Date: 7/15/21

Virtual Meeting
(in lieu of meeting at the 2021 Summer National Meeting)

LIFE RISK-BASED CAPITAL (E) WORKING GROUP
Wednesday, July 21, 2021
12:00 – 1:00 p.m. ET / 11:00 a.m. – 12:00 p.m. CT / 10:00 – 11:00 a.m. MT / 9:00 – 10:00 a.m. PT

ROLL CALL

Philip Barlow, Chair District of Columbia
Jennifer Li Alabama
Thomas Reedy California
Wanchin Chou Connecticut
Sean Collins Florida
Vincent Tsang Illinois
Mike Yanacheak/Carrie Mears Iowa
John Robinson Minnesota
William Leung Missouri
Rhonda Ahrens Nebraska
Seong-min Eom New Jersey
Bill Carmello New York
Andrew Schallhorn Oklahoma
Mike Boerner/Rachel Hemphill Texas
Tomasz Serbinowski Utah

NAIC Support Staff: Dave Fleming

AGENDA

1. Consider Adoption of its June 11, 2021; June 3 and June 4, 2021; May 27, 2021; May 20, 2021; April 29, 2021; April 22, 2021; April 15, 2021; April 6, 2021; March 30, 2021; and 2021 Spring National Meeting Minutes—Philip Barlow (DC) Attachments A-J

2. Consider Adoption of the 2021 Life and Fraternal Risk-Based Capital (RBC) Newsletter—Philip Barlow (DC) Attachment K

3. Discuss the 2020 Life and Fraternal RBC statistics—Philip Barlow (DC) Attachment L

4. Discuss its Working Agenda—Philip Barlow (DC) Attachment M

5. Discuss Any Other Matters Brought Before the Working Group—Philip Barlow (DC)

6. Adjournment
This page intentionally left blank.
The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met June 11, 2021. The following Working Group members participated: Philip Barlow, Chair (DC); Jennifer Li (AL); Thomas Reedy (CA); Wanchin Chou (CT); Sean Collins (FL); Mike Yanacheak and Carrie Mears (IA); Vincent Tsang (IL); John Robinson (MN); William Leung (MO); Rhonda Ahrens (NE); Seong-min Eom (NJ); Bill Carmello (NY); Andrew Schallhorn (OK); Mike Boerner and Rachel Hemphill (TX); and Tomasz Serbinowski (UT).

1. **Adopted the ACLI Bond Proposal**

Mr. Barlow stated that the meeting materials contain a proposed revision to the tax factor adjustment and should be considered as part of the adoption of either proposal before the Working Group. Paul Graham (American Council of Life Insurers—ACLI) stated that in the calculation of the bond factors, all the calculations are done on an after-tax basis; then, these are converted to a before-tax number, and a separate sheet performs the tax adjustment. He said the calculation is based on a tax efficiency factor of 80%. Jerry Holman (American Academy of Actuaries—Academy) and Nancy Bennett (Academy) stated that they agree with the calculation. Mr. Tsang asked if this revision will be double counted in the calculation. Mr. Graham verified that there is no double counting.

To reduce the burden on smaller companies, Mr. Barlow said there was a proposal to change the bond size adjustment to use factors that have a break point at up to the current 50 assets, and it would revise the factor for the first 50 assets to be 2.9. Mr. Chou stated that he agrees with the 50-threshold change, but he noted that the factor depends on either the ACLI proposal or the Academy proposal. Mr. Robinson recommended an impact study before updating this factor. Mr. Barlow said no matter which proposal is selected, he believes the best approach is to use the break point at the 50-threshold. Mr. Leung asked for clarity on the proposal as it relates to the factors discussed in the last meeting. Mr. Graham clarified how the calculation changes when the breakpoint is changed from the 50-50 threshold to the 10-90 threshold. Amnon Levy (Moody’s Analytics) provided further details on the threshold in the ACLI proposal.

Mr. Barlow stated that the meeting materials contain proposal 2021-11-L (Life Bond Factors) (ACLI) (Attachment One) and proposal 2021-10-L (RBC Proposal) (Academy) (Attachment Two). Ms. Ahrens asked for clarity on which factors were up for adoption if using the ACLI proposal. Mr. Barlow verified that the ACLI proposal uses a one-half standard deviation. Mr. Chou asked for more documentation of the calculations of the ACLI proposal. Steven Clayburn (ACLI) noted that an earlier exposed document contained approximately 80 pages of support for the proposal. Mr. Graham noted that when the ACLI contracted Moody’s Analytics to assist with the proposal, part of the agreement was to provide all documentation and support from the process. Ms. Ahrens stated that she believes any issues with providing documentation of the ACLI proposal have been addressed by its earlier submission. Mr. Robinson stated that he is concerned with the fairness of this process of selecting bond factors. He recommended that the Working Group use the Academy’s factors with the impact study that was provided earlier in the process, and then the state insurance regulators adjust the factors as needed. Ms. Hemphill stated that she believes the process used was appropriate, and regardless of the process, the Working Group should pick the proposal that is best for the state insurance regulators. Ms. Ahrens agreed with Ms. Hemphill’s comments on the Working Group’s process. Ms. Mears noted that there are expected changes in portfolio makeup over time, and the state insurance regulators will benefit from the ACLI proposal. Mr. Chou recommended that the bond factors be reviewed more frequently going forward.

Ms. Ahrens made a motion, seconded by Ms. Hemphill, to adopt proposal 2021-11-L, with the tax factor adjustment and the bond adjustment factor using the first 50, next 50 as included in the Moody’s Analytics June report. The motion passed with Minnesota dissenting.

2. **Discussed Other Matters**

Mr. Barlow stated that with the revised bond factors, there is the possibility that companies may trigger a trend test because of this change. He recommended that NAIC staff prepare communication for state insurance regulators with guidance for these situations. Ms. Ahrens noted that with the other revisions to risk-based capital (RBC) that have been adopted this month, there may be some overall impact on total RBC, and she recommended reaching out to domestic insurers and doing an impact study to assist the state insurance regulators.
Having no further business, the Life Risk-Based Capital (E) Working Group adjourned.
The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met June 3 and June 4, 2021. The following Working Group members participated: Philip Barlow, Chair (DC); Jennifer Li (AL); Thomas Reedy (CA); Wanchin Chou (CT); Sean Collins (FL); Mike Yanacheak and Carrie Mears (IA); John Robinson (MN); William Leung (MO); Rhonda Ahrens (NE); Seong-min Eom (NJ); Bill Carmello (NY); Andrew Schallhorn (OK); Mike Boerner and Rachel Hemphill (TX); and Tomasz Serbinowski (UT).

1. **Adopted the Proposal 2021-12-L.**

   Mr. Barlow stated that proposal 2021-12-L (Life Reinsurance) intends to address the 2019 revisions to the *Credit for Reinsurance Model Law* (#785) and the *Credit for Reinsurance Model Regulation* (#786). The proposal was exposed for a 30-day public comment period on April 29, and one comment letter (Attachment One) was received from the American Council of Life Insurers (ACLI). Steven Clayburn (ACLI) stated his agreement with the proposal.

   Mr. Boerner made a motion, seconded by Mr. Leung, to adopt proposal 2021-12-L (Attachment Two). The motion passed unanimously.

2. **Adopted the Proposal 2021-13-L.**

   Mr. Barlow stated that proposal 2021-13-L (Longevity Risk Factors and Instructions) and the accompanying memorandum were exposed for a 30-day public comment period, and comment letters were received from the ACLI (Attachment Three), the American Academy of Actuaries (Academy) (Attachment Four), and the Principal Financial Group (Principal) (Attachment Five).

   Paul Navratil (Academy) stated that correlation factors of negative 0.30 and negative 0.25 are reasonable and generally consistent with the negative 0.33 factor previously proposed. He noted that the impact analysis using industry totals was conservative, and the original calculation used a 5% discount rate, where 3.75% is more reasonable.

