New Zealand	Canterbury, Christchurch, Avonside, Omih, Timaru, Kaiapoi, Lyttelton	5000	4450	
2010	Earthquake	04/04/2010	04/04/2010	Earthquake	Mexico	Baja California, Mexicali, Tijuana, Calexico	300	300	
2010	Earthquake	27/02/2010	27/02/2010	Earthquake	Chile	Bió Bió, Concepción, Talcahuano, Coronel, Dichato, Chillán; Del Maule, Talca, Curicó, Constitucion, Caleta Duro, Iloca, Pelluhue, Parral; Metropolitana, Santiago; Valparaíso, Putaendo; La Araucanía, Angol, Temuco; Del General Libertador Bernado Ohiggins, Rancagua, Angol; Juan Fernandez Islands	8000	8000	
2011	Tropical Cyclone	20/09/2011	22/09/2011	Typhoon Roke (Onyok), floods			1200	1210	
2011	Tropical Cyclone	22/08/2011	02/09/2011	Hurricane Irene		CT; Bridgeport; DC; Washington; DE; Lewes; FL; MA; Boston; MD, Ocean City; ME; NC, New Bern; NH; NJ, Atlantic City; NY, New York City; PA, Philadelphia; RI, Bristol, Charlestown, Narragansett, South Kingstown, Westerly; SC; VA; VT; Montpelier, Wardsboro; Munich re losses are non-US losses	300	5300	
2011	Earthquake	13/06/2011	13/06/2011	Earthquake	New Zealand	South Island, Canterbury, Christchurch, Lyttelton	800	2000	
2011	Earthquake	11/03/2011	11/03/2011	Earthquake	Japan	Honshu, Aomori, Tohoku; Miyagi, Sendai; Fukushima, Mito; Ibaraki; Tochigi, Utsunomiya; Iwate, Morioka; Yamagata, Chiba; Tokyo	35000	35000	
2011	Tropical Cyclone	09/02/2011	09/03/2011	Tropical Storm Talas			N/A	470	
2011	Earthquake	22/02/2011	22/02/2011	Earthquake	New Zealand	South Island, Canterbury, Christchurch, Lyttelton	13000	12000	
2011	Tropical Cyclone	02/02/2011	07/02/2011	Cyclone Yasi		Queensland, Tully, Townsville, Mission Beach, Cardwell, Giru, Ingham, Innisfail, Cassowary Coast Shire, Cairns, Bedarra and Dunk islands	1430	1360	

Non U.S. List of Catastrophes For Use in Reporting Catastrophe Data in PR037 and PR100+

Attachment C

Year	Event Type	Begin	End	Event	Country	Affected Area (Detail)	Munich Re NatCAT Service Insured losses (in original values, US\$m) Criteria: insured losses equal/greater US\$ 25m. Tries to reflect non-US losses only	Swiss Re Sigma: Insured Loss Est. US\$m (mid point shown if range given) Mostly reflect total US and nonUS losses combined.	
2012	Earthquake	29/05/2012	29/05/2012	Earthquake	Italy	Emilia-Romagna, San Felice del Panaro, Cavezzo, Rovereto di Novi, Carpi, Concordia, Bologna, Mailand, Aosta Valley, Venice, Mirandola	1600	N/A	
2013	Tropical Cyclone	08/11/2013	12/11/2013	Typhoon Haiyan		Phillippines, Vietnam, China	700	N/A	
2014	Earthquake	07/07/2014		Earthquake	Mexico, Guatemala		N/A	N/A	25+milion
2014	Earthquake	04/01/14		Earthquake	Chile		N/A	N/A	100+milion
2014	Earthquake	12/02/2014		Earthquake	China		N/A	N/A	350+milion
2014	Earthquake	05/04/2014		Earthquake	China		N/A	N/A	80+milion
2014	Earthquake	05/05/2014		Earthquake	Thailand		N/A	N/A	62+milion
2014	Earthquake	05/24/14		Earthquake	China		N/A	N/A	60+milion
2014	Tropical Storm	06/14/14	06/16/14	TS Hagibis	China		N/A	N/A	131+milion
2014	Super Typhoon	07/08/14	07/11/14	STY Neoguri	Japan		N/A	N/A	100+milion
2014	Super Typhoon	07/15/14	07/20/14	STY Rammasun		Phillippines, China, Vietnam	N/A	N/A	570+milion
2014	Typhoon	07/22/14	07/24/14	TY Matmo		Taiwan, China, Phillipines	N/A	N/A	570+milion
2014	Cyclone	01/10/14	01/12/14	CY Ian	Tonga		N/A	N/A	48+milion
2014	Cyclone	04/10/14	04/14/14	CY Ita	Australia		N/A	N/A	1+billion
2015	Hurricane	08/16/92	08/28/92	Hurrican Andrew	Bahamas	United States, Bahamas			> 25 million
2015	Hurricane	10/20/15	10/24/15	Hurricane Patricia		Central America, Mexco and Texas	N/A	N/A	> 25 million
2015	Typhoon	06/26/15	07/13/15	Typhoon Chan-hom (Falcon)		Guam, Northern Mariana Islands, Phillipines, Japan, Taiwan, Chian, Korea, Russian Far East	N/A	N/A	> 25 million
2015	Severe Tropical Storm	07/01/15	07/10/15	Severe Tropical Storm Linfa (Egay)		Phillippines, Taiwan, China	N/A	N/A	> 25 million
2015	Typhoon	07/02/15	07/18/15	Typhoon Nangka		Marshall Islands, Mariana Islands and Japan	N/A	N/A	> 25 million
2015	Typhoon	07/29/15	08/12/15	Typhoon Soudelor (Hanna)		Mariana Islands, Japan, Phillipines, Taiwan, Eastern China and South Korea	N/A	N/A	> 25 million
2015	Typhoon	08/13/15	08/30/15	Typhoon Goni (Ineng)		Mariana Islands, Japan, Phillipines, Taiwan, China, Russia and Korea	N/A	N/A	> 25 million
2015	Severe Tropical Storm	09/06/15	09/11/15	Severe Tropical Storm Etau		Japan, Russian Far East	N/A	N/A	> 25 million
2015	Typhoon	09/19/15	09/30/15	Typhoon Djuan (Jenny)		Ryukyu Islands, Taiwan, East China	N/A	N/A	> 25 million
2015	Typhoon	09/30/15	10/05/15	Typhoon Mujigae (Kabayan)		Phillippines, Vietnam and China	N/A	N/A	> 25 million
2015	Typhoon	10/12/15	10/21/15	Typhoon Koppu (Lando)		Northern Mariana Islands, Phillipines, Taiwan, Ryukyu Islands	N/A	N/A	> 25 million

