



Draft date: 9/15/23

*Virtual Meeting*

**CAPITAL ADEQUACY (E) TASK FORCE**

Monday, September 18, 2023

11:00 a.m. – 12:00 p.m. ET / 10:00 – 11:00 a.m. CT / 9:00 – 10:00 a.m. MT / 8:00 – 9:00 a.m. PT

**ROLL CALL**

Judith L. French, Chair	Ohio	Sharon P. Clark	Kentucky
Grace Arnold, Vice Chair	Minnesota	Kathleen A. Birrane	Maryland
Mark Fowler	Alabama	Chlora Lindley-Myers	Missouri
Lori K. Wing-Heier	Alaska	Troy Downing	Montana
Peni Itula Sapini Teo	American Samoa	Eric Dunning	Nebraska
Ricardo Lara	California	D.J. Bettencourt	New Hampshire
Michael Conway	Colorado	Justin Zimmerman	New Jersey
Andrew N. Mais	Connecticut	Mike Causey	North Carolina
Karima M. Woods	District of Columbia	Jon Godfread	North Dakota
Michael Yaworsky	Florida	Glen Mulready	Oklahoma
Dana Popish Severinghaus	Illinois	Michael Wise	South Carolina
Amy L. Beard	Indiana	Cassie Brown	Texas
Doug Ommen	Iowa	Mike Kreidler	Washington
Vicki Schmidt	Kansas	Nathan Houdek	Wisconsin

NAIC Support Staff: Eva Yeung

**AGENDA**

1. Consider Adoption of its Summer National Meeting Minutes—*Tom Botsko (OH)* Attachment A
2. Discuss Editorial Changes in the Affiliated Investments—*Tom Botsko (OH)*
  - a) Affiliate Type Code Attachment B
  - b) Life Risk-Based Capital Total Adjusted Capital Attachment C
3. Consider Adoption of 2023 Newsletter—*Tom Botsko (OH)*
  - a) Health Risk-Based Capital Newsletter Attachment D
  - b) Life Risk-Based Capital Newsletter Attachment E
  - c) Property and Casualty Risk-Based Capital Newsletter Attachment F



4. Discuss Any Other Matters Brought Before the Working Group—*Tom Botsko (OH)*
5. Adjournment

## Draft Pending Adoption

Draft: 8/22/23

Capital Adequacy (E) Task Force  
Seattle, Washington  
August 14, 2023

The Capital Adequacy (E) Task Force met Aug. 14, 2023. The following Task Force members participated: Judith L. French, Chair, represented by Tom Botsko and Dale Bruggeman (OH); Grace Arnold, Vice Chair, represented by Fred Andersen (MN); Lori K. Wing-Heier represented by David Phifer (AK); Mark Fowler represented by Sheila Travis (AL); Ricardo Lara represented by Laura Clements (CA); Andrew N. Mais represented by Wanchin Chou (CT); Karima M. Woods represented by Philip Barlow (DC); Michael Yaworsky represented by Bradley Trim (FL); Doug Ommen represented by Mike Yanacheak (IA); Dana Popish Severinghaus represented by Bruce Sartain (IL); Amy L. Beard represented by Roy Eft (IN); Vicki Schmidt represented by Tish Becker (KS); Sharon P. Clark represented by Vicki Lloyd (KY); Kathleen A. Birrane represented by Lynn Beckner (MD); Chlora Lindley-Myers represented by John Rehagen and Debbie Doggett (MO); Troy Downing represented by Erin Snyder (MT); Mike Causey represented by Jackie Obusek (NC); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Margaret Garrison and Michael Muldoon (NE); D.J. Bettencourt represented by Jennifer Li and Christian Citarella (NH); Justin Zimmerman represented by David Wolf (NJ); Glen Mulready represented by Diane Carter (OK); Michael Wise represented by Will Davis (SC); Cassie Brown represented by Jamie Walker (TX); Mike Kreidler represented by Steve Drutz (WA); and Nathan Houdek and Amy Malm (WI).

### 1. Adopted its June 30 and April 28 Minutes

Botsko said the Task Force met June 30 and April 28. During its June 30 meeting, the Task Force took the following action: 1) adopted proposals: a) 2023-02-P (MOD) (Underwriting Risk Line 1 Factor Modification); b) 2023-09-IRE (Residual Factor for Life) and 2023-10-IRE (Residual Sensitivity Test Factor for Life); c) adopted proposal 2022-09-CA (MOD) (Revised Affiliated Investments Structure and Instructions); d) 2022-16-CA (Underwriting Risk Factors – Investment Income Adjustment); and e) 2023-01-CA (Stop Loss Premiums); 2) adopted the Generator of Economic Scenarios (E/A) Subgroup charges; 3) discussed the current turmoil in the banking sector; 4) received an update from its Risk Evaluation Ad Hoc Group.

During its April 28 meeting, the Task Force took the following action: 1) adopted its Spring National Meeting minutes; 2) discussed the current turmoil in the banking sector; 3) adopted proposals: a) 2023-02-P (Underwriting Risk Line 1 Factors); b) 2023-03-IRE (Revised Residual Structure for life); c) 2023-04-IRE (Residual Sensitivity Test for Life); d) 2023-05-L (Remove Dual Trend Test); e) 2023-06-L (C-2 Mortality Risk Structure Changes); and f) 2023-07-L (CM6 & CM7 Mortgages Structures Changes); 4) exposed proposals: a) 2022-16-CA (Underwriting Risk Factors Investment Income Adjustment); and b) 2023-01-CA (Stop Loss Premiums) for a 30-day public comment period ending May 27; 3) discussed a referral from the Valuation of Securities (E) Task Force; and 4) received an update from its Risk Evaluation Ad Hoc Group.

Eft made a motion, seconded by Davis, to adopt the Task Force's June 30 and April 28 minutes (Attachment **One**). The motion passed unanimously.

