



Draft date: 1/26/24

*Virtual Meeting*

**CAPITAL ADEQUACY (E) TASK FORCE**

Wednesday, January 31, 2024

1:30 – 2:00 p.m. ET / 12:30 – 1:00 p.m. CT / 11:30 a.m. – 12:00 p.m. MT / 10:30 – 11:00 a.m. PT

**ROLL CALL**

Judith L. French, Chair	Ohio	Kathleen A. Birrane	Maryland
Doug Ommen, Vice Chair	Iowa	Grace Arnold	Minnesota
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
Vicki Schmidt	Kansas	Mike Kreidler	Washington
Sharon P. Clark	Kentucky	Nathan Houdek	Wisconsin

NAIC Support Staff: Eva Yeung

**AGENDA**

1. Consider Adoption of 2023-16-CR (2023 Cat Event List)—*Tom Botsko (OH)* Attachment A
2. Consider Exposure of 2024-02-CA (Residual Structure PC & Health)—*Tom Botsko (OH)* Attachment B
3. Consider Exposure of 2024-06-CA (Repurchase Agreements PC & Health) —*Tom Botsko (OH)* Attachment C
4. Discuss Any Other Matters Brought Before the Working Group—*Tom Botsko (OH)*
5. Adjournment

## Capital Adequacy (E) Task Force

### RBC Proposal Form

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

<p style="text-align: right;"><b>DATE:</b> <u>11/1/2022</u></p> <p><b>CONTACT PERSON:</b> <u>Eva Yeung</u></p> <p><b>TELEPHONE:</b> <u>816-783-8407</u></p> <p><b>EMAIL ADDRESS:</b> <u>eyeung@naic.org</u></p> <p><b>ON BEHALF OF:</b> <u>Catastrophe Risk (E) Subgroup</u></p> <p><b>NAME:</b> <u>Wanchin Chou</u></p> <p><b>TITLE:</b> <u>Chair</u></p> <p><b>AFFILIATION:</b> <u>Connecticut Department of Insurance</u></p> <p><b>ADDRESS:</b> <u>153 Market St,</u> <u>Hartford, CT 06103</u></p>	<p style="text-align: center;"><b><u>FOR NAIC USE ONLY</u></b></p> <p>Agenda Item # <u>2023-16-CR</u></p> <p>Year <u>2023</u></p> <p style="text-align: center;"><b><u>DISPOSITION</u></b></p> <p><input checked="" type="checkbox"/> ADOPTED <span style="float: right;"><u>1<sup>st</sup> release:12/2/23</u></span> <u>WG/TF</u></p> <p><u>2<sup>nd</sup> release:</u></p> <p><input type="checkbox"/> REJECTED _____</p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input checked="" type="checkbox"/> EXPOSED <span style="float: right;"><u>1<sup>st</sup> release:11/16/23</u></span> <u>2<sup>nd</sup> release: 1/16/24</u></p> <p><input type="checkbox"/> OTHER (SPECIFY) _____</p>
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#### IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

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

#### DESCRIPTION OF CHANGE(S)

2023 U.S. and non-U.S. Catastrophe Event Lists

#### REASON OR JUSTIFICATION FOR CHANGE \*\*

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

#### Additional Staff Comments:

11/16/23 – The Subgroup and the PCRBC WG exposed this proposal for a 7-public comment period ending 11/23/23.

11/23/23 – cgb No comments received.

1/16/24 - The Subgroup and the PCRBC WG exposed this proposal for a 7-public comment period ending 1/23/24.

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

Revised 11-2013

Type of Event	Name	Date	Location	Overall losses when occurred
Wildfire	Texas	2014	Texas, California	> 25 million
Earthquake		2014	California	25+ million
Hurricane	Patricia	2015		25+ million
Hurricane	Joaquin	2015		25+ million
Wildfire	Butte Fire	9/9/15-10/1/15	Amador County, California	~ 300 million
Wildfire	Valley Fire	9/12/15-10/15/15	Lake, Napa and Sonoma County, California	~ 700 million
Hurricane	Matthew	2016	Florida, North Carolina, South Carolina, Georgia and Virginia	\$ 2,698,400,000
Hurricane	Hermine	2016	Florida, North Carolina, South Carolina, Georgia and Virginia	\$ 245,640,000
Wildfire	Erskine Fire	6/23/16-7/11/16	Lake Isabella, Kern County, California	~26 million
Wildfire	Soberanes Fire	7/22/16-9/30/16	Soberanes Creek, Garrapata State Park, Santa Lucia Preserve, Monterey County, California	> 200 million
Wildfire	Chimney Fire	8/13/16-9/6/16	Santa Lucia Range, San Luis Obispo County, California	> 25 million
Wildfire	Clayton Fire	8/13/16-8/26/16	Lake County, California	>25 million
Wildfire	Gatlinburg Wildfire	11/29/16-12/5/16	Sevier County, Gatlinburg, Pigeon Forge, Tennessee	~637 million
Wildfire	Northern California Wildfires	10/8/17-10/31/17	Northern California	~ 11 billion
Wildfire	Southern California Wildfires	12/4/17-12/23/17	Southern California	~ 2.2 billion
Hurricane	Harvey	2017	Texas, Louisiana	25+ million
Hurricane	Jose	2017	East Coast of the United States	25+ million
Hurricane	Irma	2017	Eastern United States	25+ million
Hurricane	Maria	2017	Southeastern United States, Mid-Atlantic States	25+ million
Hurricane	Nate	2017	Louisiana, Mississippi, Alabama, Tennessee and Eastern United States	25+ million
Tropical Storm	Alberto	2018	Southeast, Midwest	25+ million
Hurricane	Lane	2018	Hawaii	25+ million
Tropical Storm	Gordon	2018	Southeast, Gulf coast of the United States, Arkansas and Missouri	25+ million
Hurricane	Florence	2018	Southeast, Mid-Atlantic	25+ million
Hurricane	Michael	2018	Southeastern and East Coasts of United States	25+ million
Wildfire	Spring Creek Fire	6/27/18-7/11/18	Spring Creek, Colorado	< 100 million
Wildfire	Carr, Mendocino California Wildfires	7/23/18-8/15/18	Northern California	>1,000 million
Wildfire	Northern California Camp Wildfire	11/8/18-11/25/18	Butte County, California	>7.5 billion
Wildfire	Southern California Woolsey Wildfires	11/8/18-11/21/18	Los Angeles and Ventura County, California	2.9 billion
Hurricane	Dorian	2019	Southeast, Mid-Atlantic	500+ million
Hurricane	Barry	2019	Southeast, Midwest, Northeast	300+ million
Tropical Storm	Imelda	2019	Plains, Southeast	25+ million
Tropical Storm	Nestor	2019	Southeast	25+ million
Hurricane	Lorenzo	2019	Louisiana, Mississippi, Texas and Arkansas	25+ million
Wildfire	Saddleridge Wildfire	10/10/19-10/23/19	Sylmar, Los Angeles, Calimesa, Riverside County, California	<1,000 million
Wildfire	Kincadee Wildfire	10/23/19-11/6/19	Northeast of Geyserville, Sonoma County, California	<1,000 million
Tropical Storm	Cristobal	2020	Southeast, Plains, Midwest	150 million
Tropical Storm	Fay	2020	Southeast, Northeast	400 million
Hurricane	Hanna	2020	Texas	350 million
Hurricane	Isaias	2020	Southeast, Mid-Atlantic, Northeast	> 3 billion
Hurricane	Laura	2020	Plains, Southeast, Mid-Atlantic	> 4 billion
Hurricane	Sally	2020	Southeast (Alabama, Mississippi, Louisiana)	> 1 billion
Tropical Storm	Beta	2020	Plains, Southeast	25+ million
Hurricane	Delta	2020	Gulf Coast of United States, Southeast, Northeast (AL, GA, NC, SC, MS, LA, TX)	> 2 billion
Hurricane	Zeta	2020	Gulf coast of the United States, Southeastern United States, Mid-Atlantic	> 1.5 billion
Wildfire	Cameron Peak	08/13/20-12/02/20	Roosevelt National Forest, Larimer County, Colorado	~71 million
Wildfire	SCU Lighting Complex Wildfire	8/16/20-9/16/20	San Francisco Bay Area, Central Valley Santa Clara, Alameda, Contra Costa, San Joaquin, Merced, Stanislaus	<1,000 million
Wildfire	Beachie Creek Wildfire	8/16/20-10/10/20	Approx. 2 miles south of Jaw Bones flats in rugged terrain deep in the Opal Creek Wilderness.	>1,000 million
Wildfire	CZU Lightning Complex Wildfire	8/16/20-9/22/20	San Mateo and Santa Cruz Counties, California	>1,000 million
Wildfire	LNU Lightning Complex WildFire	8/17/20-10/2/20	Lake, Napa, Sonoma, Solano, and Yolo Counties, California	> 1,000 million