   Sam Early (Principal) stated that he supports the Academy proposal and the negative 0.30 factor, and he encouraged a zero guardrail; however, if the Working Group uses a guardrail, he recommended that it be reviewed periodically. Paul S. Graham (ACLI) stated his agreement with Mr. Early.

   Ms. Ahrens provided a presentation showing additional calculations that had been performed that showed the relationship between mortality and longevity. Mr. Robinson asked that the guardrail be split from the rest of the proposal for a separate vote. Mr. Carmello stated that he prefers a covariance of zero. Mr. Leung noted that he has reservations about the factors in the proposal. Ms. Eom recommended using a covariance factor between negative 0.25 and zero. Mr. Yanacheak suggested that any work regarding the reserve should be done by the Life Actuarial (A) Task Force.

   Ms. Ahrens made a motion, seconded by Mr. Chou, to adopt proposal 2021-13-L (Attachment Six), with tiered after-tax factors of 1.35% down to 0.70%, negative 0.25 covariance, no guardrail, and effective for year-end 2021. The motion passed with New York dissenting.

3. **Discussed the Bond Proposals**

   Mr. Barlow said the Working Group exposed the ACLI’s proposal and the Academy’s proposal on April 27, and 16 comment letters (Attachment Seven) were received. He asked if any of those submitting comment letters wish to offer additional comments.

   Mr. Clayburn stated that he supports the adoption of the ACLI and Moody’s Analytics proposal. He noted that the ACLI proposal factors better differentiate risk across rating grades and are not punitive to small and medium sized carriers, and he noted that the proposal would increase aggregate risk-based capital (RBC).
Jerry Holman (Academy) summarized the main points included in the Academy’s comment letter. Nancy Bennett (Academy) noted that Moody’s Analytics developed default rates that were customized for the life insurance industry, which is a different approach than has been done historically. She noted that the Academy model bond factor used a default rate calculated from the entire corporate sector and then applied that to a representative portfolio, which projected a series of cash flows over 10 years. She stated that she is unsure of how that works within the Moody’s Analytics’ model. She noted that she supports the use of the updated discount rate of 3.47%. Mr. Leung asked for more information on the calculation of the risk premium. Ms. Bennett noted that the information was included in an earlier presentation. Mr. Tsang stated that there is no literature to support a claim that the reserve is adequate at any percentile.

Pam Hutchins (Government Personnel Mutual [GPM] Life) stated that she supports the adoption of the ACLI and Moody’s Analytics proposal, and she noted that the factors are much less punitive to small and medium sized companies.

Mr. Robinson stated that any model will include elements that are determined based on expert judgment, but different experts may disagree on those judgements. He noted that the factors used are more generous to industry than the Academy’s proposal. Amnon Levy (Moody’s Analytics) noted that the factors used in the ACLI and Moody’s Analytics model are not universally higher or lower than those used by the Academy. He said when there was uncertainty in the inputs, they intended to remain conservative.

Ms. Hemphill asked for more information on the application of judgment in the proposal for the default rate. Mr. Levy noted that the proposal is based on the composition of life insurers holdings and not on the full sample of rated corporate bonds. Edward L. Toy (Risk & Regulatory Consulting LLC) noted that the mix of assets has substantially changed over the years, but the actual year-to-year changes are minimal. Mr. Chou noted that the Academy’s proposal was based on the original scope of this project from 2010, and some of their inputs are based on outdated assumptions. Ms. Ahrens asked for clarity on the assumptions used for what percentile the reserves are meant to cover. Mr. Barlow stated that he had requested updated calculations, as it was a possibility that updated assumptions would be used. Ms. Bennett stated that the risk premium is set at the mean of the loss distribution, and because loss distribution is skewed, the result is that it is approximately the 60th percentile, so the assumption is that statutory policy reserves cover credit losses up to that mean distribution of approximately the 60th percentile. Ms. Ahrens asked if the Moody’s Analytics proposal original factors are based on one standard deviation for the reserves. Mr. Levy stated that it was one-half of a standard deviation above expected loss, which was approximately the 75th percentile.

Having no further business, the Life Risk-Based Capital (E) Working Group adjourned.
Draft: 6/24/21

Life Risk-Based Capital (E) Working Group
Virtual Meeting
May 27, 2021

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met May 27, 2021. The following Working Group members participated: Philip Barlow, Chair (DC); Jennifer Li (AL); Thomas Reedy (CA); Wanchin Chou (CT); Sean Collins (FL); Mike Yanacheak and Carrie Mears (IA); Vincent Tsang (IL); John Robinson (MN); William Leung (MO); Rhonda Ahrens (NE); Seong-min Eom (NJ); Bill Carmello and Michael Cebula (NY); Andrew Schallhorn (OK); Mike Boerner and Rachel Hemphill (TX); and Tomasz Serbinowski (UT). Also participating was: Dale Bruggeman (OH).

1. Discussed Comments Received on the ACLI’s Real Estate Proposal

Mr. Barlow stated that the meeting materials included memorandums from the Statutory Accounting Principles (E) Working Group (Attachment One) and from the Risk-Focused Surveillance (E) Working Group (Attachment Two). Mr. Barlow said the Working Group had requested information related to the real estate proposal from these two groups. Mr. Bruggeman stated that the letter from the Statutory Accounting Principles (E) Working Group included optional approaches that could be taken, such as delaying adjusting current factors until at least 2022 to ensure time for examiners to expand procedures to include an assessment of reported fair values or by establishing guidance to restrict fair values used for risk-based capital (RBC) to the “lesser of” current or prior year reported fair values, or possibly averaging reported fair values across multiple years. Mr. Barlow suggested the Working Group move forward with the current proposal and use zero as the market value adjustment for 2021 year-end filings.

Bruce Oliver (Mortgage Banks Association—MBA) stated that the MBA had submitted a comment letter (Attachment Three) supporting the American Council of Life Insurers’ (ACLI’s) proposal. He noted that capital standards based on historical experience is the correct approach. John Bruins (ACLI) stated that the ACLI comment letter (Attachment Four) agrees with a one-year deferred implementation of the fair value adjustment component of the real estate equity RBC proposal and noted that a one-year delay is warranted to enable review and possible modification of the accounting requirements and audit and exam procedures.

2. Adopted of the ACLI Real Estate Proposal

Mr. Barlow suggested the Working Group adopt the ACLI real estate proposal (Attachment Five), with the factor for the market value adjustment set to zero, and to work further with the Statutory Accounting Principles (E) Working Group, the Risk-Focused Surveillance (E) Working Group and the ACLI to set the market value adjustment. Mr. Cebula stated that he is concerned with moving forward with this proposal during the COVID-19 pandemic and the unknown impact on real estate and the change on Schedule BA where the factor changes from 23% to 13%.

Mr. Barlow noted that this project has been ongoing for several years and that it is the intent of the Working Group to adopt the real estate proposal at this time. Mr. Reedy stated that he agrees with Mr. Cebula and suggested that the impact on office space will be better known in three to six months. Mr. Cebula suggested that adoption for 2022 would be a better option. Ms. Mears stated that the Working Group should move forward with adoption of the real estate proposal today. Ms. Eom stated that she agrees with Mr. Cebula and Mr. Reedy. Ms. Ahrens stated that she agrees with Ms. Mears. Ms. Hemphill said she agrees with keeping the timing consistent with the bond proposal and adopting the real estate proposal today.

Mr. Robinson made a motion, seconded by Mr. Schallhorn, to adopt the real estate proposal as it was submitted by the ACLI, with the factor for the market value adjustment set to zero for 2021 annual filings. The motion passed, with California, New Jersey and New York dissenting.

3. Discussed Other Matters

Mr. Barlow stated that several members of the Working Group have been working with members of the Life Actuarial (A) Task Force to develop the new prescribed economic scenario generator and noted that subject-matter experts (SMEs) from the ACLI and the American Academy of Actuaries (Academy) will be included. He said this will be published at a later Life Actuarial (A) Task Force meeting.
Having no further business, the Life Risk-Based Capital (E) Working Group adjourned.