### 2. Adopted the Reports of its Working Groups

#### A. Health Risk-Based Capital (E) Working Group

Drutz said the Health Risk-Based Capital (E) Working Group met July 25 and took the following action: 1) adopted its May 17 and April 17 minutes, which included the following action: a) adopted its Spring National Meeting minutes; b) referred proposal 2023-01-CA to the Capital Adequacy (E) Task Force for exposure; c) received

## Draft Pending Adoption

an update from the American Academy of Actuaries (Academy) on the health care receivables and H2-underwriting risk review projects; d) discussed pandemic risk; and e) exposed the proposal on the health test language for a 45-day public comment period ending June 30; 2) adopted its 2023 health risk-based capital (RBC) newsletter; 3) adopted its 2022 health RBC statistics report; 4) exposed proposal 2023-11-H (XR014 Fee-for-Service & Other Risk Revenue-Medicare & Medicaid) for a 30-day public comment period ending Aug. 24. The proposal was drafted to include Medicare and Medicaid fee-for-service and other risk revenue amounts in Column (1), Lines (4) and (10) on pages XR014 and XR013; 5) received comments from the New York Department of Financial Services on the health test language proposal. The Working Group referred the proposal to the Blanks (E) Working Group; 6) received an update from the Academy on the health care receivables and H2-underwriting risk review projects. The Working Group agreed to reach out to companies where there are questions related to the reporting of health care receivables. The Working Group agreed to expose the Academy's update letter on the H2-underwriting risk review and work with the Academy to address the questions provided in its letter; 7) adopted its 2023 working agenda; 8) received an update on the work being performed by the Excessive Growth Charge Ad Hoc group; and 9) discussed a way forward on evaluating pandemic risk in the health RBC formula.

### B. Risk-Based Capital Investment Risk and Evaluation (E) Working Group

Barlow said the RBC Investment Risk and Evaluation (E) Working Group met Aug. 13 and took the following action: 1) adopted its June 14, May 17, April 20, and Spring National Meeting minutes, which included the following action: a) discussed comments received on proposed structural and factor changes for residual tranches; and b) adopted structural changes and factors for the base factor and a sensitivity test for residual tranches; 2) received updates from the Valuation of Securities (E) Task Force and the Statutory Accounting Principles (E) Working Group; and 3) heard a presentation from the Academy on principles for structured securities RBC.

### C. Life Risk-Based Capital (E) Working Group

Barlow also said the Life Risk-Based Capital (E) Working Group met Aug. 13 and took the following action: 1) adopted its June 22, April 14, and Spring National Meeting minutes, which included the following action: a) adopted the Generator of Economic Scenarios (GOES) (E/A) Subgroup charges; b) discussed proposal 2023-08-L (Custody Control Accounts); c) discussed its working agenda; d) adopted proposals: i) 2023-05-L (C-2 Mortality Structure and Instruction Changes); ii) 2023-07-L (CM6 & CM7 Mortgage Structure Change); iii) 2023-08-L (Custody Control Accounts); and e) discussed C-2 mortality risk; 2) adopted its 2023 life RBC newsletter; 3) adopted its 2022 life RBC statistics report; 4) adopted its working agenda; 5) heard a presentation from the American Council of Life Insurers (ACLI) on repurchase agreements and exposed it for a 45-day public comment period.

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

Botsko said the Property and Casualty Risk-Based Capital (E) Working Group met July 27 and took the following action: 1) adopted its June 16 and April 24 minutes, which included the following action: a) adopted its Spring National Meeting Minutes; b) adopted proposal 2023-02-P (UW Risk Line 1 Factors); c) adopted proposal 2023-02-P-MOD (UW Risk Line 1 Factors Modification), which updated the H/F, WC, and CMP reserve factors due to an incorrect calculation; 2) adopted the report of the Catastrophe Risk (E) Subgroup, which took the following action: a) adopted its Spring National Meeting minutes; b) discussed its working agenda; c) received a status update from its Catastrophe Model Technical Review Ad Hoc Group; d) discussed wildfire peril impact analysis; e) heard a presentation from Verisk on severe convective storms model update and technical review; and f) discussed the flood insurance market; 3) adopted its 2023 property/casualty (P/C) RBC newsletter; 4) discussed its 2022 P/C RBC statistics report; 5) discussed its working agenda; and 6) heard an update on current P/C RBC projects from the Academy.

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Drutz made a motion, seconded by Travis, to adopt the reports of the Health Risk-Based Capital (E) Working Group (Attachment **Three**), the Life Risk-Based Capital (E) Working Group (Attachment **Four**), the Property and Casualty Risk-Based Capital (E) Working Group (Attachment **Five**), and the Risk-Based Capital Investment Risk and Evaluation (E) Working Group (Attachment **Six**). The motion passed unanimously.

### 3. Adopted its Working Agenda

Botsko summarized the changes to the 2023 working agenda. He said the following items were updated in the Life Risk-Based Capital (E) Working Group section: 1) item L3 was changed to “provide recommendation for the appropriate treatment of longevity risk transfers by updated longevity factors and consider expanding the scope to include all payout annuities”; 2) item L4, which is “monitor the economic scenario governance framework, review material economic scenario generator updates, key economic conditions and metrics, support the implementation of an economic scenario generator for use in statutory reserve and capital calculations and develop and maintain acceptance criteria,” was added to the ongoing life RBC section; 3) the original item L5, which is “work with the Life Actuarial (A) Task Force and Conning to develop the economic scenario generator for implementation,” was removed; and 4) the last item of the life RBC carryover section was updated to “work with the Academy on creating guidance for the adopted C-2 mortality treatment for 2023 and next steps.” Botsko stated that there is no change on the Risk-Based Capital Investment Risk and Evaluation (E) Working Group section in the working agenda.

Regarding the Property and Casualty Risk-Based Capital (E) Working Group section, he said the working agenda included the following substantial changes: 1) update the Sept. 26 comment from “conduct a review on different convective storm models” and add an additional comment of “the SG is finishing reviewing the following SCS vendor models: RMS, Verisk, KCC and Corelogic” in the comment section in item P1; 2) remove item # P5 as the proposal 2022-07-P has been adopted at the 2022 Fall National Meeting; and 3) add a new item P8 for adding pet insurance line in the RBC formula due to the adoption of the Annual Statement Blanks proposal 2023-01BWG.

Botsko also said the Health Risk-Based Capital (E) Working Group agenda item was revised to incorporate the following changes: 1) item X1 was updated to reference the adoption of proposal 2022-16-CA; 2) item X3 was updated to reference the adoption of proposal 2023-01-CA; 3) item X4 was updated to include the work with the Academy on the health care receivables; and 4) items X5 and X10 were deleted because these items have been completed.

Lastly, Botsko stated that the Task Force working agenda was updated as follows: 1) items CA1 and CA5 were updated to reference the adoption of proposals: a) 2022-09-CA; b) 2022-09-CA-MOD; and c) 2022-13-CA. These two items will be removed from the working agenda due to the adoption of the proposal; 2) the comment for CA4 was updated to reflect that the Task Force forwarded the responses to the Restructuring Mechanism (E) Subgroup at the Spring National Meeting. This item is considered completed, and it will also be removed from the working agenda shortly; and 3) add a new item, CA6, for establishing the Risk Evaluation Ad Hoc Group at the Spring National Meeting.

Drutz made a motion, seconded by Andersen, to adopt the Task Force’s revised 2023 working agenda (Attachment Ten). The motion passed unanimously.