Wildfire	Carmel Fire	8/18/20-9/4/20	Carmel Valley, California	<1,000 million
Wildfire	North Complex Fire	8/18/20-10/12/20	Plumas and Butte Counties, California	<1,000 million
Wildfire	Creek Fire	9/4/20-10/12/20	Fresno and Madera Counties, California	<1,000 million
Wildfire	Bobcat Fire	9/6/20-10/23/20	Central San Gabriel Mountains, in and around the Angeles National Forest California	< 1,000 million
Wildfire	Babb Road Fire	9/7/20-9/18/20	Malden and Pine City, Palouse County of Eastern Washington	<1,000 million
Wildfire	Almeda Fire	9/7/20-9/16/20	Jackson County, Oregon	<1,000 million
Wildfire	Holiday Farm Fire	9/7/20-10/3/20	Willamette National Forest	<1,000 million
Wildfire	Echo Mountain Complex Fire	9/7/20-9/23/20	north of Lincoln City, Oregon	<100 million
Wildfire	Riverside Fire	9/8/20-10/3/20	Valley Drive between Misty Ridge Drive and Mitchell Avenue, Oregon	<100 million
Wildfire	Slater Fire	9/8/20-10-9/20	Northern California and Southern Oregon	<100 million
Wildfire	Glass Fire	9/27/20-10/19/20	Napa and Sonoma Counties, California	> 1,000 million
Wildfire	East Troublesome Fire	10/14/20-11/9/20	Grand County, Colorado	~543 million
Tropical Storm	Claudette	2021	Gulf Coast of the United States, Georgia, Carolinas	> 350 million
Hurricane	Elsa	2021	East Coast of the United States	1.2 billion
Tropical Storm	Fred	2021	Eastern United States (particularly Florida and North Carolina)	1.3 billion
Hurricane	Henri	2021	Northeastern United States	550 million
Hurricane	Ida	2021	Gulf Coast of the United States (especially Louisiana), East Coast of the United States (especially the Northeastern United States)	44 billion
Tropical Storm	Nicholas	2021	LA, TX	>1.1b
Tropical Storm	Wanda	2021	Southern United States, Mid-Atlantic United States, Northeastern United States	>200 million
Wildfire	Bootleg Wildfire	7/17/21-8/6/21	Northwest of Beatty, Oregon	<1,000 million
Wildfire	Dixie Wildfire	7/14/21-10/5/21	Butte, Plumas, Tehama, Lassen and Shasta Counties, California	>1,000 million
Wildfire	Caldor Fire	8/14/21-10/5/21	El Dorado National Forest and other areas of the Sierra Nevada in El Dorado, Amador, and Alpine County, California	<1,000 million
Wildfire	Corkscrew Fire	8/15/21-8/30/21	Ford, WA; Tum Tum, Springdale, City of Deer Park, Loon Lake, Clayton, H395, Scoop Mt	<100 million
Wildfire	Marshall Fire	12/30/21-1/1/22	Boulder County, Colorado	~ 2 billion
Wildfire	Calf Canyon/Hermits Peak Fire	4/6/22-8/22/22	San Miguel County, Mora County, Taos County	> 25 million
Wildfire	McKinney Fire	7/29/22-9/7/22	Siskiyou County, Northern California	> 25 million
Wildfire	Cedar Creek Fire	8/1/22-present	Central Oregon	> 25 million
Wildfire	Mosquito Fire	9/6/22- present	Northern California, Placer County, El Dorado County	> 25 million
Hurricane	Hurricane Fiona	9/18/22-9/20/22	PR	>3 billion
Hurricane	Ian	9/23/22-10/2/22	Florida and the Carolinas, FL, GA, NC, SC, VA	>110 billion
Hurricane	Hurricane Nicole	11/9/22-11/11/22	FL, GA, SC	>1 billion
Wildfire	Hawaii Wildfire	8/8/23-8/17/23	Hawaii	> 25 million
Hurricane	Hurricane Hilary	8/17/23-8/22/23	West, Southwest United States	> 25 million
Wildfire	Washington Wildfire	8/18/23-8/22/23	Washington	> 25 million
Hurricane	Hurricane Idalia	8/27/23-8/31/23	Southeastern United States	> 25 million
Hurricane	Hurricane Lee	9/14/23-9/17/23	Northeast United States	> 25 million
Tropical Storm	Ophelia	9/22/23-9/26/23	East Coast of the United States	> 25 million