W:\QA\RBC\LRBC\2021\Calls and Meetings\5_27_21 Call\Life RBC 5-27-21 Minutes.docx
Life Risk-Based Capital (E) Working Group

Virtual Meeting
May 20, 2021

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met May 20, 2021. The following Working Group members participated: Philip Barlow, Chair (DC); Jennifer Li (AL); Thomas Reedy (CA); Wanchin Chou (CT); Sean Collins (FL); Mike Yanacheak and Carrie Mears (IA); John Robinson (MN); Rhonda Ahrens (NE); Seong-min Eom (NJ); Bill Carmello (NY); Andrew Schallhorn (OK); Mike Boerner and Rachel Hemphill (TX); and Tomasz Serbinowski (UT).

1. Discussed the Bond Size Adjustment

Mr. Barlow said this has been discussed previously and that he is comfortable with making an adjustment to the factors included in the American Academy of Actuaries’ (Academy) proposal. He said there are two issues related to the bond size adjustment. The first is whether the expansion of the number of thresholds is problematic, and he asked if there had been any feedback on this. Dave Fleming (NAIC) said nothing has been submitted formally, but it appears changing the number of thresholds may not be problematic. Mr. Barlow said the second issue is the actual factors assigned to those thresholds, and he said he is in favor of making an adjustment to mitigate the impact on smaller companies. He suggested the Working Group go forward with the assumption that changing the number of thresholds is not an issue. He noted that a comparison of the bond size adjustments was included in the meeting materials (Attachment One). He said the current factor is 2.5 for the first 50 issuers, while the Academy proposal has a factor of 7.5 for the first 10 issuers. He suggested changing the thresholds to match the current ones of the first 50 and the next 50 and changing the factors applied to the first 50 to 2.9 with the factor applied to the next 50 remaining at the Academy’s proposed 1.75, which would mitigate the impact for smaller companies having less than 50 issuers. Mr. Boerner said he supports those changes. David Neve (Global Atlantic) asked if the same adjustment would be made to the Moody’s/American Council of Life Insurers’ (ACLI’s) proposal. Mr. Barlow directed NAIC staff to create and distribute a document for the Working Group members.

2. Discussed the Moody’s Analytics Report on Risk Premium

Amnon Levy (Moody’s Analytics) provided a presentation (Attachment Two) on the ACLI/Moody’s Analytics proposal to updating the bond factors and risk premium. He noted that the proposal intends to replace the economic state model with a correlation model, update the default rate and recovery rate, set risk premium at expected loss plus 0.5 standard deviations, and update the tax rate to 21% and the discount rate to 3.47%.

Mr. Barlow stated that there are currently exposures for both the Academy and the Moody’s Analytics/ACLI proposals. He stated that after the exposure period ends, the Working Group will select a proposal with the possibility of another public exposure if that is needed. Mr. Carmello stated that the 70 CTE in VM-20, Requirements for Principle-Based Reserves for Life Products, VM-21, Requirements for Principle-Based Reserves for Variable Annuities, and principle-based reserving (PBR) only applies to what is modeled stochastically, which includes Treasury rates and stock returns for equities, and not for defaults, mortality or lapse risk. Paul Graham (ACLI) stated that the defaults in PBR are set at the 70 CTE level. Nancy Bennett (Academy) stated that her recommendation is to continue with the same solvency framework. Mr. Graham asked if the Academy would have had separate factors if asset valuation reserve (AVR) were to be set at zero. Jerry Holman (Academy) stated that AVR would not affect the base factors but would have an impact on RBC.

Mr. Barlow asked Moody’s Analytics to provide a calculation using the Academy’s risk premium assumptions. Mr. Chou stated that this appears that the Working Group has selected the risk premium assumptions from the Academy’s proposal. Mr. Barlow stated that this will allow for a further exposure, if needed, and is the best approach given the compressed time frame.

Having no further business, the Life Risk-Based Capital (E) Working Group adjourned.
The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met April 29, 2021. The following Working Group members participated: Philip Barlow, Chair (DC); Jennifer Li (AL); Thomas Reedy (CA); Wanchin Chou (CT); Sean Collins (FL); Mike Yanacheak and Carrie Mears (IA); Vincent Tsang (IL); John Robinson (MN); William Leung (MO); Rhonda Ahrens (NE); Seong-min Eom (NJ); Bill Carmello (NY); Andrew Schallhorn (OK); Mike Boerner and Rachel Hemphill (TX); and Tomasz Serbinowski (UT).

1. Discussed Additional Instruction on Real Estate

John Bruins (American Council of Life Insurers—ACLI) stated that after the prior exposure of the updated real estate factors, it was noted that the Asset Concentration LR010 needs to be adjusted to align with the real estate factors that had been exposed. Mr. Bruins stated that his recommendation is to make the instruction change for 2021 and noted that there will be a structural change for 2022 to incorporate the market value adjustment.

Mr. Barlow directed NAIC staff to modify the previous real estate exposure to include the revisions to the instructions, which will align with the real estate factors that had been exposed (Attachment One). The comment deadline for this exposure is May 24.

2. Discussed Life Reinsurance

Dave Fleming (NAIC) said the Working Group was directed to review the credit risk charge and to verify that reciprocal jurisdiction reinsurers were being treated consistently with the other categories. He noted that this proposal would modify Line 15 of LR016 to allow for the reporting of reinsurance with reinsurers from reciprocal jurisdictions.

Steve Clayburn (ACLI) said the proposal addresses the charge from the Capital Adequacy (E) Task Force and clarifies the instructions for risk-based capital (RBC).

Mr. Barlow directed NAIC staff to expose the proposed edits to LR016 to allow reporting for reciprocal jurisdiction reinsurers (Attachment Two) for a 30-day public comment period ending May 27.

3. Discussed Longevity Risk

Ms. Ahrens stated that the base factors for longevity risk (Attachment Three) are applied in a decreasing order, where 1.35% is used for the first $250 million, 0.85% is used for $250 million to $500 million, 0.75% is used for $500 million to $1 billion, and 0.70% is used for all amounts greater than $1 billion. She noted that when this data is viewed across the industry, it would appear that the factor used was 0.70%, but when viewing individual companies, it is clearer. She noted that when this is exposed, she wants commenters to consider covariance of negative 0.25 with a guardrail of 1, covariance of negative 0.30 with a guardrail of 1, covariance of positive 1 (making C-2 mortality and C-2 longevity purely additive) with a guardrail of 1 (the guardrail will not alter the result since the calculation is additive), covariance of negative 0.25 with no guardrail (guardrail0), and covariance of negative 0.30 with no guardrail (guardrail=0).

Mr. Barlow said the Working Group had previously adopted the structure, so any proposed changes would only be for the factors and instructions. Mr. Tsang suggested that the exposure include the preferences of the Working Group and an explanation for those preferences. Ms. Ahrens provided the rationale for the various options that she presented. Mr. Barlow recommended a memorandum be included with the exposure to explain the options for consideration. Mr. Chou asked if there would be a need for a meeting of the Longevity Risk (E/A) Subgroup. Ms. Ahrens stated that there is currently no plan to meet again for this topic. Mr. Barlow stated that the Working Group would meet in regulator-to-regulator session to discuss this topic further.

Mr. Barlow directed NAIC staff to expose the proposed longevity risk factors and instruction, with a memorandum explaining the rationale of the options presented (Attachment Four) for a 30-day public comment period ending May 27.
4. **Discussed Other Matters**

Paul Graham (ACLI) said there is an inconsistency in the earlier exposure for the tax rate change. He stated that in LR030, a hardcoded formula needed to be changed from 21% tax rate multiplied by a factor of 0.70 to be the 21% tax rate multiplied by a factor of 0.80, which would make this consistent with the other proposals. Nancy Bennett (American Academy of Actuaries—Academy) stated that she agrees.