### 4. Exposed its 2024 Proposed Charges

Botsko said the only added item in the 2024 proposed charges is the establishment of a new subgroup, which is the Generator of Economic Scenarios (GOES) (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and the Life Actuarial (A) Task Force. He encouraged the interested parties to review the charges of the new subgroup, and he welcomed any comments during the exposure period.

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The Task Force agreed to expose its 2024 proposed charges for a 30-day public comment period ending Sept. 13.

### 5. Exposed its Revised Procedures Document

Botsko said the purpose of the revision is to allow the exposure deadline to be extended to March 15 for either the Task Force or Working Groups in only rare instances when the structure is urgent. He encouraged the interested parties to review the revision and welcomed any comments during the exposure period.

The Task Force agreed to expose its revised procedure documents for a 30-day public comment period ending Sept. 13.

### 6. Received an Update from its Risk Evaluation Ad Hoc Group

Botsko said the Risk Evaluation Ad Hoc Group met July 26 and decided to establish three subgroups to potentially streamline the process of making progress on specific topics: 1) Asset Concentration Ad Hoc Subgroup; 2) RBC Purposes and Guidelines Ad Hoc Subgroup; and 3) Geographic Concentration Ad Hoc Subgroup. He encouraged all interested parties to contact NAIC staff if anyone is interested in joining the ad hoc subgroups. Also, Botsko announced that the ad hoc subgroups will start meeting regularly after the Summer National Meeting and will provide monthly updates to the Risk Evaluation Ad Hoc Group.

### 7. Discussed the Implications of the Recent Market Turmoil and Their Impact on Insurer Investments

Ed Toy (Risk & Regulatory Consulting—RRC) provided an update on the banking situation, noting that it continues to evolve. This has included banking regulators announcing increased regulation for larger banks that are below the largest bank. He stated that the July 2023 Senior Loan Officer Opinion Survey on bank lending practices reported tightening of lending to all businesses and household categories. The impact on commercial real estate also continues to evolve. There have been announcements of major investors selling properties at significant losses or letting lenders take properties upon debt defaults, and national index values of commercial real estate were already hitting a dip beginning the end of last year. Office properties have dropped as much as 30% in the last 12 months.

Toy also addressed some comments on the Fitch Ratings downgrade of the U.S. Federal Government debt from AAA to AA+ on Aug. 1. He said he believes that the ratings change does not trigger material impact within the RBC framework, as U.S. full faith and credit obligation is in an exempt category under the RBC guidance. However, agencies that are not backed by full faith and credit of the U.S. government (such as Fannie Mae and Freddie Mac) may have a change in factors, but the overall RBC impact should be relatively immaterial.

Botsko said the Task Force appreciates Toy continuing to provide updates in upcoming meetings. He also reiterated that the Task Force is open to hearing thoughts or information that affects RBC. He encouraged parties to contact him or NAIC staff if they are interested in presenting any topics during a Task Force meeting.

### 8. Discussed Other Matters

#### A. RBC Statistics Operational Risk Component

Botsko said during the Health Risk-Based Capital (E) Working Group meeting on July 25, the interested parties suggested that adding the operational risk component will provide a complete picture of the RBC formula. Without hearing any objections, the Task Force agreed to include the operational risk amount in the 2023 RBC statistics for all lines of business.

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### B. Negative IMR

Bruggeman said the Statutory Accounting Principles (E) Working Group adopted the short-term interpretation project during its meeting at this Summer National Meeting. He stated that this project is good through year-ending 2025 to give the industry, regulators, and other interested parties time to hash out a long-term approach. Bruggeman also stated that the adopted short-term interpretation reflects the following: 1) requirement for RBC ratio over 300% after adjustment to remove admitted positive goodwill, electronic data processing (EDP) equipment and operating system software, deferred tax assets (DTAs), and admitted negative interest maintenance reserve (IMR); 2) allowance to admit up to 10% of adjusted capital and surplus; 3) application guidance for admitting/recognizing IMR in both the general and separate accounts; 4) there is no exclusion for derivatives losses included in negative IMR, if the company can demonstrate historical practice in which realized gains from derivatives were also reversed to IMR and amortized; and 5) inclusion of a new reporting entity attestation, which continues the existing practice that losses cannot be deferred as a result of a forced sale due to liquidity issues, along with commentary that assets were sold as part of prudent asset management.

In addition, Bruggeman said the Statutory Accounting Principles (E) Working Group adopted the principles-based bond definition, to be effective Jan. 1, 2025, along with creating an expanded Schedule D, Part 1 to Schedule D, Part 1, Section 1 and Schedule D, Part 1, Section 2.

Having no further business, the Capital Adequacy (E) Task Force adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/E CMTE/CADTF/2023-2-Summer/Aug 14 CADTF minutes.docx

Affiliate Type Code – Null Field Fix

PR004 Line 21, Column 1

H28 :    fx =COUNTIFS('PR003'!\$C\$8:\$C\$107,"9c") + COUNTIFS('PR003'!\$C\$8:\$C\$107,"")

	A	B	C	D	E	F	G	H	I
26	(19)	Non-Insurance Entities with a Capital Requirement Imposed by a Regulatory Body	9a	0.225				0	0
27	(20)	Non-Insurance Other Financial Entities without Regulatory Capital Requirements	9b	0.225				0	0
28	(21)	Other Non-financial Entities	9c	0.225				100	0
29	(22)	Total						100	0
30									

PR004 Line 21, Column 2

I28 :    fx =SUMIFS('PR003'!\$M\$8:\$M\$107,'PR003'!\$C\$8:\$C\$107,"9c") + SUMIFS('PR003'!\$M\$8:\$M\$107,'PR003'!\$C\$8:\$C\$107,"")

	A	B	C	D	E	F	G	H	I
27	(20)	Non-Insurance Other Financial Entities without Regulatory Capital Requirements	9b	0.225				0	0
28	(21)	Other Non-financial Entities	9c	0.225				100	0
29	(22)	Total						100	0
30									

XR003, Line 21, Column 1

F26 :    fx =COUNTIFS('XR002'!\$C\$6:\$C\$55,"9c") + COUNTIFS('XR002'!\$C\$6:\$C\$55,"")

	A	B	C	D	E	F	G	H
1	Menu	Color Coding		Company Name	Cocode: 00000			
20	(15)	Investment in Upstream Affiliate (Parent)	7	0.300			0	\$0
21	(16)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	8a	0.300			0	\$0
22	(17)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	8b	0.300			0	\$0
23	(18)	Directly Owned Life Insurance Companies Not Subject to RBC	8c	0.300			0	\$0
24	(19)	Non-Insurance Entities with a Capital Requirement Imposed by a Regulatory Body	9a	0.300			0	\$0
25	(20)	Non-Insurance Other Financial Entities without Regulatory Capital Requirements	9b	0.300			0	\$0
26	(21)	Other Non-Financial Entities	9c	0.300			50	\$0
27	(22)	Total					50	\$0
28								