Non U.S. List of Catastrophes For Use in Reporting Catastrophe Data in PR037 and PR100+

Attachment C

2015	Typhoon	12/03/15	12/08/15	Storm Desmond		Ireland, Isle of Man, United Kingdom, Iceland, Norway and Sweden	N/A	N/A	> 25 million
2015	Hurricane	09/28/15	10/15/15	Hurricane Joaquin		Turks and Caicos Islands, the bahamas, Cuba, Haiti, Southeastern United States, Bermuda, Azores, Iberian Peninsula	N/A	N/A	> 25 million
2015	Earthquake	04/27/15		Earthquake	Nepal		N/A	N/A	> 25 million
2015	Earthquake	09/22/15		Earthquake	Chile		N/A	N/A	> 25 million
2016	Hurricane	09/28/15	10/10/16	Hurricane Matthew		Lesser Antilles, Leeward, Antilles, Venezuela, Columbia, Jamaica, Hispaniola, Cuba, Lucayan, Archipelago, eastern Canada	N/A	N/A	> 25 million
2016	Hurricane	08/28/16	09/06/16	Hurricane Hermine		Dominican Republic, Cuba, The Bahamas	N/A	N/A	> 25 million
2016	Tropical Cyclone	02/16/16	02/22/16	TC Winston		South Pacific Islands	N/A	N/A	> 25 million
2016	Earthquake	02/06/16		Earthquake	Taiwan	Asia	N/A	N/A	> 25 million
2016	Earthquake	01/03/16		Kaohsiung EQ	India, Bangladesh, Myanmar	Asia	N/A	N/A	> 25 million
2016	Earthquake	02/14/16		Christchurch EQ	New Zealand	Oceania	N/A	N/A	> 25 million
2016	Earthquake	04/14/16	04/16/16	Kumamoto EQs	Japan	Asia	N/A	N/A	> 25 million
2016	Earthquake	04/16/16		Ecuador EQ	Ecuador	South America	N/A	N/A	> 25 million
2016	Tropical Cyclone	05/14/16	05/23/16	CY Roanu	Sri Lanka, india, Bangladesh, China	Asia	N/A	N/A	> 25 million
2016	Earthquake	08/24/16		Italy EQ	Italy	Europe	N/A	N/A	> 25 million
2016	Tropical Cyclone	09/14/16	09/16/16	STY Meranti	China, Taiwan, Philippines	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	07/08/16	07/12/16	STY Npartak	China, Taiwan	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	09/26/16	09/29/16	TY Megi	Taiwan, China	Asia	N/A	N/A	> 25 million
2016	Earthquake	09/10/16		Kagera EQ	Tanzania, Uganda	Africa	N/A	N/A	> 25 million
2016	Tropical Cyclone	08/29/16	09/01/16	TY Lionrock	China, Japan, South Korea	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	09/19/16	09/22/16	TY Malakas	Japan, China	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	08/18/16	08/20/16	TS Dianmu	China, Vietnam	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	07/31/16	08/03/16	TY Nidia	China, Phillipines Vietnam	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	08/02/16	08/10/16	HU Earl	Belize, Mexico, Carribbean Islands	North America (non-U.S.)	N/A	N/A	> 25 million
2016	Tropical Cyclone	08/22/16	08/23/16	TS Mindulle	Japan	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	09/06/16	09/08/16	HU Newton	Mexico	North America (non-U.S.)	N/A	N/A	> 25 million

Non U.S. List of Catastrophes For Use in Reporting Catastrophe Data in PR037 and PR100+