Mr. Barlow directed NAIC staff to expose the revision to the prior exposure, which includes a hardcoded formula change from 21% tax rate multiplied by a factor of 0.70 to be 21% tax rate multiplied by a factor of 0.80 in LR030 (*Attachment Five*). The exposure is for a 30-day public comment period ending May 27.

Having no further business, the Life Risk-Based Capital (E) Working Group adjourned.
The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met April 22, 2021. The following Working Group members participated: Philip Barlow, Chair (DC); Jennifer Li (AL); Wanchin Chou (CT); Sean Collins (FL); Mike Yanacheak and Carrie Mears (IA); Vincent Tsang (IL); John Robinson (MN); William Leung (MO); Rhonda Ahrens (NE); Seong-min Eom (NJ); Bill Carmello (NY); Andrew Schallhorn (OK); Mike Boerner and Rachel Hemphill (TX); and Tomasz Serbinowski (UT).

1. Discussed the Moody’s Analytics Updated Report on Bonds and the Academy’s Proposed Factors

Mr. Barlow said NAIC staff had supplied additional information on the impact of the factors based on the 2020 annual statement filings. He said the original file included an error in the calculation and that a new file would be sent to Working Group members when it is ready.

Mr. Barlow said there are several issues that he would like to have addressed in the presentations. He noted that the discount rate being used in the American Council of Life Insurers (ACLI) and Moody’s Analytics recommended approach (ACLI/Moody’s Analytics proposal) is similar to the American Academy of Actuaries’ (Academy’s) proposal and noted that the discount rates from 2017 are similar to today, when his assumption would be that these would change based on market conditions. He said the Academy provided a rationale for the risk premium used in its proposal, and the ACLI/Moody’s Analytics proposal uses a different standard, and he would like more information on why they would use a different risk premium. He said he would also like more information on the slope of the factors used in the ACLI/Moody’s Analytics proposal.

Amnon Levy (Moody’s Analytics) provided a presentation (Attachment One) on the ACLI/Moody’s Analytics proposal to updating the bond factors. He noted that he believes that his proposed C1 factors will allow data and methodologies to better capture economic risk, provide more accurate C1 base factors and portfolio adjustment factors and improve solvency by better identifying weakly capitalized firms.

Mr. Carmello asked if an earlier reference to VM-22, Statutory Maximum Valuation Interest Rates for Income Annuities, should have been to VM-21, Requirements for Principle-Based Reserves for Variable Annuities. Mr. Levy noted that VM-20, Requirements for Principle-Based Reserves for Life Products, VM-21 and VM-22 are all relevant to this discussion and proposal.

Nancy Bennett (Academy) stated that she had considered using a different type of model instead of the economic state model but noted that in earlier discussion at the Investment Risk-Based Capital (E) Working Group, the more sophisticated model was found to be too complex for risk-based capital (RBC).

2. Discussed the Estimated Impact of Bond Proposals

Mr. Barlow stated that the Working Group’s meeting materials include a comparison between the ACLI/Moody’s Analytics proposal and the Academy’s proposals, which show the different impacts on companies of different sizes (Attachment Two). Mr. Barlow said his recommendation is that the Working Group request that the ACLI/Moody’s Analytics proposal use the discount rate of 3.47% that has been suggested by the Academy instead of 4.32% in their proposal. Mr. Carmello agreed with this recommendation.

Mr. Carmello asked if an earlier reference to VM-22, Statutory Maximum Valuation Interest Rates for Income Annuities, should have been to VM-21, Requirements for Principle-Based Reserves for Variable Annuities. Mr. Levy noted that VM-20, Requirements for Principle-Based Reserves for Life Products, VM-21 and VM-22 are all relevant to this discussion and proposal.

Nancy Bennett (Academy) stated that she had considered using a different type of model instead of the economic state model but noted that in earlier discussion at the Investment Risk-Based Capital (E) Working Group, the more sophisticated model was found to be too complex for risk-based capital (RBC).

Mr. Chou suggested holding two additional meetings, one meeting to further discuss the economic state model and a second meeting to discuss risk premium.

Mr. Carmello asked about how the Academy had established the risk premium. Ms. Bennett stated that it was at the mean, which is approximately the 60th percentile. Mr. Carmello asked how this compares to the ACLI/Moody’s Analytics proposal. Mr. Levy stated that the ACLI/Moody’s Analytics proposal is approximately 70th percentile.

3. Exposed the Bond Proposal Factors
Mr. Barlow directed NAIC staff to expose the Academy’s proposal (Attachment Three) and the ACLI/Moody’s Analytics proposal, with the update to change the discount rate to 3.47% and any resulting factor changes (Attachment Four), for a 30-day public comment period.

Having no further business, the Life Risk-Based Capital (E) Working Group adjourned.
The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met April 15, 2021. The following Working Group members participated: Philip Barlow, Chair (DC); Jennifer Li (AL); Thomas Reedy (CA); Wanchin Chou (CT); Mike Yanacheak and Carrie Mears (IA); John Robinson (MN); William Leung (MO); Seong-min Eom (NJ); Bill Carmello (NY); Andrew Schallhorn (OK); Mike Boerner and Rachel Hemphill (TX); and Tomasz Serbinowski (UT).

1. Discussed Comment Letters on the Academy’s Proposed Bond Factors

Jim Hodges (National Alliance of Life Companies—NALC) stated that his company provided a comment letter (Attachment One). He recommended that the Working Group provide real-world examples of the impact that the bond factor changes would have on smaller companies. He noted that the NALC primarily represents smaller life insurance companies. He said that the NALC conducted a survey of its member companies, and of the 12 companies that responded, all but one reported the new factors would require a change of company capital between 7% and 17% and noted a negative impact on their risk-based capital (RBC) ratio between 6.6% and 11.14%. He said this would have an adverse impact on the capital position of smaller life insurance companies without any change in portfolio or risk.

Mr. Hodges stated that commercial transactions—such as loan documents, reinsurance agreements and other agreements—contain RBC covenants that provide for defaults to be declared if RBC covenants are violated. He stated that he is concerned that the proposed changes would force some companies into noncompliance with financial covenants, triggering a material and adverse impact on these companies.

Mr. Barlow noted that it is likely that the affected calculations were related to the portfolio adjustments and said that the Working Group is willing to modify these. He said that the Working Group’s focus is on identifying weakly capitalized companies and not on covenants that are based on RBC. He stated that RBC is not static and would change over time, so there is a risk for companies that use RBC in various financial covenants.

Mr. Robinson asked if there has been a calculation that shows the impact of the new factors when applied to all companies. Dave Fleming (NAIC) said that he had sent a preliminary calculation to Mr. Barlow for his review, which will be sent to the Working Group.

Steve Clayburn (American Council of Life Insurers—ACLI) stated that his company provided a comment letter (Attachment Two), which list his five main issues. He stated that his concerns are primarily with the portfolio adjustment factor and that this can be punitive for smaller and mid-sized life insurers. He noted that he believes that the issues that he has noted in his comment letter are addressed by the Moody’s Analytics proposal.

Nancy Bennett (Academy) stated that the Academy has given consideration to the age of assumptions used to develop the factors.

2. Discussed the Moody’s Analytics Updated Report on Bonds

Amnon Levy (Moody’s Analytics) provided a presentation (Attachment Three) on Moody’s Analytics recommended approach to updating the bond factors. He noted that he believes that his proposed C1 factors will allow data and methodologies to better capture economic risk, provide more accurate C1 base factors and portfolio adjustment factors, and improve solvency by better identifying weakly capitalized firms.