XR003, Line 21, Column 2

G26 :    fx =SUMIFS('XR002'!\$M\$6:\$M\$55,'XR002'!\$C\$6:\$C\$55,"9c") + SUMIFS('XR002'!\$M\$6:\$M\$55,'XR002'!\$C\$6:\$C\$55,"")

	A	B	C	D	E	F	G	H
1	Menu	Color Coding		Company Name	Cocode: 00000			
20	(15)	Investment in Upstream Affiliate (Parent)	7	0.300			0	\$0
21	(16)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	8a	0.300			0	\$0
22	(17)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	8b	0.300			0	\$0
23	(18)	Directly Owned Life Insurance Companies Not Subject to RBC	8c	0.300			0	\$0
24	(19)	Non-Insurance Entities with a Capital Requirement Imposed by a Regulatory Body	9a	0.300			0	\$0
25	(20)	Non-Insurance Other Financial Entities without Regulatory Capital Requirements	9b	0.300			0	\$0
26	(21)	Other Non-Financial Entities	9c	0.300			50	\$0
27	(22)	Total					50	\$0
28								

LR042, Line 21, Column 1



D27    =SUMIFS('LR044'!\$FS10:\$FS110,'LR044'!\$CS10:\$CS110,"9c")+SUMIFS('LR044'!\$HS10:\$HS110,'LR044'!\$CS10:\$CS110,"9c")+SUMIFS('LR044'!\$FS10:\$FS110,'LR044'!\$CS10:\$CS110,"")+SUMIFS('LR044'!\$HS10:\$HS110,'LR044'!\$CS10:\$CS110,"")

Menu	Color Coding	SUMMARY FOR AFFILIATED/SUBSIDIARY STOCKS					Go to	Men		
Company Name									Cocde: 00000	
(18)	Directly Owned Life Insurance Companies Not Subject to RBC	8c	\$0	XXX	XXX	X	0.300	=	\$0	0
(19)	Non-Insurance Entities with a Capital Requirement Imposed by a Regulatory Body	9a	\$0	XXX	XXX	X	0.300	=	\$0	0
(20)	Non-Insurance Other Financial Entities without Regulatory Capital Requirements	9b	\$0	XXX	XXX	X	0.300	=	\$0	0
(21)	Other Non-financial Entities	9c	\$0	XXX	XXX	X	0.300	=	\$0	101
(22)	Publicly Traded Insurance Affiliates	10	\$0			X	0.346	=	\$0	0
(23)	Total (Sum of Lines (1) through (22))	XXX	\$0	XXX			XXX		\$0	101

LR042, Line 21, Column 4

D27    =SUMIFS('LR044'!\$FS10:\$FS110,'LR044'!\$CS10:\$CS110,"9c")+SUMIFS('LR044'!\$HS10:\$HS110,'LR044'!\$CS10:\$CS110,"9c")+SUMIFS('LR044'!\$FS10:\$FS110,'LR044'!\$CS10:\$CS110,"")+SUMIFS('LR044'!\$HS10:\$HS110,'LR044'!\$CS10:\$CS110,"")

Menu	Color Coding	SUMMARY FOR AFFILIATED/SUBSIDIARY STOCKS					Go to	Men		
Company Name									Cocde: 00000	
(18)	Directly Owned Life Insurance Companies Not Subject to RBC	8c	\$0	XXX	XXX	X	0.300	=	\$0	0
(19)	Non-Insurance Entities with a Capital Requirement Imposed by a Regulatory Body	9a	\$0	XXX	XXX	X	0.300	=	\$0	0
(20)	Non-Insurance Other Financial Entities without Regulatory Capital Requirements	9b	\$0	XXX	XXX	X	0.300	=	\$0	0
(21)	Other Non-financial Entities	9c	\$0	XXX	XXX	X	0.300	=	\$0	101
(22)	Publicly Traded Insurance Affiliates	10	\$0			X	0.346	=	\$0	0
(23)	Total (Sum of Lines (1) through (22))	XXX	\$0	XXX			XXX		\$0	101

LR042, Line 21, Number of Companies

I27    =COUNTIFS('LR044'!\$CS10:\$CS110,"9c") + COUNTIFS('LR044'!\$CS10:\$CS110,"")

Menu	Color Coding	SUMMARY FOR AFFILIATED/SUBSIDIARY STOCKS					Go to	Men		
Company Name									Cocde: 00000	
(18)	Directly Owned Life Insurance Companies Not Subject to RBC	8c	\$0	XXX	XXX	X	0.300	=	\$0	0
(19)	Non-Insurance Entities with a Capital Requirement Imposed by a Regulatory Body	9a	\$0	XXX	XXX	X	0.300	=	\$0	0
(20)	Non-Insurance Other Financial Entities without Regulatory Capital Requirements	9b	\$0	XXX	XXX	X	0.300	=	\$0	0
(21)	Other Non-financial Entities	9c	\$0	XXX	XXX	X	0.300	=	\$0	101
(22)	Publicly Traded Insurance Affiliates	10	\$0			X	0.346	=	\$0	0
(23)	Total (Sum of Lines (1) through (22))	XXX	\$0	XXX			XXX		\$0	101

**AFFILIATED/SUBSIDIARY STOCKS**

LR042, LR043 and LR044

*Basis of Factors*

There are ten categories of affiliated/subsidiary investments that are subject to Risk-Based Capital requirements for common stock and preferred stock holdings. Those ten categories are:

1. Directly Owned U.S. Insurance Affiliates/Subsidiaries Subject to a Risk-Based Capital (RBC)-Look-Through Calculation
  - a. Health Insurance Company or Health Entity
  - b. Property and Casualty Insurance Company
  - c. Life Insurance Company
2. Indirectly Owned U.S. Insurance Affiliates/Subsidiaries Subject to RBC-Look-Through Calculation
  - a. Health Insurance Company or Health Entity
  - b. Property and Casualty Insurance Company
  - c. Life Insurance Company
3. Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries
4. Investment Subsidiaries
5. Directly Owned Alien Insurance Affiliates/Subsidiaries
  - a. Health Insurance Company or Health Entity
  - b. Property and Casualty Insurance Company
  - c. Life Insurance Company
6. Indirectly Owned Alien Insurance Affiliates/Subsidiaries
  - a. Health Insurance Company or Health Entity
  - b. Property and Casualty Insurance Company
  - c. Life Insurance Company
7. Investments in Upstream Affiliate (Parent)
8. Directly Owned U.S. Insurance Affiliates/Subsidiaries Not Subject to RBC
  - a. Health Insurance Companies and Health Entities Not Subject to RBC
  - b. Property and Casualty Insurance Companies Not Subject to RBC
  - c. Life Insurance Companies Not Subject to RBC
9. Non-Insurance Affiliates/Subsidiaries Not Subject to RBC
  - a. Entities with a capital requirement imposed by a regulatory body
  - b. Other Financial Entities without regulatory capital requirements
  - c. Non-financial entities
10. Publicly Traded Insurance Affiliates/Subsidiaries Held at Market Value