Year	Event Type	Begin	End	Event	Country	Affected Area (Detail)	Munich Re NatCATService Insured losses (in original values, US\$m) Criteria: insured losses equal/greater US\$ 25m. Tries to reflect non-US losses only	Swiss Re Sigma: Insured Loss Est. US\$m (mid point shown if range given) Mostly reflect total US and nonUS losses combined.	
2014	Earthquake	07/07/2014		Earthquake	Mexico, Guatemala		N/A	N/A	25+million
2014	Earthquake	04/01/14		Earthquake	Chile		N/A	N/A	100+million
2014	Earthquake	12/02/2014		Earthquake	China		N/A	N/A	350+million
2014	Earthquake	05/04/2014		Earthquake	China		N/A	N/A	80+million
2014	Earthquake	05/05/2014		Earthquake	Thailand		N/A	N/A	62+million
2014	Earthquake	05/24/14		Earthquake	China		N/A	N/A	60+million
2014	Tropical Storm	06/14/14	06/16/14	TS Hagibis	China		N/A	N/A	131+million
2014	Super Typhoon	07/08/14	07/11/14	STY Neoguri	Japan		N/A	N/A	100+million
2014	Super Typhoon	07/15/14	07/20/14	STY Rammasun		Philippines, China, Vietnam	N/A	N/A	570+million
2014	Typhoon	07/22/14	07/24/14	TY Matmo		Taiwan, China, Philippines	N/A	N/A	570+million
2014	Cyclone	01/10/14	01/12/14	CY Ian	Tonga		N/A	N/A	48+million
2014	Cyclone	04/10/14	04/14/14	CY Ita	Australia		N/A	N/A	1+billion
2014	Wildfire	Summer 2014		Northwest Territories Fire	Canada	Northwest Territories, Canada			~\$3.6b
2015	Hurricane	08/16/92	08/28/92	Hurricane Andrew	Bahamas	Bahamas			> 25 million
2015	Hurricane	10/20/15	10/24/15	Hurricane Patricia		Central America, Mexico	N/A	N/A	> 25 million
2015	Typhoon	06/26/15	07/13/15	Typhoon Chan-hom (Falcon)		Guam, Northern Mariana Islands, Philippines, Japan, Taiwan, Chian, Korea, Russian Far East	N/A	N/A	> 25 million
2015	Severe Tropical Storm	07/01/15	07/10/15	Severe Tropical Storm Linfa (Egay)		Philippines, Taiwan, China	N/A	N/A	> 25 million
2015	Typhoon	07/02/15	07/18/15	Typhoon Nangka		Marshall Islands, Mariana Islands and Japan	N/A	N/A	> 25 million
2015	Typhoon	07/29/15	08/12/15	Typhoon Soudelor (Hanna)		Mariana Islands, Japan, Philippines, Taiwan, Eastern China and South Korea	N/A	N/A	> 25 million
2015	Typhoon	08/13/15	08/30/15	Typhoon Goni (Ineng)		Mariana Islands, Japan, Philippines, Taiwan, China, Russia and Korea	N/A	N/A	> 25 million
2015	Severe Tropical Storm	09/06/15	09/11/15	Severe Tropical Storm Etau		Japan, Russian Far East	N/A	N/A	> 25 million
2015	Typhoon	09/19/15	09/30/15	Typhoon Dujan (Jenny)		Ryukyu Islands, Taiwan, East China	N/A	N/A	> 25 million
2015	Typhoon	09/30/15	10/05/15	Typhoon Mujigae (Kabayan)		Philippines, Vietnam and China	N/A	N/A	> 25 million
2015	Typhoon	10/12/15	10/21/15	Typhoon Koppu (Lando)		Northern Mariana Islands, Philippines, Taiwan, Ryukyu Islands	N/A	N/A	> 25 million
2015	Typhoon	12/03/15	12/08/15	Storm Desmond		Ireland, Isle of Man, United Kingdom, Iceland, Norway and Sweden	N/A	N/A	> 25 million
2015	Hurricane	09/28/15	10/15/15	Hurricane Joaquin		Caribbean Islands, Portugal	N/A	N/A	> 25 million
2015	Earthquake	04/27/15		Earthquake	Nepal		N/A	N/A	> 25 million
2015	Earthquake	09/22/15		Earthquake	Chile		N/A	N/A	> 25 million
2015	Wildfire	11/25/15	12/02/15	Pinery Bushfire	Australia	Lower Mid North, Light River, West Barossa, South Australia, Australia			\$75m
2015	Wildfire	12/25/15		Wye River, Separation Creek bushfires,	Australia	Great Ocean Road region of Victoria, Australia			~\$110m
2016	Hurricane	08/28/16	09/06/16	Hurricane Hermine		Dominican Republic, Cuba, The Bahamas	N/A	N/A	> 25 million
2016	Tropical Cyclone	02/16/16	02/22/16	TC Winston		South Pacific Islands	N/A	N/A	> 25 million
2016	Earthquake	02/06/16		Earthquake	Taiwan	Asia	N/A	N/A	> 25 million
2016	Earthquake	01/03/16		Kaohsiung EQ	India, Bangladesh, Myanmar	Asia	N/A	N/A	> 25 million
2016	Earthquake	02/14/16		Christchurch EQ	New Zealand	Oceania	N/A	N/A	> 25 million
2016	Earthquake	04/14/16	04/16/16	Kumamoto EQs	Japan	Asia	N/A	N/A	> 25 million
2016	Earthquake	04/16/16		Ecuador EQ	Ecuador	South America	N/A	N/A	> 25 million