Attachment C

2016	Tropical Cyclone	10/04/16	10/07/16	STY Chaba	Japan, Korea	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	10/16/16	10/22/16	STY Haima	Phillipines, China	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	10/14/16	10/20/16	TY Sarika	Phillipines, China, Vietnam	Asia	N/A	N/A	> 25 million
2016	Earthquake	10/26/16		Central Italy EQ	Italy	Europe	N/A	N/A	> 25 million
2016	Earthquake	10/27/16		Central Italy EQ	Italy	Europe	N/A	N/A	> 25 million
2016	Earthquake	10/21/16		Tottori	Japan	Asia	N/A	N/A	> 25 million
2016	Hurricane	09/28/15	10/10/16	Hurricane Matthew		Lesser Antilles, Leeward, Antilles, Venezuela, Columbia, Jamaica, Hispaniola, Cuba, Lucayan, Archipelago, eastern Canada	N/A	N/A	> 25 million
2016	Hurricane	08/28/16	09/06/16	Hurricane Hermine		Dominican Republic, Cuba, The Bahamas	N/A	N/A	> 25 million
2017	Earthquake	01/18/17		Earthquake	Italy	Europe	N/A	N/A	> 25 million
2017	Earthquake	01/28/17		Earthquake	China	Asia	N/A	N/A	> 25 million
2017	Earthquake	02/10/17		Earthquake	Philippines	Asia	N/A	N/A	> 25 million
2017	Earthquake	03/27/17		Earthquake	China	Asia	N/A	N/A	> 25 million
2017	Cyclone	03/28/17	04/05/17	CY Debbie	Australia	Queensland, New South Wales, New Zealand	N/A	N/A	> 25 million
2017	Earthquake	05/11/17		Earthquake	China	Asia	N/A	N/A	> 25 million
2017	Typhoon	07/29/17	07/31/17	TY Nesat & TS Haitang	China, Taiwan, Philippines	Asia	N/A	N/A	> 25 million
2017	Typhoon	08/07/17	08/09/17	Typhoon Noru	Japan	Asia	N/A	N/A	> 25 million
2017	Earthquake	08/08/17		Earthquake	China	Asia	N/A	N/A	> 25 million
2017	Typhoon	08/23/17	08/24/17	TY Hato	China	Macau, Hong Kong	N/A	N/A	> 25 million
2017	Typhoon	08/25/17	08/28/17	TY Pakhar	China	Asia	N/A	N/A	> 25 million
2017	Hurricane	08/25/17	09/02/17	Hurricane Harvey		Windward Islands, Suriname, Guyana, Nicaragua, Honduras, Belize, Cayman Island, Yucatan Peninsula,	N/A	N/A	> 25 million
2017	Hurricane	08/30/17	09/16/17	Hurricane Irma		Cape Verde, Leeward Islands, Greater Antilles, Turks and Caicos Islands, The Bahamas	N/A	N/A	> 25 million
2017	Hurricane	09/05/17	09/26/17	Hurricane Jose		Leeward Islands, Bahamas, Bermuda, Nova Scotia	N/A	N/A	> 25 million
2017	Hurricane	09/16/17	10/03/17	Hurricane Maria		Lesser Antilles, Puerto Rico, Dominican Republic, Haiti, Turks and Caico Islands, The Bahamas, Ireland, United Kingdom, France and Spain	N/A	N/A	> 25 million
2017	Earthquake	09/07/17		Earthquake		Mexico, Guatemala	N/A	N/A	> 25 million
2017	Earthquake	09/19/17		Earthquake	Mexico	Mexico City	>200	N/A	> 25 million
2017	Hurricane	10/04/17		Hurricane Nate		Central America, Cayman Islands, Cuba Yucatan Peninsula	N/A	N/A	> 25 million
2018	Earthquake	02/06/18		Earthquake	Taiwan				> 25 million
2018	Earthquake	02/16/18		Earthquake	Mexico				> 25 million
2018	Cyclone	02/09/18	02/20/18	CY Gita	Tonga, Fiji, Samoa, New Zealand				> 25 million
2018	Earthquake	02/26/18		Earthquake	Papua New Guinea				> 25 million

Non U.S. List of Catastrophes For Use in Reporting Catastrophe Data in PR037 and PR100+

Attachment C

2018	Earthquake	03/05/18		Earthquake	Papua New Guinea				> 25 million
2018	Cyclone	03/17/18		CY Marcus					> 25 million
2018	Tropical Storm	05/23/18	05/27/18	Tropical Storm Mekunu	Yamen, Oman , Saudi Arabia				> 25 million
2018	Tropical Storm	06/02/18	06/07/18	Tropical Storm Ewiniar	Vietnam, China, Taiwan, Philippines and Ryukyu Islands	Guangdong Province, Jiangxi, Fujian, Zhejiang Provinces, and Hainan Island.			> 25 million
2018	Earthquake	06/18/18		Earthquake	Japan				> 25 million
2018	Super Typhoon	07/10/18	07/12/18	STY Maria	China, Taiwan, Guam and Japan	Fujian province, Yantze River Basin, Japan's Ryukyu Islands			> 25 million
2018	Tropical Storm	07/17/18	07/24/18	TS Sonh-Tinh	Vietnam, China, Loas	Japan, Russian Far East			> 25 million
2018	Tropical Storm	07/22/18	07/25/15	TS Ampil	China	Jiangsu, Zhejiang, Shandong, and Hebei			> 25 million
2018	Typhoon	07/27/18	08/03/18	TY Jongdari	Japan, China				> 25 million
2018	Earthquake	08/05/15	08/09/18	Earthquake	Indonesia				> 25 million
2018	Tropical Storm	08/09/18	08/15/18	TS Yagi	Philippines, China	Zhejiang, Anhui, Jiangsu and Shandong Provinces.			> 25 million
2018	Tropical Storm	08/13/18	08/19/18	TS Bebinca	China	Hong Kong, Guangdong and Hainan			> 25 million
2018	Typhoon	08/16/18	08/18/18	TY Rumbia	China	Shanghai, Jiangsu, Zhehiang, Anhui, Shandong and Henan			> 25 million
2018	Typhoon	08/23/18	08/25/18	TY Soulik	Japan, South Korea, China and Russia	Haenam County, South Jeolla Province			> 25 million
2018	Typhoon	09/04/18	09/05/18	RY Jebi	Japan, Mariana Islands, Taiwan, Japan, Russian Far East and Artic				> 25 million
2018	Earthquake	09/06/18		Earthquake	Japan	Hokkaido			> 25 million
2018	Super Typhoon	09/15/18	0918/18	STY Mangkhut	N. Mariana Islands, Philippines, China and Hong Kong				> 25 million
2018	Hurricane	Leslie	09/23/18	Hurricane Leslie	Azores, Bermuda, Europe	Azores, Bermuda, Madeira, Iberian Peninsula, France			> 25 million
2018	Hurricane	10/07/18	10/16/18	Hurricane Michael	Central American, Yucatan Peninsula, Cayman Islands, Cuba, Atlantic, Canad				> 25 million
2019	Cyclone	05/03/19	05/05/19	Cyclone Fani	India, Bangladesh				>500 million
2019	Earthquake	06/17/19		Earthquake	China				> 25 million
2019	Tropical Storm	08/01/19	08/08/19	Tropical Storm Wipha	China, Vietnam				> 25 million
2019	Typhoon	08/09/19	08/11/19	Typhoon Lekima	China				> 855 million
2019	Typhoon	08/15/19	08/16/19	Typhoon Krosa	Japan				>25 million

Non U.S. List of Catastrophes For Use in Reporting Catastrophe Data in PR037 and PR100+

Attachment C

2019	Hurricane	08/31/19	09/07/19	Hurricane Dorian	Caribbean, Bahamas, Canada				>1 billion
2019	Typhoon	09/05/19	09/08/19	Typhoon Lingling	Japan, China, Korea				>5.78 billion
2019	Typhoon	09/08/19	09/09/19	Typhoon Faxai	Japan				> 7 billion
2019	Hurricane	09/19/19	09/22/19	Hurricane Humberto	Bermuda				>25+ million
2019	Hurricane	09/17/19	09/26/19	Hurricane Lorenzo	Portugal				>25+ million
2019	Earthquake	11/26/19		Earthquake	Albania				>25+ million
2019	Cyclone	11/08/19	11/11/19	Cyclone Matmo (Bulbul)	India, Bangladesh				>25+ million
2019	Typhoon	10/01/19	10/02/19	Typhoon Hagibis	Japan				> 7 billion
2019	Earthquake	12/18/19		Earthquake	Philippines				>25+ million

Source: Munich Re's NAT CAT Service, Swiss Re Sigma and Aon Benfield

This page intentionally left blank.