Deleted: INVESTMENTS

Deleted: 1

Deleted: 10/15/202110/14

Enter applicable items for each affiliate/subsidiary in the Details for Affiliated/Subsidiary Stocks worksheet. The program will automatically calculate the risk-based capital charge for each affiliate/subsidiary. When the data is uploaded to the NAIC database, it will be cross-checked and the company will be required to correct any discrepancies and refile a corrected version with the NAIC and/or any state that requires the company to file RBC with its department. The RBC report will display the number of affiliates/subsidiaries. These numbers should be reviewed to ensure that all affiliates/subsidiaries are appropriately reported.

The total of all reported affiliate/subsidiary stock should equal the amounts reported on Schedule D, Part 2, Section 1, Line 440999999 plus Schedule D, Part 2, Section 2, Line 597999999 and should also equal Schedule D, Part 6, Section 1, Line 0999999 plus Line 1899999.

Affiliated/Subsidiary investments fall into two broad categories: (A) Insurance Affiliates/Subsidiaries that are Subject to risk-based capital; and (B) Affiliates/Subsidiaries that are Not Subject to risk-based capital. The risk-based capital for these two broad groups differs. Investment subsidiaries are a subset of category A in that they are subject to a risk-based capital charge that includes the life RBC risk factors applied only to the investments held by the investment subsidiary for its parent insurer. Publicly traded insurance affiliates/subsidiaries held at market value have characteristics of both broader categories. As a result, there is a two-part RBC calculation. The general treatment for each is explained below.

Directly owned insurance and health entity affiliates/subsidiaries are affiliates/subsidiaries in which the reporting company owns the stock of the affiliate/subsidiary. Indirectly owned insurance affiliates/subsidiaries and health entities are those where the reporting company owns stock in a holding company, which in turn owns the stock of the insurance affiliate/subsidiary or health entity. Note that there could be multiple holding companies that control the downstream insurance company.

Enter the book/adjusted carrying value of: the common stock in Column (5), the preferred stock in Column (7), the total outstanding common stock in Column (6) and the total outstanding preferred stock of that affiliate/subsidiary in Column (10) of the appropriate worksheet. The percentage of ownership is calculated by summing the book/adjusted carrying values of the owned preferred stock and common stock and dividing that amount by the sum of all outstanding preferred and common stock.

#### Insurance Affiliate/Subsidiaries that are Subject to RBC

##### 1. Directly Owned U.S. Affiliates/Subsidiaries:

The risk-based capital requirement for the reporting company for those insurance affiliates/subsidiaries that are subject to a risk-based capital requirement is based on the Total Risk-Based Capital After Covariance of the affiliate/subsidiary, prorated for the percent of ownership of that affiliate/subsidiary.

For purposes of Subsidiary Risk all references to Total Risk-Based Capital After Covariance of the affiliate/subsidiary means:

- a. For a Health affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (XR024, Line (41));
- b. For a P/C affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (PR032, Line (60)); and
- c. For a Life affiliate/subsidiary RBC filing, the sum of
  - (a) Total Risk-Based Capital After Covariance before Basic Operational Risk (LR031, Line (69)); and
  - (b) Primary Security shortfalls for all cessions covered by Actuarial Guideline XLVIII (AG 48) multiplied by two (LR031, Line (73)).

For RBC purposes, the reporting insurer must determine the carrying value and the RBC requirement of directly owned RBC filing affiliate/subsidiary company, even if the RBC filing affiliate/subsidiary is non-admitted. The value reported in annual statement Schedule D, Part 6, Section 1 should be used for RBC purposes. In addition to RBC, the carrying value of the RBC filer must be reported in total adjusted carrying value for RBC purposes, in order to appropriately balance the numerator with the addition of the denominator value. Enter the carrying value of the insurer as an additional amount in line (6) of the Calculation of Total Adjusted Capital page to satisfy these instructions.

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**CALCULATION OF TOTAL ADJUSTED CAPITAL**  
(Including Total Adjusted Capital Tax Sensitivity Test)

	Annual Statement Source	(1) Statement Value	Factor	(2) Adjusted Capital
<u>Company Amounts</u>				
(1) Capital and Surplus	Page 3 Column 1 Line 38		X 1.000 =	
(2) Asset Valuation Reserve	Page 3 Column 1 Line 24.01 ‡		X 1.000 =	
(3) Dividends Apportioned for Payment	Page 3 Column 1 Line 6.1, in part		X 0.500 =	
(4) Dividends Not Yet Apportioned	Page 3 Column 1 Line 6.2, in part		X 0.500 =	
(5) Hedging Fair Value Adjustment	Company Records		X -1.000 =	
<u>Life Subsidiary Company Amounts†</u>				
(6) Asset Valuation Reserve / <b>Carrying Value of Non-Admitted Insurance Affiliates</b>	Subsidiaries' Annual Statement Page 3 Column 1 Line 24.01 ‡ § / <b>Included in LR044 Columns 5 and 7</b>		X 1.000 =	
(7) Dividend Liability	Subsidiaries' Annual Statement Page 3 Column 1 Line 6.1 + Line 6.2 ‡		X 0.500 =	
<u>Property and Casualty and Other Non-U.S. Affiliated Amounts</u>				
(8) Non-Tabular discount and/or Alien Insurance Subsidiaries: Other	Included in Subsidiaries' Annual Statement Page 3 Column 1 Line 1 + 3 ‡ and/or Schedule D Part 6, Section 1 Column 8 Line 0599999 and Line 1499999, in part		X 1.000 =	
(9) Total Adjusted Capital Before Capital Notes	Sum of Lines (1) through (7) less Line (8)			
<u>Credit for Capital Notes</u>				
(10.1) Surplus Notes	Page 3 Column 1 Line 32			
(10.2) Limitation on Capital Notes	0.5 x [Line (9) - Line (10.1)] - Line (10.1), but not less than 0			
(10.3) Capital Notes Before Limitation	LR032 Capital Notes Before Limitation Column (4) Line (18)			
(10.4) Credit for Capital Notes	Lesser of Column (1) Line (10.2) or Line (10.3)			
(11) XXX/AXXX Reinsurance RBC Shortfall	LR037 XXX/AXXX Captive Reinsurance Consolidated Exhibit Column (10) Line (10)			
(12) Total Adjusted Capital	Line (9) + Line (10.4) - Line (11)			
<u>Tax Sensitivity Test</u>				
<u>Company Amounts</u>				
(13) Deferred Tax Asset (DTA) Value	Page 2 Column 3 Line 18.2		X -1.000 =	
(14) Deferred Tax Liability (DTL) Value	Page 3 Column 1 Line 15.2		X 1.000 =	
<u>Subsidiary Amounts</u>				
(15) Deferred Tax Asset (DTA) Value	Company Records		X -1.000 =	
(16) Deferred Tax Liability (DTL) Value	Company Records		X 1.000 =	
(17) Tax Sensitivity Test: Total Adjusted Capital	Line (12)+(13)+(14)+(15)+(16)			
<u>Ex DTA ACL RBC Ratio Sensitivity Test</u>				
(18) Deferred Tax Asset-Company Amounts	Page 2 Column 3 Line 18.2		X 1.000 =	
(19) Total Adjusted Capital Less Deferred Tax Asset Amounts	Line (12) less Line (18)			
(20) Authorized Control Level RBC	LR034 Risk-Based Capital Level of Action Line (4)		X 1.000 =	
(21) Ex DTA ACL RBC Ratio	Line (19) / Line (20)			0.000%