2016	Tropical Cyclone	05/14/16	05/23/16	CY Roanu	Sri Lanka, India, Bangladesh, China	Asia	N/A	N/A	> 25 million
2016	Earthquake	08/24/16		Italy EQ	Italy	Europe	N/A	N/A	> 25 million
2016	Tropical Cyclone	09/14/16	09/16/16	STY Meranti	China, Taiwan, Philippines	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	07/08/16	07/12/16	STY Nepartak	China, Taiwan	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	09/26/16	09/29/16	TY Megi	Taiwan, China	Asia	N/A	N/A	> 25 million
2016	Earthquake	09/10/16		Kagera EQ	Tanzania, Uganda	Africa	N/A	N/A	> 25 million
2016	Tropical Cyclone	08/29/16	09/01/16	TY Lionrock	China, Japan, South Korea	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	09/19/16	09/22/16	TY Malakas	Japan, China	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	08/18/16	08/20/16	TS Dianmu	China, Vietnam	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	07/31/16	08/03/16	TY Nidia	China, Philippines Vietnam	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	08/02/16	08/10/16	HU Earl	Belize, Mexico, Caribbean Islands	Caribbean Islands, Mexico and Central America	N/A	N/A	> 25 million
2016	Tropical Cyclone	08/22/16	08/23/16	TS Mindulle	Japan	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	09/06/16	09/08/16	HU Newton	Mexico	North America (non-U.S.)	N/A	N/A	> 25 million
2016	Tropical Cyclone	10/04/16	10/07/16	STY Chaba	Japan, Korea	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	10/16/16	10/22/16	STY Haima	Philippines, China	Asia	N/A	N/A	> 25 million
2016	Tropical Cyclone	10/14/16	10/20/16	TY Sarika	Philippines, China, Vietnam	Asia	N/A	N/A	> 25 million
2016	Earthquake	10/26/16		Central Italy EQ	Italy	Europe	N/A	N/A	> 25 million
2016	Earthquake	10/27/16		Central Italy EQ	Italy	Europe	N/A	N/A	> 25 million
2016	Earthquake	10/21/16		Tottori	Japan	Asia	N/A	N/A	> 25 million
2016	Hurricane	09/28/16	10/10/16	Hurricane Matthew		Caribbean Islands and Eastern Canada	N/A	N/A	> 25 million
2016	Hurricane	08/28/16	09/06/16	Hurricane Hermine		Dominican Republic, Cuba, The Bahamas	N/A	N/A	> 25 million
2016	Wildfire	01/06/16		Waroona-Yarloop Bushfire	Western Australia				~\$71.25m
2016	Wildfire	05/01/16	05/26/16	Canada Wildfire	Canada	Fort McMurray			\$3.52b
2016	Wildfire	11/22/16	11/27/16	November 2016 Israel Fires	Israel	Various regions in Israel, mainly in Haifa, Judaean Mountains and the Sharon Plain			>\$25m
2017	Earthquake	01/18/17		Earthquake	Italy	Europe	N/A	N/A	> 25 million
2017	Earthquake	01/28/17		Earthquake	China	Asia	N/A	N/A	> 25 million
2017	Earthquake	02/10/17		Earthquake	Philippines	Asia	N/A	N/A	> 25 million
2017	Earthquake	03/27/17		Earthquake	China	Asia	N/A	N/A	> 25 million
2017	Cyclone	03/28/17	04/05/17	CY Debbie	Australia	Queensland, New South Wales, New Zealand	N/A	N/A	> 25 million
2017	Earthquake	05/11/17		Earthquake	China	Asia	N/A	N/A	> 25 million
2017	Typhoon	07/29/17	07/31/17	TY Nesat & TS Haitang	China, Taiwan, Philippines	Asia	N/A	N/A	> 25 million
2017	Typhoon	08/07/17	08/09/17	Typhoon Noru	Japan	Asia	N/A	N/A	> 25 million
2017	Earthquake	08/08/17		Earthquake	China	Asia	N/A	N/A	> 25 million
2017	Typhoon	08/23/17	08/24/17	TY Hato	China	Macau, Hong Kong	N/A	N/A	> 25 million
2017	Typhoon	08/25/17	08/28/17	TY Pakhar	China	Asia	N/A	N/A	> 25 million
2017	Hurricane	08/25/17	09/02/17	Hurricane Harvey		Caribbean Islands and Central America	N/A	N/A	> 25 million
2017	Hurricane	08/30/17	09/16/17	Hurricane Irma		Caribbean Islands and Cape Verde	N/A	N/A	> 25 million
2017	Hurricane	09/05/17	09/26/17	Hurricane Jose		Caribbean Islands and Eastern Canada	N/A	N/A	> 25 million
2017	Hurricane	09/16/17	10/03/17	Hurricane Maria		Caribbean Islands, UK, France and Spain	N/A	N/A	> 25 million
2017	Earthquake	09/07/17		Earthquake		Mexico, Guatemala	N/A	N/A	> 25 million
2017	Earthquake	09/19/17		Earthquake	Mexico	Mexico City	>200	N/A	> 25 million
2017	Hurricane	10/04/17		Hurricane Nate		Central America, Cayman Islands, Cuba Yucatan Peninsula	N/A	N/A	> 25 million
2017	Wildfire	06/06/17		Knysna Fires	South Africa	Knysna region of the Western Cape			~\$146m
2017	Wildfire	07/01/17	08/01/17	British Columbia Wildfires	Canada	British Columbia			>\$78m
2017	Wildfire	10/15/17	10/16/17	Iberian Wildfires	Portugal	Northern Portugal and Northwestern Spain			~\$210m
2018	Earthquake	02/06/18		Earthquake	Taiwan				> 25 million
2018	Earthquake	02/16/18		Earthquake	Mexico				> 25 million
2018	Cyclone	02/09/18	02/20/18	CY Gita	Tonga, Fiji, Samoa, New Zealand				> 25 million