Capital Adequacy (E) Task Force

RBC Proposal Form

- | | | |
|---|---|--|
| <input 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"/> Operational Risk (E) Subgroup |
| <input type="checkbox"/> C3 Phase II/ AG43 (E/A) Subgroup | <input checked="" type="checkbox"/> P/C RBC (E) Working Group | <input type="checkbox"/> Stress Testing (E) Subgroup |

DATE: <u>12/3/2018</u>	<u>FOR NAIC USE ONLY</u>
CONTACT PERSON: <u>Eva Yeung</u>	Agenda Item # <u>2018-19-P</u>
TELEPHONE: <u>816-783-8407</u>	Year <u>2020</u>
EMAIL ADDRESS: <u>eyeung@naic.org</u>	<u>DISPOSITION</u>
ON BEHALF OF: <u>P/C RBC WG</u>	<input type="checkbox"/> ADOPTED _____
NAME: <u>Tom Botsko</u>	<input type="checkbox"/> REJECTED _____
TITLE: <u>Chair</u>	<input type="checkbox"/> DEFERRED TO _____
AFFILIATION: <u>Ohio Department of Insurance</u>	<input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____
ADDRESS: <u>50 W. Town Street, Third Floor – Suite 300</u>	<input type="checkbox"/> EXPOSED _____
<u>Columbus, OH 43215</u>	<input type="checkbox"/> OTHER (SPECIFY) _____

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

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

DESCRIPTION OF CHANGE(S)

Modify the instruction to reflect the factors for all uncollateralized reinsurance recoverable from unrated reinsurers be the same for authorized, unauthorized, certified, and reciprocal reinsurance.

REASON OR JUSTIFICATION FOR CHANGE **

1. The factor for reinsurance recoverable from uncollateralized, unrated reinsurers is being updated to move towards a charge that is more aligned with risk-indicated factors used by the ratings agencies.
2. With respect to the broader implementation of the Covered Agreement, the PCRBC WG identified the need to eliminate the different treatment of uncollateralized reinsurance recoverable from authorized versus unauthorized, unrated reinsurers.

Additional Staff Comments:

** This section must be completed on all forms.

Revised 11-2013

This page intentionally left blank.

PR012 - Credit Risk for Receivables

Reinsurance Recoverables

Detail Eliminated To Conserve Space

For the purpose of the credit risk-based capital charge, the equivalent rating category assigned will correspond to current financial strength rating received from an approved rating agency as outlined in the table below. Ratings shall be based on interactive communication between the rating agency and the assuming insurer and shall not be based solely on publicly available information. If the reinsurer ~~is unauthorized and~~ does not have at least one financial strength rating, it should be assigned the “Vulnerable 6 or Unrated ~~Unauthorized~~” equivalent rating. ~~If the reinsurer is authorized and does not have at least one financial strength rating, it should be assigned the “Unrated Authorized Reinsurers” equivalent rating.~~ Amounts recoverable from unrated voluntary pools should be assigned the “Secure 3” equivalent rating. An authorized association including incorporated and individual unincorporated underwriters or a member thereof may utilize the lowest financial strength group rating received from an approved rating agency. The table below shows the R3 reinsurer equivalent rating categories and corresponding factors for A.M. Best, Standard and Poor’s, Moody’s and Fitch ratings.

Reinsurer Designation Equivalent Rating Category and Corresponding Factors—For RBC R3 Credit Risk Charge							
Description	Secure 1	Secure 2	Secure 3	Secure 4	Secure 5	Vulnerable 6 or Unauthorized Unrated	Unrated Authorized Reinsurers
Best	A++	A+	A	A-	B++, B+	B, B-, C++, C+, C, C-, D, E, F	-----
S&P	AAA	AA+, AA-, AA	A+, A	A-	BBB+, BBB, BBB-	BB+, BB, BB-, B+, B, B-, CCC, CC, C, D, R	-----
Moody's	Aaa	Aa1, Aa2, Aa3	A1, A2	A3	Baa1, Baa2, Baa3	Ba1, Ba2, Ba3, B1, B2, B3, Caa, Ca, C	-----
Fitch	AAA	AA+, AA-, AA	A+, A	A-	BBB+, BBB, BBB-	BB+, BB, BB-, B+, B, B-, CCC, CC, C, D, R	-----
Collateralized Amounts Factors	3.6%	4.1%	4.8%	5.0%	5.0%	5.0%	5.0%
Uncollateralized Amounts Factors	3.6%	4.1%	4.8%	5.3%	7.1%	14.0% 14%	10.0%

Detail Eliminated To Conserve Space

This page intentionally left blank.