Having no further business, the Life Risk-Based Capital (E) Working Group adjourned.
This page intentionally left blank.
Life Risk-Based Capital (E) Working Group
Virtual Meeting
April 6, 2021

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met April 6, 2021. The following Working Group members participated: Philip Barlow, Chair (DC); Jennifer Li (AL); Thomas Reedy (CA); Wanchin Chou (CT); Sean Collins (FL); Mike Yanacheak and Carrie Mears (IA); Vincent Tsang (IL); John Robinson (MN); William Leung (MO); Rhonda Ahrens (NE); Seong-min Eom (NJ); Bill Carmello (NY); Andrew Schallhorn (OK); and Mike Boerner and Rachel Hemphill (TX).

1. Discussed the ACLI Real Estate Proposal

John Bruins (American Council of Life Insurers—ACLI) stated that there are three attachments that he would be discussing: 1) a summary of the edits (Attachment One); 2) proposal 2021-06-L (Instructions and Factors) (Attachment Two); and 3) proposal 2021-01-L (Structure) (Attachment Three). Mr. Bruins stated that the intent of the revisions was to add in conservatism to the factors. He noted that the proposal will keep the Schedule A factor at 11%, will increase the Schedule BA factor from 12% to 13%, decrease the amount of the excess of fair value over book value from two-thirds to one-half, and retain the factor for encumbrances at 1.75%.

Mr. Barlow asked if there were any questions or comments from members of the Working Group regarding the decrease in the amount of the excess of fair value over book value from two-thirds to one-half. Mr. Robinson stated that there may be other asset classes that deserve a similar treatment. Mr. Barlow stated that it is unlikely that the Working Group would address that issue at this time, but it may be addressed next year.

Edward Toy (Risk & Regulatory Consulting) noted that the fair value reporting instructions come from the statutory accounting principles. He noted that the guidance is general and vague, that the guidance does not require an independent third-party to do the appraisal, can use an internal appraiser and only requires that an appraisal be done every five years.

Mr. Barlow stated that the market value of real estate, as it is reported now, only serves as information and does not affect the financial statements and does not affect anything outside of risk-based capital (RBC). Julie Gann (NAIC) stated that she agrees with Mr. Barlow and noted that the fair value that is reported is used as a proxy for the entity to use when assessing other the temporary impairment for statutory accounting, but it is not used for anything else unless there are impairment issues noted. She stated that her data reviews agree with the comments from Mr. Toy.

Mr. Carmello said he believes making a structural change during the COVID-19 pandemic is a mistake, and Mr. Leung and Mr. Reedy agreed. Mr. Tsang stated that when these revisions are exposed, he would like to hear comments related to whether the decrease in the amount of the excess of fair value over book value from two-thirds to one-half is adequate.

Ms. Mears suggested a referral be sent to the Statutory Accounting Principles (E) Working Group. Ms. Gann agreed and suggested a referral also be sent to the Examination Oversight (E) Task Force. Dave Fleming (NAIC) suggested that a referral be sent to the Risk-Focused Surveillance (E) Working Group.

Mr. Barlow asked if the Working Group should consider different factors for different types of real estate. Mr. Tsang stated that he believes one factor for all real estate reported on Schedule A is adequate. Mr. Barlow asked if there were any objections to there being different factors for assets reported on Schedule A versus Schedule BA, and no objections were noted.

Mr. Barlow directed NAIC staff to expose the proposal 2021-06-L (Instructions and Factors) from the ACLI for a 45-day public comment period.

Mr. Bruins noted that in the earlier exposure of Proposal 2021-01-L, the note at the bottom of Figure 7 needed to be revised to clarify that it cannot go below zero.

Mr. Robinson made a motion, seconded by Ms. Mears, to adopt the real estate structure that was previously exposed, with the revision to the note to clarify that Column 7 cannot go below zero. The motion passed unanimously.
Having no further business, the Life Risk-Based Capital (E) Working Group adjourned.

W:\QA\RBC\LRBC\2021\Calls and Meetings\4_6_21_Call\Att Life RBC 4-6-21 Minutes.docx
The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met March 30, 2021. The following Working Group members participated: Philip Barlow, Chair (DC); Jennifer Li (AL); Thomas Reedy (CA); Wanchin Chou (CT); Sean Collins (FL); Mike Yanacheak and Carrie Mears (IA); Vincent Tsang (IL); William Leung (MO); Rhonda Ahrens (NE); Seong-min Eom (NJ); Bill Carmello (NY); Andrew Schallhorn (OK); Mike Boerner and Rachel Hemphill (TX); and Tomasz Serbinowski (UT).

1. Discussed the Academy’s Bond Factors Updated for Tax

Nancy Bennett (American Academy of Actuaries—Academy) presented the Academy’s latest set of bond factors. She stated that the Academy used its recommended bond factors from Oct. 17, 2017, and updated the model for the 21% corporate tax rate. She noted that there may be a need to round the factors or to include a cap for the factors at 30%, similar to that used for common stock. She noted that the proposal includes updates to the portfolio adjustment formula for the two base factors and provides a statistical safety level in the 96th percentile.

Jerry Holman (Academy) stated the Working Group could adjust the factors for smaller companies to reduce the potential for a negative impact. Scott Harrison (National Alliance of Life Companies—NALC) stated that his group will provide comments with alternative factors for smaller companies.

Mr. Barlow noted that the Working Group has two potential tracks to completing the bond factors project by the end of 2021. First is the work that the Academy has done on bonds that have been reviewed by the Investment Risk-Based Capital (E) Working Group. Second is to consider the American Council of Life Insurers (ACLI) project, with Moody’s Analytics, which is an alternative to the Academy’s approach.

Mr. Barlow directed NAIC staff to expose the Academy’s updated bond factors, included in the Academy’s March 11 letter, (Attachment One) for a 10-day public comment period ending on April 9.

2. Received an Update on the Moody’s Analytics Bond Report

Amnon Levy (Moody’s Analytics) provided a report on Moody’s Analytics (Attachment Two) recommended approach to updating the bond factors. He stated that Moody’s Analytics included a modification to fix an error with ratings where the default rates and loss given default can be drawn from separate states in simulation. He also stated that the Moody’s Analytics update provided several updates to the input parameters, including evaluating a range of discount rates with the updated tax rates, updating the loss given default distribution to align with empirical patterns, updating the risk premium to align with reserving, updating baseline default rates to utilize Moody’s historical data and internal benchmarks, and updating the portfolio adjustment factors.

Mr. Chou ask for clarification on the approach that was being presented and how this would work with the Working Group’s current schedule. Mr. Levy stated that the Moody’s Analytics proposal would follow the Working Group’s schedule. Mr. Tsang stated the risk premium item will need more discussion. Mr. Barlow asked if Mr. Levy can do additional sensitivity analysis on the risk premium. Mr. Carmello asked for clarification on the Academy’s assumptions. Mr. Holman stated that the Academy’s expected losses is approximately the 60th percentile. Ms. Bennett noted that the Academy had considered the issue of moving loss given default from issue to issuer but had found this caused issues with reporting.

Having no further business, the Life Risk-Based Capital (E) Working Group adjourned.
This page intentionally left blank.
The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met March 12, 2021. The following Working Group members participated: Philip Barlow, Chair (DC); Jennifer Li (AL); Thomas Reedy (CA); Wanchin Chou (CT); Sean Collins (FL); Vincent Tsang (IL); Mike Yanacheak and Carrie Mears (IA); John Robinson (MN); William Leung (MO); Rhonda Ahrens (NE); Seong-min Eom (NJ); Bill Carmello (NY); Mike Boerner and Rachel Hemphill (TX); and Tomasz Serbinowski (UT).


The Working Group met Feb. 26, 2021; Feb. 11, 2021; Jan. 21, 2021; Dec. 17, 2020; and Nov. 10, 2020. During its Feb. 26, 2021, meeting, the Working Group took the following action: 1) adopted an update to the mortgage reporting guidance; and 2) discussed the American Council of Life Insurers (ACLI) real estate proposal. During its Feb. 11, 2021, meeting, the Working Group took the following action: 1) discussed the Moody’s Analytics report on bonds; and 2) exposed the alternatives for the requested modification to the mortgage reporting guidance for a 10-day public comment period ending Feb. 22. During its Jan. 21, 2021, meeting, the Working Group took the following action: 1) exposed the ACLI’s real estate proposal for a public comment period ending March 8; and 2) agreed to forward the guaranty fund memorandum to the Capital Adequacy (E) Task Force. During its Dec. 17, 2020, meeting, the Working Group took the following action: 1) heard an update on economic scenario generators (ESGs); and 2) discussed the ACLI’s real estate proposal.