† Including subsidiaries owned by holding companies.

‡ Multiply statement value by percent of ownership.

§ The portion of the AVR that can be counted as capital is limited to the amount not utilized in asset adequacy testing in support of the Actuarial Opinion for reserves. **The amount on line (6) will also include the carrying value of non-admitted insurance affiliates.**

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

## Newsletter Items for Adoption for 2023 for Health RBC:

Date: September 2023

Volume: 25.1

### Page 1: Intro Section:

#### **What Risk-Based Capital Pages Should Be Submitted?**

For the year-end 2023 health risk-based capital (RBC) filing, submit hard copies of pages **XR001 through XR027** to any state that requests a hard copy in addition to the electronic filing. Beginning with year-end 2007, a hard copy of the RBC filings was not required to be submitted to the NAIC. Other pages, outside of pages XR001 through XR027, do not need to be submitted. Those pages would need to be retained by the company as documentation.

### Page 1+: Items Adopted for 2023:

#### **Modification to the Affiliated Investment Structure and Instructions**

The Capital Adequacy (E) Task Force adopted proposal 2022-09-CA during its March 23 meeting to revise the instructions and structure of the Affiliated Investment pages (pages XR002-XR004) to provide consistent treatment of affiliated investments between the Health, Life, and Property/Casualty (P/C) RBC formulas. The Task Force adopted proposal 2022-09-CA (MOD) during its June 30 call. The modified proposal clarified the examples provided for the Indirectly Owned Alien Insurance Affiliates/Subsidiaries section within the instructions and added a footnote for the “% Owned” column within the blank.

An editorial change was made to the formula used in the Subsidiary, Controlled, and Affiliated Investments page (XR003) by year-end 2023. The change will carry the RBC Required amount calculated on the Details for Affiliated Stocks page (XR002) into page XR003, Line (21) Other Non-Financial Entities when Column (2) Affil Type is null. The Task Force will consider further revisions for year-end 2024 or later.

#### **Preferred Stock Instructions**

Washington, DC 444 North Capitol Street NW, Suite 700, Washington, DC 20001-1509	p   202 471 3990	f   816 460 7493
Kansas City 1100 Walnut Street NW, Suite 1500, Kansas City, MO 64106-2197	p   816 842 3600	f   816 783 8175
New York One New York Plaza, Suite 4210, New York, NY 20004	p   212 398 9000	f   212 382 4207

The Capital Adequacy (E) Task Force adopted proposal 2022-10-H during its Dec. 14, 2022, meeting to delete the reference to bond factors and revise for consistency with the P/C RBC preferred stock instructions.

### **Underwriting Risk - Annual Statement - Analysis of Operations References**

The Capital Adequacy (E) Task Force adopted proposal 2022-11-H during its Dec. 14, 2022, meeting. The purpose of this proposal was to update the annual statement source descriptions and align the lines of business on pages XR013 and XR014 with the changes in the Annual Statement Analysis of Operations based on Blanks proposal 2021-17BWGMOD.

### **Trend Test Instructions**

The Capital Adequacy (E) Task Force adopted proposal 2022-14-H during its March 23 meeting to remove the informational-only trend test instructions.

### **Renumbering of Page XR008**

The Capital Adequacy (E) Task Force adopted proposal 2022-15-H during its March 23 meeting to renumber the lines on page XR008 so it starts with line number 1.

### **Underwriting Risk Factors - Investment Income Adjustment**

The Capital Adequacy (E) Task Force adopted proposal 2022-16-CA during its June 30 meeting. This proposal updated the comprehensive medical, Medicare supplement, and dental and vision factors to include a 5% investment yield adjustment. The revised factors are:

	Comprehensive Medical	Medicare Supplement	Dental & Vision
\$0-\$3 Million	0.1434	0.0980	0.1148
\$3-\$25 Million	0.1434	0.0603	0.0711
Over \$25 Million	0.0838	0.0603	0.0711

### **Stop Loss Premiums**

The Capital Adequacy (E) Task Force adopted proposal 2023-01-CA during its June 30 meeting. This proposal clarifies the instructions for stop loss premiums in the Underwriting Risk - Experience Fluctuation Risk, Other Underwriting Risk, and Stop Loss Interrogatories.

### **Page 2+: Editorial Changes:**

1. An editorial change was made to the Annual Statement Source column on page XR014 for the following:
  - a. Column (1), Line (7) was updated to reference "Pg. 7, Col. 2+3+8+9, Line 17."
  - b. Column (7), Line (2) was updated to reference "Pg. 7, Col. 8, Lines 1+2."
  - c. Column (7), Line (3) was updated to reference "Pg. 7, Col. 9, Lines 1+2."
2. An editorial change was made to the instructions for Affiliated Investments to remove the reference "and Line 93999999" from the end of the following sentence: "The total of all reported affiliate/subsidiary stock should equal the amounts reported on Schedule D, Part

- 2, Section 1, Line 4409999999 plus Schedule D, Part 2, Section 2, Line 5979999999 and should also equal Schedule D, Part 6, Section 1, Line 09999999 plus Line 18999999.”
3. An editorial change was made to the Annual Statement Source on page XR023, Lines (5) and (13), to update the line reference to Line 7.
  4. An editorial change was made to remove the page number reference from the electronic-only stop loss tables on page XR015 of the forecasting file.