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

<p style="text-align: right; margin-right: 50px;">DATE: <u>12/3/18</u></p> <p>CONTACT PERSON: <u>Eva Yeung</u></p> <p>TELEPHONE: <u>816-783-8407</u></p> <p>EMAIL ADDRESS: <u>eyeung@naic.org</u></p> <p>ON BEHALF OF: <u>P/C RBC WG</u></p> <p>NAME: <u>Tom Botsko</u></p> <p>TITLE: <u>Chair</u></p> <p>AFFILIATION: <u>Ohio Department of Insurance</u></p> <p>ADDRESS: <u>50 W. Town Street, Third Floor – Suite 300</u> <u>Columbus, OH 43215</u></p>	<table border="1" style="width: 100%; border-collapse: collapse;"> <tr> <th colspan="2" style="text-align: center; padding: 2px;">FOR NAIC USE ONLY</th> </tr> <tr> <td style="padding: 2px;">Agenda Item # _____</td> <td style="padding: 2px;">Year <u>2020</u></td> </tr> <tr> <td style="padding: 2px;">Changes to Existing Reporting <input checked="" type="checkbox"/> [X]</td> <td style="padding: 2px;">New Reporting Requirement <input type="checkbox"/> []</td> </tr> <tr> <th colspan="2" style="text-align: center; padding: 2px;">REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</th> </tr> <tr> <td style="padding: 2px;">No Impact <input checked="" type="checkbox"/> [X]</td> <td style="padding: 2px;">Modifies Required Disclosure <input type="checkbox"/> []</td> </tr> <tr> <th colspan="2" style="text-align: center; padding: 2px;">DISPOSITION</th> </tr> <tr> <td style="padding: 2px;"><input type="checkbox"/> []</td> <td style="padding: 2px;">Rejected For Public Comment</td> </tr> <tr> <td style="padding: 2px;"><input type="checkbox"/> []</td> <td style="padding: 2px;">Referred To Another NAIC Group</td> </tr> <tr> <td style="padding: 2px;"><input type="checkbox"/> []</td> <td style="padding: 2px;">Received For Public Comment</td> </tr> <tr> <td style="padding: 2px;"><input type="checkbox"/> []</td> <td style="padding: 2px;">Adopted Date _____</td> </tr> <tr> <td style="padding: 2px;"><input type="checkbox"/> []</td> <td style="padding: 2px;">Rejected Date _____</td> </tr> <tr> <td style="padding: 2px;"><input type="checkbox"/> []</td> <td style="padding: 2px;">Deferred Date _____</td> </tr> <tr> <td style="padding: 2px;"><input type="checkbox"/> []</td> <td style="padding: 2px;">Other (Specify) _____</td> </tr> </table>	FOR NAIC USE ONLY		Agenda Item # _____	Year <u>2020</u>	Changes to Existing Reporting <input checked="" type="checkbox"/> [X]	New Reporting Requirement <input type="checkbox"/> []	REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT		No Impact <input checked="" type="checkbox"/> [X]	Modifies Required Disclosure <input type="checkbox"/> []	DISPOSITION		<input type="checkbox"/> []	Rejected For Public Comment	<input type="checkbox"/> []	Referred To Another NAIC Group	<input type="checkbox"/> []	Received For Public Comment	<input type="checkbox"/> []	Adopted Date _____	<input type="checkbox"/> []	Rejected Date _____	<input type="checkbox"/> []	Deferred Date _____	<input type="checkbox"/> []	Other (Specify) _____
FOR NAIC USE ONLY																											
Agenda Item # _____	Year <u>2020</u>																										
Changes to Existing Reporting <input checked="" type="checkbox"/> [X]	New Reporting Requirement <input type="checkbox"/> []																										
REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT																											
No Impact <input checked="" type="checkbox"/> [X]	Modifies Required Disclosure <input type="checkbox"/> []																										
DISPOSITION																											
<input type="checkbox"/> []	Rejected For Public Comment																										
<input type="checkbox"/> []	Referred To Another NAIC Group																										
<input type="checkbox"/> []	Received For Public Comment																										
<input type="checkbox"/> []	Adopted Date _____																										
<input type="checkbox"/> []	Rejected Date _____																										
<input type="checkbox"/> []	Deferred Date _____																										
<input type="checkbox"/> []	Other (Specify) _____																										

BLANK(S) TO WHICH PROPOSAL APPLIES

- | | | |
|--|--|--|
| <input checked="" type="checkbox"/> [X] ANNUAL STATEMENT | <input checked="" type="checkbox"/> [X] INSTRUCTIONS | <input type="checkbox"/> [] CROSSCHECKS |
| <input type="checkbox"/> [] QUARTERLY STATEMENT | <input type="checkbox"/> [] BLANK | |
| <input type="checkbox"/> [] Life, Accident & Health/Fraternal | <input type="checkbox"/> [] Separate Accounts | <input type="checkbox"/> [] Title |
| <input checked="" type="checkbox"/> [X] Property/Casualty | <input type="checkbox"/> [] Protected Cell | <input type="checkbox"/> [] Other _____ |
| <input type="checkbox"/> [] Health | <input type="checkbox"/> [] Health (Life Supplement) | |

Anticipated Effective Date: Annual 2020

IDENTIFICATION OF ITEM(S) TO CHANGE

Modify the Annual Statement Instructions to reflect the factors for all uncollateralized reinsurance recoverable from unrated reinsurers be the same for authorized, unauthorized, certified, and reciprocal reinsurance.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

1. The factor for reinsurance recoverable from uncollateralized, unrated reinsurers is being updated by PCRBC WG to move towards a charge that is more aligned with risk-indicated factors used by the ratings agencies.
2. With respect to the broader implementation of the Covered Agreement, the PCRBC WG identified the need to eliminate the different treatment of uncollateralized reinsurance recoverable from authorized versus unauthorized, unrated reinsurers.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

** This section must be completed on all forms.

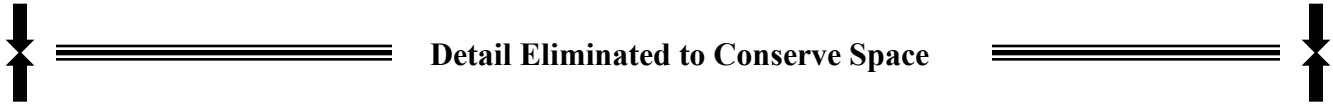
Revised 7/18/2018

This page intentionally left blank.

ANNUAL STATEMENT INSTRUCTIONS – PROPERTY

SCHEDULE F – PART 3

CEDED REINSURANCE
AS OF DECEMBER 31, CURRENT YEAR



Detail Eliminated to Conserve Space

Column 34 – Reinsurer Designation Equivalent

Following is a listing of the valid codes.