Mr. Boerner made a motion, seconded by Mr. Chou, to adopt the Working Group’s Feb. 26, 2021 (Attachment Three-A); Feb. 11, 2021 (Attachment Three-B); Jan. 11, 2021 (Attachment Three-C); Dec. 17, 2020 (Attachment Three-D); and Nov. 10, 2020 (see NAIC Proceedings – Fall 2020, Capital Adequacy (E) Task Force, Attachment Four) minutes. The motion passed unanimously.

2. **Discussed the ACLI’s Real Estate Proposal**

Mr. Barlow said there was one comment letter received on the ACLI’s real estate proposal. Jerry Holman (American Academy of Actuaries—Academy) presented the Academy’s comments and, while the Academy generally supports a different approach for calculating capital requirements for real estate as 30 years have passed since the current real estate factors were set, he discussed the Academy’s four areas of concern with the ACLI proposal as presented in its comment letter (Attachment Three-E).

Mr. Barlow said in the discussions of this proposal, there were several requests from the Working Group for more information. John Bruins (ACLI) said that as risk-based capital (RBC) is developed, there are two fundamental issues. The first is how much is at risk, which he said is typically the amount being held in the statutory balance sheet. In the case of real estate, he said this is depreciated cost, while for common stock it is market value. However, in both cases, the asset values are defined within the balance sheet, and this is what drives the amount at risk. He said the second issue is the determination of an appropriate factor for that risk, and this is where a lot of the analysis has been done. He presented each of the ACLI’s responses as detailed in its March 9 letter (Attachment Three-F). Mr. Barlow suggested it would be helpful for the April 6 discussion for the Working Group to focus, and for the ACLI to provide any possible additional information, on four main areas: 1) whether there should be different factors for different real estate types; 2) whether there should be an adjustment for the fair value given the concerns about the appropriateness and the amounts reported in the annual statement; 3) whether there should be different factors for Schedule A versus Schedule BA real estate; and 4) the proposed underlying base factors.

Having no further business, the Life Risk-Based Capital (E) Working Group adjourned.
What RBC Pages Should Be Submitted?

For year-end 2021 life and fraternal risk-based capital (RBC), submit hard copies of pages LR001 through LR049 to any state that requests a hard copy in addition to the electronic filing. Starting with year-end 2007 RBC, a hard copy was not required to be submitted to the NAIC. However, a portable document format (PDF) file representing the hard copy filing is part of the electronic filing.

If any actuarial certifications are required per the RBC instructions, those should be included as part of the hard copy filing. Starting with year-end 2008 RBC, the actuarial certifications were also part of the electronic RBC filing as PDF files, similar to the financial annual statement actuarial opinion.

Other pages, such as the mortgage and real estate worksheets, do not need to be submitted. However, they still need to be retained by the company as documentation.

Real Estate Factors

The Capital Adequacy (E) Task Force adopted proposal 2021-06-L during its June 30 meeting. This proposal was developed by the American Council of Life Insurers (ACLI) to update the RBC calculation for real estate to reflect the updated experience and analysis since RBC was first developed. A proposed adjustment based on fair value was not adopted and is set to zero for year-end 2021.

In This Issue:
- What RBC Pages Should Be Submitted .................................................. 1
- Real Estate Factors .................................................................................. 1
- Bond Factors .......................................................................................... 1
- Longevity Risk Factors ......................................................................... 1
- Reinsurance ............................................................................................ 1
- Affordable Care Act Sensitivity Test ..................................................... 1
- Incentives—Managed Care Credit ......................................................... 1
- Investment Income Adjustment—Underwriting Risk Factors ................ 2
- RBC Forecasting & Instructions ............................................................. 2
- Contact Information .............................................................................. 2

Bond Factors

The Capital Adequacy (E) Task Force adopted proposal 2021-11-L during its June 30 meeting. This proposal incorporates bond factors proposed by the ACLI, which are based on the work of Moody’s Analytics for the expanded presentation of bond designation categories in the annual statement and RBC schedules. This includes factors on the Bonds page (LR002), Asset Concentration page (LR010), Hedged Asset Bond Schedule (LR014), Off Balance Sheet Collateral page (LR017), and Calculation of Tax Effect (LR030). In addition to the base factors on LR002, the bond size adjustment factors were modified.

Longevity Risk Factors

As a result of the adoption of proposal 2021-13-L by the Capital Adequacy (E) Task Force during its June 30 meeting, factors for a longevity risk charge were incorporated into the life RBC formula.

Reinsurance

The Capital Adequacy (E) Task Force adopted proposal 2021-12-L during its June 30 meeting. This proposal changes the description on line 15 on LR016 to allow for the inclusion of amounts held for reciprocal jurisdiction reinsurance, and it is to avoid having both the total adjusted capital decreased by amounts reestablished as liabilities and the authorized control level (ACL) increased for the charge on reserve credit and recoverable amounts.

ACA Sensitivity Test

The Capital Adequacy (E) Task Force adopted proposal 2020-02-CA during its Nov. 19, 2020, meeting to delete the ACA Fee Sensitivity Test from the RBC formulas.

Incentives—Managed Care Credit

As a result of the adoption of proposal 2021-02-CA by the Capital Adequacy (E) Task Force during its April 29 meeting, the term “incentives” was incorporated into the managed care instructions and blanks as “Bonuses/Incentives.”
Investment Income Adjustment to Underwriting Risk Factors

As a result of the adoption of proposal 2021-04-CA by the Capital Adequacy (E) Task Force during its June 30 meeting, a 0.5% investment income adjustment was incorporated into the Underwriting Risk factors for comprehensive medical, Medicare Supplement, and dental and vision.

RBC Forecasting and Instructions

The Life and Fraternal RBC forecasting spreadsheet calculates RBC using the same formula presented in the 2021 Life and Fraternal Risk-Based Capital Forecasting & Instructions for Companies, and it is available to download from the NAIC Account Manager. The 2021 Life and Fraternal Risk-Based Capital Forecasting & Instructions for Companies publication is available for purchase in electronic format through the NAIC Publications Department. This publication is available on or about November 1 each year. The User Guide is no longer included in the Forecasting & Instructions.

**WARNING:** The RBC Forecasting Spreadsheet CANNOT be used to meet the year-end RBC electronic filing requirement. RBC filing software from an annual statement software vendor should be used to create the electronic filing. If the forecasting worksheet is sent instead of an electronic filing, it will not be accepted and the RBC will not have been filed.
## AGGREGATED LIFE RBC AND ANNUAL STATEMENT DATA

### 2020 Data as of 6/30/2021

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td># of Companies Filed RBC</td>
<td>760</td>
<td>772</td>
<td>703</td>
<td>704</td>
<td>718</td>
<td>725</td>
<td>727</td>
<td>750</td>
<td>761</td>
</tr>
<tr>
<td>% of RBC Companies</td>
<td>98%</td>
<td>98%</td>
<td>97%</td>
<td>97%</td>
<td>97%</td>
<td>97%</td>
<td>97%</td>
<td>97%</td>
<td>97%</td>
</tr>
<tr>
<td>Company Action Level</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Trend Test at 300%</td>
<td>5</td>
<td>7</td>
<td>6</td>
<td>6</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>6</td>
<td>7</td>
</tr>
<tr>
<td>- Trend Test at 250%</td>
<td>1</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td>Company Action Level 500%</td>
<td>1</td>
<td>2</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>6</td>
<td>5</td>
<td>5</td>
<td>1</td>
</tr>
<tr>
<td>Regulatory Action Level</td>
<td>2</td>
<td>0</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Authorized Control Level</td>
<td>3</td>
<td>0</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Mandatory Control Level</td>
<td>4</td>
<td>4</td>
<td>3</td>
<td>3</td>
<td>3</td>
<td>4</td>
<td>4</td>
<td>4</td>
<td>6</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
<td>18</td>
<td>18</td>
<td>20</td>
<td>14</td>
<td>15</td>
<td>18</td>
<td>20</td>
<td>14</td>
</tr>
</tbody>
</table>