2018	Earthquake	02/26/18		Earthquake	Papua New Guinea				> 25 million
2018	Earthquake	03/05/18		Earthquake	Papua New Guinea				> 25 million
2018	Cyclone	03/17/18		CY Marcus					> 25 million
2018	Tropical Storm	05/23/18	05/27/18	Tropical Storm Mekunu	Yamen, Oman , Saudi Arabia				> 25 million
2018	Tropical Storm	06/02/18	06/07/18	Tropical Storm Ewiniar	Vietnam, China, Taiwan, Philippines and Ryukyu Islands	Guangdong Province, Jiangxi, Fujian, Zhejiang Provinces, and Hainan Island.			> 25 million
2018	Earthquake	06/18/18		Earthquake	Japan				> 25 million
2018	Super Typhoon	07/10/18	07/12/18	STY Maria	China, Taiwan, Guam and Japan	Fujian province, Yantze River Basin, Japan's Ryukyu Islands			> 25 million
2018	Tropical Storm	07/17/18	07/24/18	TS Sonh-Tinh	Vietnam, China, Loas	Japan, Russian Far East			> 25 million
2018	Tropical Storm	07/22/18	07/25/15	TS Ampil	China	Jiangsu, Zhejiang, Shandong, and Hebei			> 25 million
2018	Typhoon	07/27/18	08/03/18	TY Jongdari	Japan, China				> 25 million
2018	Earthquake	08/05/15	08/09/18	Earthquake	Indonesia				> 25 million
2018	Tropical Storm	08/09/18	08/15/18	TS Yagi	Philippines, China	Zhejiang, Anhui, Jiangsu and Shandong Provinces.			> 25 million
2018	Tropical Storm	08/13/18	08/19/18	TS Bebinca	China	Hong Kong, Guangdong and Hainan			> 25 million
2018	Typhoon	08/16/18	08/18/18	TY Rumbia	China	Shanghai, Jiangsu, Zhehiang, Anhui, Shandong and Henan			> 25 million
2018	Typhoon	08/23/18	08/25/18	TY Soulik	Japan, South Korea, China and Russia	Haenam County, South Jeolla Province			> 25 million
2018	Typhoon	09/04/18	09/05/18	RY Jebi	Japan, Mariana Islands, Taiwan, Japan, Russian Far East and Artic				> 25 million
2018	Earthquake	09/06/18		Earthquake	Japan	Hokkaido			> 25 million
2018	Super Typhoon	09/15/18	09/18/18	STY Mangkhut	N. Mariana Islands, Philippines, China and Hong Kong				> 25 million
2018	Hurricane	Leslie	09/23/18	Hurricane Leslie	Azores, Bermuda, Europe	Azores, Bermuda, Madeira, Iberian Peninsula, France			> 25 million
2018	Hurricane	10/07/18	10/16/18	Hurricane Michael	Central American, Yucatan Peninsula, Cayman Islands, Cuba, Atlantic, Canad				> 25 million
2018	Wildfire	May-18	Aug-18	Sweden Wildfires	Sweden	ranging from north of Arctic Circle to the southern County of Scania.			>\$87m
2018	Wildfire	Jul-18		Greece Wildfires	Greece	Attica, Greece			~38.1m
2019	Cyclone	05/03/19	05/05/19	Cyclone Fani	India, Bangladesh				>500 million
2019	Earthquake	06/17/19		Earthquake	China				> 25 million
2019	Tropical Storm	08/01/19	08/08/19	Tropical Storm Wipha	China, Vietnam				> 25 million
2019	Typhoon	08/09/19	08/11/19	Typhoon Lekima	China				> 855 million
2019	Typhoon	08/15/19	08/16/19	Typhoon Krosa	Japan				>25 million
2019	Hurricane	08/31/19	09/07/19	Hurricane Dorian	Caribbean, Bahamas, Canada				>1 billion
2019	Typhoon	09/05/19	09/08/19	Typhoon Lingling	Japan, China, Korea				>5.78 billion
2019	Typhoon	09/08/19	09/09/19	Typhoon Faxai	Japan				> 7 billion
2019	Hurricane	09/19/19	09/22/19	Hurricane Humberto	Bermuda				>25+ million
2019	Hurricane	09/17/19	09/26/19	Hurricane Lorenzo	Portugal				>25+ million
2019	Earthquake	11/26/19		Earthquake	Albania				>25+ million
2019	Cyclone	11/08/19	11/11/19	Cyclone Matmo (Bulbul)	India, Bangladesh				>25+ million
2019	Typhoon	10/01/19	10/02/19	Typhoon Hagibis	Japan				> 7 billion
2019	Earthquake	12/18/19		Earthquake	Philippines				>25+ million
2019	Wildfire	Sep-19	Mar-20	Australian Bushfires	New South Wales, Queensland, Victoria, South Australia, Western Australia, Tasmania and Northern Territory				~910 million
2020	Earthquake	03/22/20		Earthquake	Croatia				>25+ million
2020	Cyclone	04/01/20	04/11/20	Cyclone Harold	Solomon Islands, Canuatu, Fiji, Tonga				> 25+ million
2020	Tropical Storm	05/31/20		Tropical Storm Amanda	El Salvador, Guatemala, Honduras				> 25+ million
2020	Tropical Storm	06/01/20	06/05/20	Tropical Storm Cristobal	Mexico, Guatemala, El Salvador				150 million
2020	Hurricane	07/25/20	07/27/20	Hurricane Hanna	Mexico				350 million
2020	Hurricane	07/28/20	08/01/20	Hurricane Isaias	Caribbean, Canada				> 3 billion
2020	Hurricane	08/22/20	08/25/20	Hurricane Laura	Caribbean				> 4 billion
2020	Typhoon	05/15/20	05/22/20	Typhoon Amphan	India, Bangladesh, Sri Lanka				15 billion
2020	Tropical Storm	06/03/20	06/04/20	Tropical Storm Nisarga	India				> 25+ million
2020	Typhoon	08/03/20	08/04/20	Typhoon Hagupit	China, Taiwan				> 100+ million

2020	Hurricane	10/05/20	10/12/20	Hurricane Delta	Jamaica, Nicaragua, Cayman Island, Yucatan Peninsula				> 2 billion
2020	Hurricane	10/24/20	10/30/20	Hurricane Zeta	Cayman Islands, Jamaica, Central America, Yucatan Peninsula, Ireland, United Kingdom				> 1.5 billion
2020	Cyclone	04/01/20	04/11/20	Cyclone Harold	Solomon Islands, Canuatu, Fiji, Tonga				> 25+ million
2020	Hurricane	10/31/20	11/14/20	Hurricane Eta	Colombia, Jamaica, Central America, Cayman Islands, Cuba, The Bahamas				> 7.9 billion
2020	Hurricane	11/14/20	11/19/20	Hurricane Iota	ABC Islands, Colombia, Jamaica, Central America				> 1.4 billion
2020	Typhoon	11/22/20	11/23/20	Typhoon Goni	Philippines, Vietnam, Cambodia, Laos				> 400+ million
2020	Typhoon	11/08/20	11/15/20	Typhoon Vamco	Philippines, Vietnam, Laos, Thailand				> 400+ million
2020	Wildfire	10/04/20		Lake Ohau Fire	New Zealand	Northwest of Lake Ohau Village			~\$25m
2020	Wildfire	02/05/21		Perth Hills Wildfire	Australia	Shire of Mundaring, Shire of Chittering, Shire of Northam City of Swan			~\$63m
2021	Earthquake	01/14/21	01/14/21	West Sulawesi	Indonesia				> 58.1 million
2021	Earthquake	02/13/21	02/13/21	Fukushima Prefecture Offshore	Japan				1.3 billion
2021	Tropical Cyclone	05/17/21		Tropical Cyclone Tautae	India				> 25+ million
2021	Tropical Storm	06/19/21	06/23/21	Tropical Storm Claudette	Oaxaca, Veracruz, Atlantic Canada				> 25+ million
2021	Earthquake	06/21/21	06/21/21	China	Yunnan Dali				> 25+ million
2021	Earthquake	06/21/21	06/21/21	China	Southern Qinghai				> 25+ million
2021	Hurricane	07/01/21	07/14/21	Elsa	Lesser Antilles, Greater Antilles, Venezuela, Colombia, Atlantic Canada, Greenland, Iceland				50 million
2021	Typhoon	07/16/21	07/31/21	In-fa (Fabian)	Philippines, Ryukyu Islands, Taiwan, China, North Korea				> 25+ million
2021	Tropical Storm	08/11/21	08/20/21	Fred	Lesser Antilles, Greater Antilles, Southern Quebec, The Maritimes				25 million
2021	Hurricane	08/13/21	08/21/21	Grace	Lesser Antilles, Greater Antilles, Yucatan Peninsula, Central Mexico				513 million
2021	Earthquake	08/14/21	08/14/21		Haiti				1 billion
2021	Hurricane	08/26/21	09/04/21	Ida	Venezuela, Colombia, Jamaica, Cayman Islands, Cuba, Atlantic Canada				> 250 million
2021	Earthquake	09/07/21	09/07/21	Guerrero	Mexico				200 million
2021	Earthquake	09/16/21			China				> 25+ million
2021	Hurricane	09/12/21	09/18/21	Nicholas	Yucatan Peninsula, Tamaulipas				1.1 billion
2021	Hurricane	09/10/21	09/11/21	Larry	Canada				80 million
2021	Cyclone	10/02/21	10/04/21	Cyclone Shaheen	Oman, Iran, India, Pakistan, United Arab Emirates, Saudi Arabia, Yemen				> 25+ million
2021	Earthquake	10/07/21	10/07/21		Japan				> 25+ million
2021	Tropical Storm	10/10/21	10/14/21	Tropical Storm Kompasu	Philippines, Hong Kong, China				245 million
2021	Earthquake	10/16/21	10/16/21		Indonesia				> 25+ million
2021	Tropical Cyclone	10/24/21	11/02/21	Apollo	Italy, Malta, Tunisia, Algeria, Libya, Turkey				> 25+ million
2021	Tropical Storm	10/31/21	11/07/21	Wanda	Atlantic Canada, Bermuda, Azores				> 25+ million
2021	Earthquake	11/14/21	11/14/21		Iran				> 25+ million
2021	Tropical Cyclone	12/14/21	12/18/21	Rai (Odette)	Caroline Islands, Palau, Philippines				> 25+ million
2022	Wildfire	01/15/22	02/28/22	Corrientes	Corrientes Province, Argentina				> 25+ million
2022	Earthquake	03/16/22		Fukushima Earthquake	Japan				2.8 billion
2022	Tropical Storm	04/08/22	04/12/22	Megi	Philippines				>25+ million
2022	Typhoon	08/28/22	09/07/22	Hinnamnor	Japan, Taiwan, Philippines, South Korea, Russian, Far East				>25+ million
2022	Earthquake	09/05/22		Luding Earthquake	Luding County in Sichuan province				>25+ million
2022	Hurricane	09/14/22	09/28/22	Fiona	Leeward Islands, Puerto Rico, Dominican Republic, Lucayan Archipelago, Bermuda, Eastern Canada, Saint Pierre and Miquelon, Greenland				660 million
2022	Hurricane	09/23/22	10/02/22	Ian	Trinidad and Tobago, Venezuela, Colombia, ABC Islands, Jamaica, Cayman Islands, Cuba				> 110 billion
2022	Hurricane	10/07/22	10/10/22	Julia	Trinidad and Tobago, Venezuela, ABC islands, Colombia, Nicaragua, El Salvador, Honduras, Guatemala, Panama, Mexico				>400 million