1	2	3	4	5	6	7
---	---	---	---	---	---	---

Utilize the table below and report a reinsurer designation equivalent code of 1 through 6 (where 6 represented vulnerable 6 or unrated) ~~or 7 (for unrated authorized reinsurers)~~. The equivalent designation category assigned will correspond to a current financial strength rating received from an approved rating agency as outlined in the table below. Ratings shall be based on interactive communication between the rating agency and the assuming insurer and shall not be based solely on publicly available information. If the reinsurer ~~is unauthorized and~~ does not have at least one financial strength rating, it should be assigned the “Vulnerable 6 or Unrated ~~Unauthorized~~ Reinsurers” equivalent rating. ~~If the reinsurer is authorized and does not have at least one financial strength rating, it should be assigned the “Unrated Authorized Reinsurers” equivalent rating.~~ Amounts recoverable from unrated voluntary pools should be assigned the “reinsurer equivalent code of 3.” An authorized association including incorporated and individual unincorporated underwriters or a member thereof may utilize the lowest financial strength group rating received from an approved rating agency.

Reinsurer Designation Equivalent Category							
Code	1	2	3	4	5	6	7
Description	Secure 1	Secure 2	Secure 3	Secure 4	Secure 5	Vulnerable 6 or Unrated Unauthorized Reinsurers	Unrated Authorized Reinsurers
Best	A++	A+	A	A-	B++, B+	B, B-, C++, C+, C, C-, D, E, F
S&P	AAA	AA+, AA, AA-	A+, A	A-	BBB+, BBB, BBB-	BB+, BB, BB-, B+, B, B-, CCC, CC, C, D, R
Moody's	Aaa	Aa1, Aa2, Aa3	A1, A2	A3	Baa1, Baa2, Baa3	Ba1, Ba2, Ba3, B1, B2, B3, Caa, Ca, C
Fitch	AAA	AA+, AA, AA-	A+, A	A-	BBB+, BBB, BBB-	BB+, BB, BB-, B+, B, B-, CCC, CC, C, D, R

Column 35 – Credit Risk on Collateralized Recoverables

Following is a table of factors applicable to the respective reinsurer designation equivalent categories in Column 34

Code	1	2	3	4	5	6	7
Factor	3.6%	4.1%	4.8%	5.0%	5.0%	5.0%	5.0%

Column 36 – Credit Risk on Uncollateralized Recoverables

Following is a table of factors applicable to the respective reinsurer designation equivalent categories in Column 34

Code	1	2	3	4	5	6	7
Factor	3.6%	4.1%	4.8%	5.3%	7.1%	14.0% 14.0%	10.0%


Detail Eliminated to Conserve Space


W:\QA\BlanksProposals\Proposals In Progress\Schedule F Part 3 RBC Change\Schedule_F_Part_3_RBC_Related_Proposal.doc

January 9, 2020

Mr. Tom Botsko, Chair—P&C RBC Working Group, NAIC
Thomas.Botsko@insurance.ohio.gov; cc: Eyeung@NAIC.org

Comments on 2018-19-P

Dear Chairman Botsko:

RAA supports the changes proposed in 2018-19-P and the associated Blanks Agenda Item.

We agree that it is necessary to discontinue the NAIC-7 Reinsurer Designation Equivalent category that applies to authorized, vulnerable & unrated reinsurance amounts recoverable. Instead, all uncollateralized vulnerable & unrated reinsurance amounts recoverable should be assigned to the NAIC-6 category without regard to authorization status. This treatment is consistent with the terms of the Bilateral Agreement Between the United States of America and the European Union on Prudential Measures Regarding Insurance and Reinsurance” (Covered Agreement).

2018-19-P also proposes to apply the current “uncapped” 0.14 factor to all uncollateralized, vulnerable & unrated reinsurance amounts recoverable in the NAIC-6 category without regard to authorization status. As we understand it, the 0.14 factor is being applied initially with the expectation that the Working Group will consider moving, over time, towards a charge that is more aligned with risk-indicated factors used by the rating agencies. We think this is a measured and reasonable approach, and we welcome the opportunity to engage in the discussion concerning any future changes to this factor; which may be indicated by historical credit risk experience.

Interested Parties have commented that there are a variety of recoverable balances that are included in the NAIC-6 category, which are placed with both unrated reinsurers and reinsurers with vulnerable ratings ranging from BB+ to D and R (on an S&P scale for example). Further, certain reinsurers such as captives and run-off reinsurers; may not obtain financial strength ratings because they are not always necessary for these business models. We think the Working Group should consider these issues when determining future changes to the NAIC-6 category factor. It may be appropriate to apply more than one factor to differently situated reinsurers within this ratings category.

Finally, we think that as the Working Group considers future changes to the NAIC-6 category factor, it may be prudent to review all the factors (NAIC 1 through 6) to reflect the most recent credit default experience and consistency with reinsurance recoverable credit risk factors in use by the rating agency capital models. As part of that review, the Working Group should consider lowering the cushion or margin for Operational Risk that is embedded in the Credit Risk factors, since RBC now includes an explicit Operational Risk capital add-on charge of 3%.

Thank you for the opportunity to submit these comments.

Sincerely,



Stephen W. Broadie
Vice President, Financial & Counsel

January 21, 2020

Ms. Eva Yeung
RBC Technical Lead/Reporting Analyst
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Proposal 2018-19-P (Vulnerable 6 or Unrated Risk Charge)

Dear Ms. Yeung:

The American Property Casualty Insurance Association (APCIA) appreciates the opportunity to comment to the Property and Casualty Risk-Based Capital (E) Working Group on the proposal referenced above. Representing nearly 60 percent of the U.S. property casualty insurance market, APCIA promotes and protects the viability of private competition for the benefit of consumers and insurers. APCIA represents the broadest cross-section of home, auto, and business insurers of any national trade association. APCIA members represent all sizes, structures, and regions, which protect families, communities, and businesses in the U.S. and across the globe.