### Year-End Data as of 6/30/2021

<table>
<thead>
<tr>
<th></th>
<th>2020 Data as of 6/30/2021</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Companies Filed Annual Statement</td>
<td>760</td>
</tr>
<tr>
<td>% of RBC Companies</td>
<td>98%</td>
</tr>
<tr>
<td>Company Action Level</td>
<td></td>
</tr>
<tr>
<td>- Trend Test at 300%</td>
<td>5</td>
</tr>
<tr>
<td>- Trend Test at 250%</td>
<td>1</td>
</tr>
<tr>
<td>- Trend Test at 500%</td>
<td>1</td>
</tr>
<tr>
<td>Regulatory Action Level</td>
<td>2</td>
</tr>
<tr>
<td>Authorized Control Level</td>
<td>3</td>
</tr>
<tr>
<td>Mandatory Control Level</td>
<td>4</td>
</tr>
<tr>
<td>Total</td>
<td>12</td>
</tr>
<tr>
<td># of Companies with RBC Ratio &gt; 10,000%</td>
<td>52</td>
</tr>
<tr>
<td># of Companies with RBC Ratio &gt; 1000 &amp; &lt; 10,000%</td>
<td>306</td>
</tr>
<tr>
<td># of Companies with RBC Ratio &gt; 500 &amp; &lt; 1000%</td>
<td>317</td>
</tr>
<tr>
<td># of Companies with RBC Ratio &gt; 250 &amp; &lt; 500%</td>
<td>78</td>
</tr>
<tr>
<td># of Companies with RBC Ratio &lt; 200% &amp; &lt;&gt; 0%</td>
<td>244</td>
</tr>
<tr>
<td># of Companies with RBC Ratio of Zero</td>
<td>56</td>
</tr>
<tr>
<td>Total</td>
<td>760</td>
</tr>
</tbody>
</table>

### Total Adjusted Capital

<table>
<thead>
<tr>
<th></th>
<th>Total Adjusted Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td># of Companies</td>
<td>635,213,373,716</td>
</tr>
<tr>
<td>% of RBC Companies</td>
<td>85%</td>
</tr>
<tr>
<td>Median RBC %</td>
<td>972%</td>
</tr>
<tr>
<td>Total C-0 Asset Risk - Affilates</td>
<td>14.17%</td>
</tr>
<tr>
<td>Total C-1cs Asset Risk - Common Stock</td>
<td>14.17%</td>
</tr>
<tr>
<td>Total C-1o Asset Risk - All Other</td>
<td>14.17%</td>
</tr>
<tr>
<td>Total C-2 Insurance Risk</td>
<td>14.17%</td>
</tr>
<tr>
<td>Total C-3a Interest Rate Risk</td>
<td>14.17%</td>
</tr>
<tr>
<td>Total C-3b Health Credit Risk</td>
<td>14.17%</td>
</tr>
<tr>
<td>Total C-3c Market Risk</td>
<td>14.17%</td>
</tr>
<tr>
<td>Total C-4a Business Risk</td>
<td>14.17%</td>
</tr>
<tr>
<td>Total C-4b Business Risk Admin. Expenses</td>
<td>14.17%</td>
</tr>
<tr>
<td>Total Assets</td>
<td>8,297,856,845,231</td>
</tr>
<tr>
<td>Total Invested Assets</td>
<td>4,907,504,359,175</td>
</tr>
<tr>
<td>Reserves (Liabilities Line 1 + 2)</td>
<td>3,394,241,406,583</td>
</tr>
<tr>
<td>Surplus (Liabilities Line 37)</td>
<td>543,174,466,456</td>
</tr>
<tr>
<td>Premiums Earned (Page 4 Line 1)</td>
<td>635,918,317,202</td>
</tr>
<tr>
<td>Claims Incurred (Page 4 Lines 10 Through 13)</td>
<td>319,751,913,923</td>
</tr>
</tbody>
</table>

### Source:
NAIC Financial Data Repository© 2018 National Association of Insurance Commissioners
### AGGREGATED FRATERNAL RBC AND ANNUAL STATEMENT DATA