## Capital Adequacy (E) Task Force

### RBC Proposal Form

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

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

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

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

This proposal adds a line in the Blanks; and updates the instruction on XR008 and PR008 to include the total of residual tranches.

#### Additional Staff Comments:

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

Revised 2-2023

## Fixed Income Assets XR007 and XR008

The RBC requirement for fixed income assets is largely driven by the default risk on those assets. There are two major subcategories: Bonds and Miscellaneous. Bonds include items that meet the definition of a bond, regardless if the bond is long-term (reported on Schedule D-1), short-term (reported on Schedule DA), or a cash equivalent (reported on Schedule E-2). Miscellaneous fixed income assets include non-bond items reported on the cash equivalent and short-term schedules, derivatives, mortgage loans, collateral loans, and other items reported on Schedule BA: Other Long-Term Invested Assets.

### Bonds (XR007)

The bond factors for investment grade bonds (NAIC Designation (1.A-2.C)) are based on cash flow modeling. Each bond of a portfolio was annually tested for default (based on a “roll of the dice”) where the default probability varies by NAIC Designation Category and that year’s economic environment. The default probabilities were based on historical data intended to reflect a complete business cycle of favorable or unfavorable credit environments. The risk of default was measured over a five-year time horizon, based on the duration of assets held for health companies.

The factors for NAIC Designation Category 3.A to 6 recognize that these non-investment grade bonds are reported at the lower of amortized cost or fair value. These bond risk factors are based on the market value fluctuation for each of the NAIC Designation Category compared to the market value fluctuation of stocks during the 2008-2009 financial crisis.

While the life and property/casualty formulas have a separate calculation for the bond size factor (based on the number of issuers in the RBC filer’s portfolio), the health formula does not include a separate calculation, instead a bond size component was incorporated into the bond factors. A representative portfolio of 382 issuers was used in calculating the bond risk factors.

There is no RBC requirement for bonds guaranteed by the full faith and credit of the United States, Other U.S. Government Obligations, and securities on the NAIC U.S. Government Money Market Fund List because it is assumed that there is no default risk associated with U.S. Government issued securities.

The book/adjusted carrying value of all bonds should be reported in Columns (1), (2) or (3). The bonds are split into twenty-one different risk classifications. These risk classifications are based on the NAIC Designation Category as defined and permitted in the *Purposes and Procedures Manual of the Investment Analysis Office*. The subtotal of Columns (1), (2), and (3) will be calculated in Column (4). The RBC requirement will be automatically calculated in Column (5).

### Miscellaneous Fixed Income Assets (XR008)

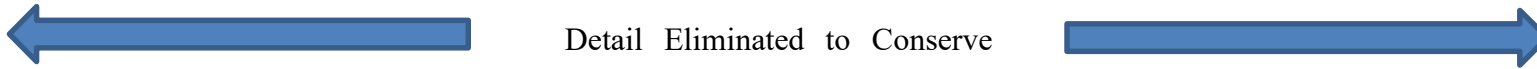
The factor for cash is 0.3 percent. It is recognized that there is a small risk related to possible insolvency of the bank where cash deposits are held. This factor was based on the original unaffiliated NAIC 01 bond risk factor prior to the increased granularity of the NAIC Designation Categories in 2021 and reflects the short-term nature of this risk. The required risk-based capital for cash will not be less than zero, even if the company’s cash position is negative.

The Short-Term Investments to be included in this section are those short-term investments not reflected elsewhere in the formula. The 0.3 percent factor is equal to the factor for cash. The amount reported in Line (8) reflects the total from Schedule DA: Short-Term Investments (Line (6)), less the short-term bonds (Line (7)). (The short-term bonds reported in Line (7) should equal Schedule DA, Part 1, Column 7, Line 2509999999.)

Mortgage loans (reported on Schedule B) and Derivatives (reported on Schedule DB) receive a factor of 5 percent, consistent with other risk-based capital formulas studied by the Working Group.

The following investment types are captured on Schedule BA: Other Long-Term Invested Assets. Specific factors have been established for certain Schedule BA assets based on the nature of the investment. Those Schedule BA assets not specifically identified below receive a 20 percent factor (Line (16) [and Line \(22\)](#)).