We have concerns with the proposed exposure draft, as we believe that it inappropriately combines two groups with inherently different risk characteristics. We recommend an alternative approach to comply with the new Covered Agreement requirements. That approach would be to retain the current seven categories for the RBC R3 Credit Risk charge, with the last two categories being:

- Vulnerable 6
- Unrated (whether authorized, unauthorized, certified or reciprocal)

Such an approach would minimize changes to the structure of the current formula and would allow for future flexibility.

ANALYSIS

The current R3 reinsurance credit risk factors vary based on the reinsurer's rating where it exists, but with unrated reinsurers split into different groups depending on whether they are authorized or unauthorized. The current unrated unauthorized reinsurance balances are combined with the lowest rated reinsurers (Vulnerable 6 – below investment grade) while the unrated authorized reinsurance balances are in a separate category. The proposal is to combine all unrated balances with Vulnerable 6 (below investment grade) balances.

The unrated category includes several material reinsurers currently in runoff that have faithfully paid their obligations for multiple years and that are subject to well-respected solvency regulation (e.g., that in the U.K. and the U.S.). The balances ceded to those reinsurers do not belong with other balances from below-investment grade counterparties. There may be some portion of the unrated category that does belong with the Vulnerable 6 category, but a material portion does not share the same risks as a below investment grade balance.

If the unrated balances are combined with the below investment grade balances, then this creates a change to the RBC structure (going from 7 categories to 6). If in the future the NAIC wished to break out the unrated balances for runoff entities subject to strong solvency regulation, that would require a change in the RBC structure, and would require obtaining information not directly easily identifiable from the new Schedule F categorizations being proposed. If instead the NAIC combined all the unrated reinsurers into a separate category, it would simplify any future analysis of such counterparties, including the portion of the unrated category coming from runoff entities subject to strong solvency regulation.

This alternative proposal would not slow down the compliance with the Covered Agreement, and for the near term the risk factors for the 6th and 7th categories could be the same. Once the NAIC has researched further the risks of the unrated category, more appropriate risk factors could be determined. It should even be possible for the NAIC in the future to reclassify some of the unrated category to the Vulnerable 6 category (e.g., if the counterparty is not from an entity covered by suitable strong solvency regulation), and doing so would not result in a need to change the RBC formula structure.

An additional consideration is that the transition of a strongly rated counterparty to an unrated counterparty (due to the decision of a group to place one of its entity in runoff) is not under the control of the cedant, and may not signify any change in the credit risk. The proposal being exposed would unfairly and inappropriately penalize the cedant for such a change (a change that is outside of its control, and may not indicate any change in credit risk), while the alternative proposal recommended here would avoid such an unfair treatment.

Thank you for considering our comments. If you have any questions or would like to discuss this further, please contact Steve Broadie at steve.broadie@apci.org or 847.553.3606.

Sincerely,

A handwritten signature in black ink that reads "Stephen W. Broadie". The signature is written in a cursive style with a large initial "S" and "B".

Stephen W. Broadie
Vice President, Financial & Counsel

This page intentionally left blank.

TO: Phil Vigliaturo, chair representative of Steve Kelley, Chair, (MN), of the Casualty Actuarial and Statistical (C) Task Force
Tom Botsko, (OH), Chair of the Property and Casualty Risk Based Capital Working Group

FROM: Dale Bruggeman (OH), Chair of the Statutory Accounting Principles (E) Working Group

DATE: January 7, 2020

RE: Ref #2019-49: Retroactive Reinsurance Exception

This referral has been provided to notify the Casualty Actuarial and Statistical (C) Task Force of a current Statutory Accounting Principles (E) Working Group agenda item to allow for ongoing coordination. This agenda item is to address a request from the Committee on Property and Liability Financial Reporting (COPLFR) of the American Academy of Actuaries Working Group. The request, which was also received by the Task Force, was to clarify the accounting and reporting for retroactive reinsurance which meets the *SSAP No. 62R—Property and Casualty Reinsurance* exceptions to be accounted for as prospective reinsurance. The comment deadline for the public exposure is January 31, 2020, but the Working Group is primarily notifying the Task Force of the project and requesting volunteers.

During the 2019 Fall National Meeting, the Statutory Accounting Principles (E) Working Group exposed agenda item 2019-49: Retroactive Reinsurance Exception which includes a request for comments and for industry and regulator volunteers to assist with developing guidance. The goal is to clarify both the accounting and reporting for retroactive contracts which are accounted for prospectively, including:

- Both the ceding entity and assuming entity, where both are members of the same group and are consolidated in the same Combined Annual Statement.
- The reporting method to be used if the ceding entity and assuming entity are not in the same group.

Comments are specially requested regarding the preferred approaches to reporting and the advantages and disadvantages to each approach being used, including both the Schedule P (and related loss analysis) and risk-based capital impacts.

Because the items under discussion can have impact on information reported in Schedule P, the Working Group directed notification of the exposure to seek your input. Please contact, Robin Marcotte, NAIC staff Rmarcotte@naic.org of the Statutory Accounting Principles (E) Working Group with any questions or volunteers.

Cc: Julie Gann, Robin Marcotte, Fatima Sediqzad, Jake Stultz, Jim Pinegar, Kris DeFrain, Eva Yeung; Jane Barr

G:\FRS\DATA\Stat Acctg\1. Statutory\E. Referrals\2019\2019-49 SAPWG to Castf perbc.doc



TO: Phil Vigliaturo, chair representative of Steve Kelley, Chair, (MN), of the Casualty Actuarial and Statistical (C) Task Force
Tom Botsko, Chair, (OH) Property and Casualty Risk-Based Capital (E) Working Group

FROM: Dale Bruggeman (OH), Chair of the Statutory Accounting Principles (E) Working Group

DATE: January 7, 2020

RE: Ref #2019-40: Reporting of Installment Fees and Expenses

This referral has been provided to notify the Casualty Actuarial and Statistical (C) Task Force and the Property and Casualty Risk-Based Capital (E) Working Group of a current Statutory Accounting Principles (E) Working Group exposure to allow for comments. The comment deadline for the public exposure is January 31, 2020, but the Working Group can provide additional time if needed.