## Last Page: RBC Forecasting & Warning:

### Risk-Based Capital Forecasting and Instructions

The Health RBC forecasting spreadsheet calculates RBC using the same formula presented in the *2023 NAIC Health Risk-Based Capital Report Including Overview & Instructions for Companies*, and it can be downloaded from the NAIC Account Manager. The *2023 NAIC Health Risk-Based Capital Report Including Overview & Instructions for Companies* publication is available for purchase in an electronic format through the NAIC Publications Department. This publication is available for purchase on or about Nov. 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.

## Last Page: 2023 National Association of Insurance Commissioners:

### 2023 NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Health Risk-Based Capital Newsletter Volume 25.1. Published annually or whenever needed by the NAIC for state insurance regulators, professionals, and consumers.

Direct correspondence to: Crystal Brown, RBC Newsletters, NAIC, 1100 Walnut Street, Suite 1500, Kansas City, MO 64106-2197. Phone: 816-783-8146. Email: cbrown@naic.org.

## Newsletter Items for Adoption for 2023 for Life and Fraternal RBC:

Date: September 2023

Volume: 29

### Page 1: Intro Section:

#### **What Risk-Based Capital Pages Should Be Submitted?**

For year-end 2023 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.

### Page 1+: Items Adopted for 2023:

#### **Removal of Dual Trend Test**

The Capital Adequacy (E) Task Force adopted proposal 2023-05-L to remove the dual presentation of the trend test during its April 28 meeting. This proposal eliminates the presentation of the test at the former 2.5 threshold while member jurisdictions transitioned to the current 3.0 threshold. That transition is now complete, so the dual presentation is not needed.

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### **CM6 and CM7 Mortgages**

The Capital Adequacy (E) Task Force adopted proposal 2023-07-L during its April 28 meeting. This proposal aligns the CM6 and CM7 factors for non-performing commercial and farm mortgages with the factors for Schedule A and Schedule BA investments in real estate, as those factors were adjusted in 2021. It also adopts the same formula for calculating RBC amounts for non-performing and performing residential, commercial, and farm mortgages.

### **Structure and Instruction Changes to Update the Treatment of C-2 Mortality Risk**

The Capital Adequacy (E) Task Force adopted update 2 in proposal 2023-06-L during its April 28 meeting. This proposal makes structural changes and instructional changes for LR025, Life Insurance. The proposal assigns the same factors to group permanent life as individual permanent life for categories stating with and without pricing flexibility. The proposal also included a new financial statement note to develop the net amounts at risk in the categories needed for the Life C-2 schedule to create a direct link to a financial statement source. The new note was deferred for year-end 2023, which will necessitate the line references to the new note to be company records for 2023 and will be supplemented by guidance from the Life Risk-Based Capital (E) Working Group.

### **Residual Tranches**

The Capital Adequacy (E) Task Force adopted proposals 2023-03-IRE and 2023-04-IRE during its April 28 meeting. These proposals added a line to isolate residual tranches reported on Schedule BA and the asset valuation reserve for a specific base factor and to add lines for residual tranches to the sensitivity testing exhibits, respectively. During its June 30 meeting, the Task Force adopted proposals 2023-09-IRE and 2023-10-IRE. The first proposal applies a base factor of 0.30 for year-end 2023 and a base factor for year-end 2024 of 0.45, which is subject to adjustment based on additional information. The second proposal applies a 0.15 factor for sensitivity testing for year-end 2023 to be adjusted for year-end 2024.

### **Modification to the Affiliated Investment Structure and Instructions**

The Capital Adequacy (E) Task Force adopted proposal 2022-09-CA during its March 23 meeting to revise the instructions and structure of the Affiliated Investment pages to provide consistent treatment of affiliated investments between the Health, Life, and Property/Casualty (P/C) RBC formulas.

The following editorial changes were made to the Life formula in relation to proposal 2022-09-CA for year-end 2023:

- 1) Modified the formula used in the Summary for Affiliated/Subsidiary Stocks page LR042. The change will pull the RBC Required amount calculated on the Details for Affiliated/Subsidiary Stocks page (LR044) into page LR042, Line (21) Other Non-

Financial Entities when Column (2) Affiliate Code (1 to 10) is null. The Task Force will consider further revisions for year-end 2024 or later.

- 2) Incorporated the “Carrying Value of Non-Admitted Insurance Affiliates” into Line (6) of the Calculation of Total Adjusted Capital page (LR033) to align with the adopted instructions under proposal 2022-09-CA. The Life Risk-Based Capital (E) Working Group will discuss a proposal for year-end 2024 to add a separate line for the “Carrying Value of Non-Admitted Insurance Affiliates.”

### **Underwriting Risk Factors - Investment Income Adjustment**

The Capital Adequacy (E) Task Force adopted proposal 2022-16-CA during its June 30 meeting. This proposal updated the comprehensive medical, Medicare supplement, and dental and vision factors to include a 5% investment yield adjustment. The revised factors are:

	Comprehensive Medical	Medicare Supplement	Dental & Vision
\$0-\$3 Million	0.1434	0.0980	0.1148
\$3-\$25 Million	0.1434	0.0603	0.0711
Over \$25 Million	0.0838	0.0603	0.0711

### **Stop Loss Premiums**

The Capital Adequacy (E) Task Force adopted proposal 2023-01-CA during its June 30 meeting. This proposal clarifies the instructions for stop loss premiums in the Underwriting Risk - Experience Fluctuation Risk, Other Underwriting Risk, and Stop Loss Interrogatories.

## **Last Page: RBC Forecasting & Warning:**

### **Risk-Based Capital Forecasting and Instructions**

The Life and Fraternal RBC forecasting spreadsheet calculates RBC using the same formula presented in the *2023 Life and Fraternal Risk-Based Capital Forecasting & Instructions for Companies*, and it is available to download from the NAIC Account Manager. The *2023 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 Nov. 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.

**Last Page: 2023 National Association of Insurance Commissioners:**

2023 NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Life Risk-Based Capital Newsletter Volume 29. Published annually or whenever needed by the NAIC for insurance regulators, professionals, and consumers.

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## Newsletter Items for Adoption for 2023 for Property and Casualty RBC:

Date: September 2023

Volume: 27.1

### Page 1: Intro Section:

#### **What Risk-Based Capital Pages Should Be Submitted?**

For year-end 2023 property/casualty (P/C) risk-based capital (RBC), hard copies of pages PR001-PR035, as well as pages PR038 and PR039, should be submitted to any state that requests a hard copy. Beginning with year-end 2011 RBC, a hard copy was not required to be submitted to the NAIC, but a portable document format (PDF) file representing the hard copy filing is part of the electronic filing with the NAIC.