- Collateral Loans reported on Line (13) receive a factor of 5 percent, consistent with other risk-based capital formulas studied by the Working Group.
- Working Capital Finance Investments: The book adjusted carrying value of NAIC 01 and 02 Working Capital Finance Investments, Lines (14) and (15), should equal the Notes to Financial Statement, Lines 5M(01a) and 5M(01b), Column 3 of the annual statement.
- Low-income housing tax credit investment are reported on Column (1) in accordance with *SSAP No. 93—Low Income Housing Tax Credit Property Investments*.
  - Federal Guaranteed Low-Income Housing Tax Credit (LIHTC) investments are to be included in Line (17). There must be an all-inclusive guarantee from an ARO-rated entity that guarantees the yield on the investment.
  - Federal Non-Guaranteed LIHTC investments with the following risk mitigation factors are to be included in Line (18):
    - a) A level of leverage below 50 percent. For a LIHTC Fund, the level of leverage is measured at the fund level.
    - b) There is a tax credit guarantee agreement from general partner or managing member. This agreement requires the general partner or managing member to reimburse investors for any shortfalls in tax credits due to errors of compliance, for the life of the partnership. For an LIHTC fund, a tax credit guarantee is required from the developers of the lower-tier LIHTC properties to the upper-tier partnership.
  - State Guaranteed LIHTC investments that at a minimum meet the federal requirements for guaranteed LIHTC investments are to be included in Line (19).
  - State Non-Guaranteed LIHTC investments that at a minimum meet the federal requirements for non-guaranteed LIHTC investments are to be included on Line (20).
  - All Other LIHTC investments, state and federal LIHTC investments that do not meet the requirements of Lines (17) through (20) would be reported on Line (21).

PR008 – Other Long-Term AssetsSchedule BA Assets (Other Invested Assets – excluding collateral loans, low income housing tax credits and Working Capital Finance Investments)

Other Invested Assets are those that are listed in Schedule BA and are somewhat more speculative and risky than most other investments. The factor for Schedule BA assets excluding collateral loans, low income housing tax credits, working capital finance investments, and residual tranches or interests is 20%.

The book/adjusted carrying value of total Schedule BA assets (including collateral loans, low income housing tax credits ~~and~~ Working Capital Finance Investments, and residual tranches or interests) should equal Page 2, Line 8, Column 3 of the annual statement.

Low Income Housing Tax Credits

Report Column (1) in accordance with *SSAP No. 93—Low Income Housing Tax Credit Property Investments*.

Federal Guaranteed low-income housing tax credit (LIHTC) investments are to be included in Line (13). There must be an all-inclusive guarantee from an ARO-rated entity that guarantees the yield on the investment.

Federal Non-guaranteed LIHTC investments with the following risk mitigation factors are to be included in Line (14):

- a) A level of leverage below 50 percent. For a LIHTC Fund, the level of leverage is measured at the fund level.
- b) There is a tax credit guarantee agreement from general partner or managing member. This agreement requires the general partner or managing member to reimburse investors for any shortfalls in tax credits due to errors of compliance, for the life of the partnership. For an LIHTC fund, a tax credit guarantee is required from the developers of the lower-tier LIHTC properties to the upper-tier partnership.

State LIHTC investments that at a minimum meet the federal requirements for guaranteed LIHTC investments are to be included in Line (15).

State LIHTC investments that at a minimum meet the federal requirements for non-guaranteed LIHTC investments are to be included in Line (16).

State and federal LIHTC investments that do not meet the requirements of lines (13) through (16) would be reported on Line (17).

Working Capital Finance Investments

The book/adjusted carrying value of NAIC 01 and 02 Working Capital Finance Investments should equal Note to the Financial Statement, Lines 5M(01a) and 5M(01b), Column 3 of the annual statement.

## FIXED INCOME ASSETS - MISCELLANEOUS

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

Denotes items that must be manually entered on filing software.


CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE

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

Denotes items that must be manually entered on filing software.

## CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE

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

 Denotes items that must be manually entered on filing software.



## OTHER LONG-TERM ASSETS PR008

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

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

(1)

<b>R0 - Subsidiary Insurance Companies and Misc. Other Amounts</b>		<b>PRBC O&amp;I Reference</b>	<b>RBC Amount</b>
(1)	Directly Owned Property and Casualty Insurance Affiliates	PR004 L(2)C(2)	0
(2)	Indirectly Owned Property and Casualty Insurance Affiliates	PR004 L(5)C(2)	0
(3)	Directly Owned Life Insurance Affiliates	PR004 L(3)C(2)	0
(4)	Indirectly Owned Life Insurance Affiliates	PR004 L(6)C(2)	0
(5)	Directly Owned Health Insurance Companies or Health Entities	PR004 L(1)C(2)	0
(6)	Indirectly Owned Health Insurance Companies or Health Entities	PR004 L(4)C(2)	0
(7)	Directly Owned Alien Insurance Companies or Health Entities	PR004 L(9)+L(10)+L(11)C(2)	0
(8)	Indirectly Owned Alien Insurance Companies or Health Entities	PR004 L(12)+L(13)+L(14)C(2)	0
(9)	Misc Off-Balance Sheet - Non-controlled Assets	PR014 L(15) C(3)	0
(10)	Misc Off-Balance Sheet - Guarantees for Affiliates	PR014 L(16) C(3)	0
(11)	Misc Off-Balance Sheet - Contingent Liabilities	PR014 L(17) C(3)	0
(12)	Misc Off-Balance Sheet - SSAP No.101 Par. 11A DTA	PR014 L(19) C(3)	0
(13)	Misc Off-Balance Sheet - SSAP No.101 Par. 11B DTA	PR014 L(20) C(3)	0
(14)	Total R0	L(1)+L(2)+L(3)+L(4)+L(5)+L(6)+L(7)+L(8)+L(9)+L(10)+L(11)+L(12)+L(13)	0
<b>R1 - Asset Risk - Fixed Income</b>			
(15)	Bonds Subject to Size Factor	PR006 L(27)C(5)	0
(16)	Bond Size Factor RBC	PR006 L(30)C(5)	0
(17)	Off-balance Sheet Collateral & Sch DL, PT1 - Total Bonds	PR015 L(27)C(4)	0
(18)	Off-balance Sheet Collateral & Sch DL, PT1 - Cash, & Short-Term Investments and Mort Loans on Real Est.	PR015 L(38)+(39)C(4)	0
(19)	Other Long-Term Assets - Mortgage Loans, LIHTC, & WCFI, & Residual Tranches or Interests	PR008 L(10)+L(13)+L(14)+L(15)+L(16)+L(17)+L(19)+L(21)+L(22)C(2)	0
(20)	Misc Assets - Collateral Loans	PR009 L(13)C(2)	0
(21)	Misc Assets - Cash	PR009 L(3)C(2)	0
(22)	Misc Assets - Cash Equivalents	PR009 L(7)C(2)	0
(23)	Misc Assets - Other Short-Term Investments	PR009 L(10)C(2)	0
(24)	Replication - Synthetic Asset: One Half	PR010 L(999999)C(7)	0
(25)	Asset Concentration RBC - Fixed Income	PR011 L(21)C(3) Grand Total Page	0
(26)	Total R1	L(15)+L(16)+L(17)+L(18)+L(19)+L(20)+L(21)+L(22)+L(23)+L(24)+L(25)	0