During the 2019 Fall National Meeting, the Statutory Accounting Principles (E) Working Group exposed agenda item 2019-40: Reporting of Installment Fees and Expenses. The exposure included a minor clarification noting that the current installment fee guidance in *SSAP No. 53—Property and Casualty Contracts - Premium*, which allows installment fees which meet the criteria to be excluded from premium and reported as other income, is to be narrowly applied. This clarification is being added because the Working Group was made aware of some writers (particularly non-standard writers) who were attempting to use the language to exclude a material portion of fees from premium.

In addition, the Working Group requested input on whether to develop guidance that allows for different reporting on related installment fee expenses. Both the exposed language and the questions for exposure are excerpted on the following pages.

Because the items under discussion can have impact on the loss ratios and information reported in Schedule P, the Working Group directed notification of the exposure to seek your input. Please contact NAIC staff of the Statutory Accounting Principles (E) Working Group with any questions.

Cc: Julie Gann, Robin Marcotte, Fatima Sediqzad, Jake Stultz, Jim Pinegar, Kris DeFrain, Eva Yeung; Jane Barr

G:\FRS\DATA\Stat Acctg\1. Statutory\E. Referrals\2019\2019-40 SAPWG to Castf -PCRBC.doc

EXECUTIVE OFFICE • 444 North Capitol Street NW, Suite 700 • Washington, DC 20001-1509	p 202 471 3990	f 816 460 7493
CENTRAL OFFICE • 1100 Walnut Street, Suite 1500 • Kansas City, MO 64106-2197	p 816 842 3600	f 816 783 8175
CAPITAL MARKETS & INVESTMENT ANALYSIS OFFICE • One New York Plaza, Suite 4210 • New York, NY 10004	p 212 398 9000	f 212 382 4207

www.naic.org

Appendix

Issue 1 - Exposed the following revisions to the existing footnote in SSAP No. 53:

6. Written premiums for all other contracts shall be recorded as of the effective date of the contract. Upon recording written premium, a liability, the unearned premium reserve, shall be established to reflect the amount of premium for the portion of the insurance coverage that has not yet expired. Flat fee service charges on installment premiums¹ (fees charged to policyholders who pay premiums on an installment basis rather than in full at inception of contract) are reported in the Other Income section of the Underwriting and Investment Exhibit as Finance and Service Charges. Flat fee service charges on installment premiums, which do not meet the requirements outlined in **footnote 1** (e.g., policy may be cancelled for non-payment of fee or fee is refundable), shall be recorded as written premium on the effective date of the contract and subject to the unearned premium guidelines included in paragraph 8.

¹ If the policyholder elects to pay an installment rather than the full amount or the full remaining balance, the policyholder is traditionally charged a flat fee service charge on the subsequent billing cycle(s). The amount charged is primarily intended to compensate the insurer for the additional administrative costs associated with processing more frequent billings and has no relationship to the amount of insurance coverage provided, the period of coverage, or the lost investment income associated with receiving the premium over a period of time rather than in a lump sum. As described, there is no underwriting risk associated with this service charge. If a policyholder does not pay the service charge, the policy is not cancelled (unlike non-payment of premium), but instead the policy is converted back to an annual pay plan. If a policyholder cancels coverage, the premium is returned but the service charge is not, as the service charge is not a part of premium. [Note that this footnote on flat fee service charges on installment premium is intentionally narrow and specific and this guidance should not be applied to other fees or service charges.](#) Clarification [reporting of installment fees in finance and service charges as other income should not be construed as having any bearing on whether such charges are subject to premium taxation, which remains an issue of state law and regulation.](#)

Deleted: of

Issue 2 – Exposed a request for regarding if incurred installment fee expenses should be allowed to be reported in other expenses?**As background note the following:**

- SSAP No. 53 allows for installment fee income that meets specified criteria to be excluded from premium and reported as other income with finance and service charges, however it does not separately address the related installment fee expenses incurred by the reporting entity.
- The annual statement instructions provide that the expenses that are most commonly associated with installment expense such as postage printing and stationery are reported in underwriting expenses. These expenses and their related revenue are typically immaterial for most property and casualty products but are material for some nonstandard product writers. Having a mismatch between underwriting revenue / underwriting expenses and other revenue / other expenses can affect a reporting entity's combined ratio as the combined ratio considers the losses, loss adjusting expenses and underwriting expenses.
- From a purely conceptual basis, it might be more consistent if the installment fee expenses are reported in other expenses. This is because it is a theoretical mismatch in the annual statement to report the installment fees in other revenue and have the related expenses in underwriting expenses. While this might be better theoretical match to have both the revenue and expense in the same category, NAIC staff notes that not having "other expenses" in the property and casualty income statement seems to be an intentional choice as there are no "other expense" reporting lines. Therefore an "other expense" would have to be reported as a contra revenue.
- If incurred installment fee expenses were to be reported in other expenses, a reporting location would need to be determined as there is not an annual statement line to accommodate such reporting. If it was reported, it would most like have to be report as a contra amount in "Aggregate Write-Ins for Miscellaneous Income" (not in underwriting expenses) as netting it in Finance and service charges would not provide transparency. Further, if reported, limitations would need to be determined – i.e. expenses not to exceed installment fee revenue.

Appendix

- Ultimately adoption of any such guidance would also require updates to the existing annual statement instructions.

Questions exposed:

- a. Should the Working Group develop guidance to allow installment fee expenses associated with fees that are reported in other income according to the criteria in SSAP No. 53 be permitted reported in or as an expense in “Other Income?”
- b. If included in Other Income, should the expense be classified as a contra revenue in or “Aggregate Write-Ins for Miscellaneous Income”?
- c. Installment fees and expenses are often immaterial for property and casualty except for nonstandard writers. Comments are also requested on allowing diversity in reporting installment fee expenses (that is optional to report as other expense category of contra other revenue Aggregate Write-Ins for Miscellaneous Income,” particularly for immaterial amounts.