### Page 1+: Items Adopted for 2023:

#### **Underwriting Risk**

##### Underwriting and Investment Exhibit - Premiums Written (PR035)

The Capital Adequacy (E) Task Force adopted proposal 2022-07-P to modify the lines of business categories in PR035 during its Dec. 14, 2022, meeting. The purpose of this proposal is to provide consistency in the granularity of the Property and Casualty Underwriting Investment Exhibit pages.

##### New Industry Average Risk Factors - Annual Update

During its April 25 meeting, the Capital Adequacy (E) Task Force adopted the annual update of industry average development factors. However, the Property and Casualty Risk-Based Capital (E) Working Group noticed the incorrect calculation of the reserve factors of H/F, WC, and CMP lines of business after the Task Force's adoption. The Working Group re-exposed the following updated

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factors for seven days. No comments were received during the exposure period. The Task Force re-adopted the modified proposal during its June 30 meeting.

PR017 Underwriting Risk - Reserves			
Line (1), Industry Development Factors			
Col.	Line of Business	2023 Factor	2022 Factor
(1)	H/F	0.999	1.001
(2)	PPA	1.047	1.022
(3)	CA	1.106	1.082
(4)	WC	0.873	0.906
(5)	CMP	1.026	1.037
(6)	MPL Occurrence	0.906	0.887
(7)	MPL Claims Made	0.984	0.983
(8)	SL	0.994	0.990
(9)	OL	0.969	0.995
(10)	Fidelity/Surety	0.852	0.842
(11)	Special Property	0.983	0.993
(12)	Auto Physical Damage	1.016	1.011
(13)	Other (Credit A&H)	0.946	0.955
(14)	Financial/Mortgage Guaranty	0.674	0.694
(15)	INTL	2.414	3.041
(16)	REIN. P&F Lines	0.924	0.917
(17)	REIN. Liability	1.024	1.008
(18)	PL	0.874	0.867
(19)	Warranty	0.995	0.998

\* Cat Lines

PR018 Underwriting Risk - Net Written Premiums			
Line (1), Industry Average Loss and Expense Ratios			
Col.	Line of Business	2021 Factor	2022 Factor
(1)*	H/F	0.679	0.665
(2)	PPA	0.791	0.793
(3)	CA	0.777	0.761
(4)	WC	0.651	0.664
(5)*	CMP	0.671	0.661
(6)	MPL Occurrence	0.767	0.750
(7)	MPL Claims Made	0.815	0.829
(8)*	SL	0.578	0.585
(9)	OL	0.641	0.637
(10)	Fidelity/Surety	0.363	0.366
(11)*	Special Property	0.550	0.547
(12)	Auto Physical Damage	0.727	0.718
(13)	Other (Credit A&H)	0.702	0.698
(14)	Financial/Mortgage Guaranty	0.209	0.203
(15)*	INTL	1.136	1.166
(16)*	REIN. P&F Lines	0.578	0.566
(17)*	REIN. Liability	0.743	0.725
(18)	PL	0.597	0.601
(19)	Warranty	0.652	0.665

## Catastrophe Risk

### Modification to the Instructions of Obtaining Permission to Use the Own Model

As a result of the adoption of proposal 2022-08-CR by the Capital Adequacy (E) Task Force during its Dec. 14, 2022, meeting, the revised instructions to: 1) capture the spirit of the own model permission review; and 2) clarify the requirements expected from the company who submits its own model for permission are included in the PR027 instructions.

## Affiliated Investments

### Modification to the Affiliated Investment Structure and Instructions

The Capital Adequacy (E) Task Force adopted proposal 2022-09-CA during its March 23 meeting to revise the instructions and structure of the Affiliated Investment pages (pages PR003-PR005) to

provide consistent treatment of affiliated investments between the Health, Life, and P/C RBC formulas. The Task Force adopted proposal 2022-09-CA (MOD) during its June 30 call. The modified proposal clarified the examples provided for the Indirectly Owned Alien Insurance Affiliates/Subsidiaries section within the instructions and added a footnote for the “% Owned” column within the blank.

An editorial change was made to the formula used in the Subsidiary, Controlled, and Affiliated Investments page (PR004) by year-end 2023. The change will carry the RBC Required amount calculated on the Details for Affiliated Stocks page (PR003) into page PR004, Line (21) Other Non-Financial Entities when Column (2) Affil Type is null. The Task Force will consider further revisions for year-end 2024 or later.

### **Accident and Health Business**

#### Health Premiums (PR019) and Health Underwriting Risk (PR020) References

As a result of the adoption of proposal 2022-13-CA by the Capital Adequacy (E) Task Force during its March 23 meeting, the Health Premiums (PR19) and the Health Underwriting Risk (PR020) references in the instructions and structure will be updated to provide consistent categories used in the Annual Statement, Schedule H, Part 1.

### **Underwriting Risk Factors**

The Capital Adequacy (E) Task Force adopted proposal 2022-16-CA during its June 30 meeting. This proposal updated the comprehensive medical, Medicare supplement, and dental and vision factors to include a 5% investment yield adjustment. The revised factors are:

	Comprehensive Medical	Medicare Supplement	Dental & Vision
\$0-\$3 Million	0.1434	0.0980	0.1148
\$3-\$25 Million	0.1434	0.0603	0.0711
Over \$25 Million	0.0838	0.0603	0.0711

### **Stop Loss Premiums**

The Capital Adequacy (E) Task Force adopted proposal 2023-01-CA to clarify the instructions to provide clarity on reporting stop loss premiums in the RBC formula during its June 30 meeting.

## Last Page: RBC Forecasting & Warning: Risk-Based Capital Forecasting and Instructions

The P/C RBC forecasting spreadsheet calculates RBC using the same formula presented in the *2023 NAIC Property & Casualty Risk-Based Capital Report Including Overview & Instructions for Companies*. The entire RBC publication, including the forecasting spreadsheet, can be downloaded from the [NAIC Account Manager](#) through the NAIC Publications Department. The User Guide is no longer included in the RBC publications.

**WARNING:** The RBC forecasting spreadsheet CANNOT be used to meet the year-end RBC electronic filing requirement. RBC filing software from an annual financial 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.

## Last Page: 2023 National Association of Insurance Commissioners:

2023 NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Property and Casualty Risk-Based Capital Newsletter Volume 27.1. Published annually or whenever needed by the NAIC for state insurance regulators, professionals, and consumers.

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Address corrections requested. Please mail the old address label with the correction to: NAIC Publications Department, 1100 Walnut St., Suite 1500, Kansas City, MO 64106-2197. Phone: 816-783-8300. Email: [prodserv@naic.org](mailto:prodserv@naic.org).

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