**2018 Data as of 5/30/2019**

<table>
<thead>
<tr>
<th>Year-End</th>
<th># of Companies Filed/Reported RBC</th>
<th># of Companies Filed Annual Statement</th>
<th>% of RBC Companies</th>
<th>Company Action Level - Trend Test at 300%</th>
<th>Company Action Level - Trend Test at 250%</th>
<th>Company Action Level</th>
<th>Regulatory Action Level</th>
<th>Authorized Control Level</th>
<th>Mandatory Control Level</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>72</td>
<td>73</td>
<td>99%</td>
<td>2</td>
<td>18</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>2017</td>
<td>73</td>
<td>74</td>
<td>99%</td>
<td>2</td>
<td>18</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>4</td>
</tr>
<tr>
<td>2016</td>
<td>75</td>
<td>77</td>
<td>97%</td>
<td>1</td>
<td>16</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>2015</td>
<td>75</td>
<td>79</td>
<td>95%</td>
<td>1</td>
<td>15</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2014</td>
<td>73</td>
<td>79</td>
<td>92%</td>
<td>1</td>
<td>15</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
</tr>
<tr>
<td>2013</td>
<td>74</td>
<td>80</td>
<td>93%</td>
<td>0</td>
<td>16</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>2012</td>
<td>67</td>
<td>76</td>
<td>84%</td>
<td>0</td>
<td>16</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Year-End</th>
<th>Total Adjusted Capital</th>
<th>Authorized Control Level RBC</th>
<th>Aggregate RBC %</th>
<th>Median RBC %</th>
<th>Total C-0 Asset Risk - Affiliates</th>
<th>Total C-1cs Asset Risk - Common Stock</th>
<th>Total C-1o Asset Risk - All Other</th>
<th>Total C-2 Insurance Risk</th>
<th>Total C-3a Interest Rate Risk</th>
<th>Total C-3b Health Credit Risk</th>
<th>Total C-3c Market Risk</th>
<th>Total C-4a Business Risk</th>
<th>Total C-4b Business Risk Admin. Expenses</th>
<th>Total Assets</th>
<th>Total Invested Assets</th>
<th>Reserves (Liabilities Line 1 + 2)</th>
<th>Asset Valuation Reserve (Liabilities Line 21.1)</th>
<th>Surplus (Liabilities Line 30)</th>
<th>Premiums Earned (Page 4 Line 1)</th>
<th>Claims Incurred (Page 4 Lines 10 Through 13)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
<td>19,230,599,100</td>
<td>1,733,245,430</td>
<td>1,54%</td>
<td>33.5%</td>
<td>1.64%</td>
<td>41.04%</td>
<td>30.31%</td>
<td>8.32%</td>
<td>15.62%</td>
<td>0.00%</td>
<td>2.99%</td>
<td>0.04%</td>
<td>1.00%</td>
<td>169,135,504,963</td>
<td>138,079,465,322</td>
<td>102,972,886,405</td>
<td>2,213,812,483</td>
<td>16,665,250,425</td>
<td>10,048,236,217</td>
<td></td>
</tr>
<tr>
<td>2017</td>
<td>18,160,459,224</td>
<td>1,452,835,009</td>
<td>1.65%</td>
<td>38.47%</td>
<td>34.08%</td>
<td>38.47%</td>
<td>30.31%</td>
<td>8.32%</td>
<td>15.62%</td>
<td>0.00%</td>
<td>3.55%</td>
<td>0.04%</td>
<td>1.00%</td>
<td>168,000,365,263</td>
<td>134,929,237,617</td>
<td>100,824,730,896</td>
<td>2,188,700,487</td>
<td>15,640,829,488</td>
<td>9,952,575,434</td>
<td></td>
</tr>
<tr>
<td>2016</td>
<td>16,791,351,776</td>
<td>1,155,869,965</td>
<td>31.95%</td>
<td>36.82%</td>
<td>38.47%</td>
<td>38.47%</td>
<td>30.31%</td>
<td>8.32%</td>
<td>15.62%</td>
<td>0.00%</td>
<td>3.55%</td>
<td>0.04%</td>
<td>1.00%</td>
<td>158,655,826,563</td>
<td>129,834,944,910</td>
<td>97,602,163,251</td>
<td>2,018,700,487</td>
<td>14,522,972,664</td>
<td>10,155,222,986</td>
<td></td>
</tr>
<tr>
<td>2015</td>
<td>15,493,109,462</td>
<td>1,255,700,071</td>
<td>34.96%</td>
<td>36.82%</td>
<td>38.47%</td>
<td>38.47%</td>
<td>30.31%</td>
<td>8.32%</td>
<td>15.62%</td>
<td>0.00%</td>
<td>3.55%</td>
<td>0.04%</td>
<td>1.00%</td>
<td>150,535,332,405</td>
<td>124,305,200,033</td>
<td>94,024,614,913</td>
<td>1,832,612,035</td>
<td>13,469,992,284</td>
<td>10,589,981,867</td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td>14,700,132,737</td>
<td>1,281,286,505</td>
<td>34.96%</td>
<td>36.82%</td>
<td>38.47%</td>
<td>38.47%</td>
<td>30.31%</td>
<td>8.32%</td>
<td>15.62%</td>
<td>0.00%</td>
<td>3.55%</td>
<td>0.04%</td>
<td>1.00%</td>
<td>147,016,625,545</td>
<td>119,918,625,465</td>
<td>90,070,012,921</td>
<td>1,738,915,580</td>
<td>12,850,338,693</td>
<td>10,988,901,867</td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td>13,796,340,822</td>
<td>1,302,632,382</td>
<td>34.96%</td>
<td>36.82%</td>
<td>38.47%</td>
<td>38.47%</td>
<td>30.31%</td>
<td>8.32%</td>
<td>15.62%</td>
<td>0.00%</td>
<td>3.55%</td>
<td>0.04%</td>
<td>1.00%</td>
<td>134,703,109,462</td>
<td>114,708,240,638</td>
<td>87,385,383,680</td>
<td>1,738,915,580</td>
<td>11,820,411,951</td>
<td>10,068,216,569</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>12,347,326,941</td>
<td>1,209,071,765</td>
<td>34.96%</td>
<td>36.82%</td>
<td>38.47%</td>
<td>38.47%</td>
<td>30.31%</td>
<td>8.32%</td>
<td>15.62%</td>
<td>0.00%</td>
<td>3.55%</td>
<td>0.04%</td>
<td>1.00%</td>
<td>129,834,944,910</td>
<td>111,729,770,065</td>
<td>84,090,461,988</td>
<td>1,738,915,580</td>
<td>9,837,166,097</td>
<td>9,086,216,569</td>
<td></td>
</tr>
<tr>
<td>2011</td>
<td>11,316,414,941</td>
<td>1,167,599,848</td>
<td>34.96%</td>
<td>36.82%</td>
<td>38.47%</td>
<td>38.47%</td>
<td>30.31%</td>
<td>8.32%</td>
<td>15.62%</td>
<td>0.00%</td>
<td>3.55%</td>
<td>0.04%</td>
<td>1.00%</td>
<td>119,831,633,975</td>
<td>104,893,650,006</td>
<td>80,027,890,705</td>
<td>1,738,915,580</td>
<td>9,165,593,291</td>
<td>9,759,276,334</td>
<td></td>
</tr>
</tbody>
</table>

Source: NAIC Financial Data Repository © 2018 National Association of Insurance Commissioners

Attachment L
# CAPITAL ADEQUACY (E) TASK FORCE
## WORKING AGENDA ITEMS FOR CALENDAR YEAR 2021

<table>
<thead>
<tr>
<th>#</th>
<th>Owner</th>
<th>Priority</th>
<th>Expected Completion Date</th>
<th>Working Agenda Item</th>
<th>Source</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ongoing Items – Life RBC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>Life RBC WG</td>
<td>Ongoing</td>
<td>Ongoing</td>
<td>Make technical corrections to Life RBC instructions, blank and/or methods to provide for consistent treatment among asset types and among the various components of the RBC calculations for a single asset type.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Life RBC WG</td>
<td>1</td>
<td>2021 or later</td>
<td>1. Monitor the impact of the changes to the variable annuities reserve framework and risk-based capital (RBC) calculation and determine if additional revisions need to be made. 2. Develop and recommend appropriate changes including those to improve accuracy and clarity of variable annuity (VA) capital and reserve requirements.</td>
<td>CATF</td>
<td>Being addressed by the Variable Annuities Capital and Reserve (E/A) Subgroup</td>
</tr>
<tr>
<td>3</td>
<td>Life RBC WG</td>
<td>1</td>
<td>2021 or later</td>
<td>Provide recommendations for recognizing longevity risk in statutory reserves and/or RBC, as appropriate. Provide recommendations for the appropriate treatment of longevity risk transfers by the new longevity factors.</td>
<td>New Jersey</td>
<td>Being addressed by the Longevity (E/A) Subgroup</td>
</tr>
<tr>
<td><strong>Carry-Over Items Currently being Addressed – Life RBC</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Life RBC WG</td>
<td>1</td>
<td>2021</td>
<td>Update the current C-3 Phase I or C-3 Phase II methodology for including indexed annuities with consideration of contingent deferred annuities as well.</td>
<td>AAA</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Life RBC WG</td>
<td>1</td>
<td>2021</td>
<td>Determine if any adjustment is needed to the XXX/AXXX RBC Shortfall calculation to address surplus notes issued by captives.</td>
<td>11/1/17 Referral from the Reinsurance (E/A) Task Force</td>
<td>3/24/2018</td>
</tr>
<tr>
<td>6</td>
<td>Life RBC WG</td>
<td>1</td>
<td>2021</td>
<td>Determine if any adjustment is needed due to the changes made to the Life and Health Guaranty Association Model Act, Model #520.</td>
<td></td>
<td>9/1/2018</td>
</tr>
<tr>
<td>7</td>
<td>Life RBC WG</td>
<td>1</td>
<td>2021</td>
<td>Determine if any adjustment is needed due to the changes made to the property RBC formula.</td>
<td>Referral from Investment RBC July/2020</td>
<td>9/1/2018</td>
</tr>
<tr>
<td>8</td>
<td>Life RBC WG</td>
<td>1</td>
<td>2021</td>
<td>Discuss and determine the bond factors for the 20 designations.</td>
<td>Referral from Investment RBC July/2020</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Life RBC WG</td>
<td>1</td>
<td>2021</td>
<td>Discuss and determine the need to adjust the real estate factors.</td>
<td>Referral from Investment RBC July/2020</td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Life RBC WG</td>
<td>1</td>
<td>2021 or later</td>
<td>Work with the Life Actuarial (A) Task Force and Conning to develop the economic scenario generator for implementation.</td>
<td>New Items – Life</td>
<td></td>
</tr>
<tr>
<td><strong>New Items – Life</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Life RBC WG</td>
<td>1</td>
<td>2021</td>
<td>Develop guidance for regulators as it relates to the potential impact of the bond factor changes on 2021 RBC results and the trend test</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Life RBC WG</td>
<td>1</td>
<td>2021 or later</td>
<td>Review companies at action levels, including previous years, to determine what drivers of the events are and consider whether changes to the RBC statistics are warranted.</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>