	<u>Property &amp; Casualty</u>	<u>Health</u>
# of Companies filed Annual Statement	2,889	1,175
# of Companies with residuals	58	21
Total Assets	5,219,421,595,168	465,434,970,993
Total BA Assets	188,443,545,197	21,425,413,339
Residual Tranche Investments	5,601,759,446	220,517,642
BA Assets for companies with Residuals	56,742,440,680	3,706,756,284

## Residuals as a Percentage of:

Total BA Assets	2.97%	1.03%
BA Assets for companies with Residuals	9.87%	5.95%
Total Assets	0.11%	0.05%

Total BA Assets as a Percentage of Total Assets	3.61%	4.60%
BA Assets for companies with Residuals as a Percentag of Total Assets	1.09%	0.80%

## Capital Adequacy (E) Task Force

### RBC Proposal Form

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

<p style="text-align: right;">DATE: <u>1/27/24</u></p> <p><b>CONTACT PERSON:</b> <u>Eva Yeung</u></p> <p><b>TELEPHONE:</b> <u>816-783-8407</u></p> <p><b>EMAIL ADDRESS:</b> <u>eyeung@naic.org</u></p> <p><b>ON BEHALF OF:</b> <u>P/C RBC (E) Working Group</u></p> <p><b>NAME:</b> <u>Tom Botsko</u></p> <p><b>TITLE:</b> <u>Chair</u></p> <p><b>AFFILIATION:</b> <u>Ohio Department of Insurance</u></p> <p><b>ADDRESS:</b> <u>50 West Town Street, Suite 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;"><b><u>FOR NAIC USE ONLY</u></b></p> <p>Agenda Item # <u>2024-06-CA</u> Year <u>2024/2025</u></p> <p style="text-align: center;"><b><u>DISPOSITION</u></b></p> <p><b>ADOPTED:</b></p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WF) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>EXPOSED:</b></p> <p><input checked="" type="checkbox"/> TASK FORCE (TF) <u>1/31/2024</u></p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>REJECTED:</b></p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p><b>OTHER:</b></p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> (SPECIFY) _____</p>
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#### IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

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

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

This proposal mirrors the Life proposal 2024-03-L for Repurchase Agreements to reduce the repo charge to 0.2% for programs that meet “conforming program criteria” through the General Interrogatories (XR005, PR014, L (3)). All other repo programs that do not meet the conforming programing criteria would continue to receive the current 1% charge. Refer to Proposal 2024-03-L for detail information.

#### Additional Staff Comments:

The Annual Statement Reference column on the P/C and Health blanks were marked as “TBD” pending adoption of the Annual Statement blanks changes, should a

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

Revised 2-2023

PR014 - Off-Balance Sheet and Other Items

Detail Eliminated to Conserve

Line (2)

Collateral from all other securities lending programs should be reported in General Interrogatories Part 1, Line 25.05 and included in Line (2).

Line (3) through (4) Insurers may also engage in repurchase agreement transactions which are eligible for lower off-balance sheet charges. The off-balance sheet charges are comprised of two items. The amount of collateral received in the repurchase agreement transaction, subject to the elements specified under Line Item-(2) below, will be assigned a .002 factor. The overcollateralization amount, more specifically the difference between the collateral sold and collateral received, will receive a 0.01 factor.

Repurchase agreement programs (similar in nature to Securities Lending) that have all of the following elements are eligible for a lower off-balance sheet charge:

1. A written plan adopted by the Board of Directors that outlines the extent to which the insurer can engage in repurchase agreements and how cash collateral received will be invested.
2. Written operational procedures to monitor and control the risks associated with securities lending/repurchase agreements. Safeguards to be addressed should, at a minimum, provide assurance of the following:
  - a. Documented investment guidelines, including, where applicable, those between lender and investment manager with established procedure for review of compliance.
  - b. Investment guidelines for cash collateral that clearly delineate liquidity, diversification, credit quality, and average life/duration requirements.
  - c. Approved borrower lists and loan limits to allow for adequate diversification.
  - d. Holding collateral with margin percentages in line with industry standards for repurchase agreement transactions.
  - e. Daily mark-to-market of sold securities and obtaining additional collateral needed to ensure that collateral at all times is in line with the value of the loans to maintain the appropriate margin.
  - f. Not subject to any automatic stay in bankruptcy and may be closed out and terminated immediately upon the bankruptcy of any party.
  - g. Counterparty credit rating of BBB or higher
3. A binding repurchase agreement (standard "Master Repurchase Agreement" from Securities Industry and Financial Markets Association) is in writing between the insurer, or its agent on behalf of the insurer, and the borrowers.
4. Acceptable collateral is defined as cash, cash equivalents, direct obligations of, or securities that are fully guaranteed as to principal and interest by, the government of the United States or any agency of the United States, or by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation and NAIC 1-designated securities. Affiliate-issued collateral would not be deemed acceptable. In all cases the collateral held must be permitted investments in the state of domicile for the respective insurer.

Line (3)

Collateral included in General Interrogatories, Part 1, Line XX25.XX of the annual statement should be included in Line (3).

Line (4)

Overcollateralization included in General Interrogatories, Part 1, Line XX25.XX of the annual Statement should be included in Line (4).

Line (5)

Collateral from all other repurchase agreement programs should be included in Line (5).

Lines (36) through (416)

Non controlled assets are any assets reported on the balance sheet that are not exclusively under the control of the company, or assets that have been sold or transferred subject to a put option contract currently in force. For Line (~~4214~~), include assets pledged as collateral reported in the General Interrogatories Part 1, Line 26.30 other than assets related to the Federal Reserve's Term Asset Loan Facility (TALF).

Line (~~4618~~)

Guarantees for affiliates include guarantees for the benefit of an affiliate which result in a material contingent exposure of the company's assets to liability. The definition of "material" exposure or financial effect is the same as for annual statement disclosure requirements.

Line (~~4719~~)

Contingent liabilities include any material contingent liabilities that are disclosed in the Notes to Financial Statements. *This category includes all structured securities for which the company has not received a full release from liability from a third party.*

Line (~~4820~~)

"Yes" means the entity which files the U.S. Federal income tax return which includes the reporting entity is a regulated insurance company (including where the reporting entity is the direct filer of the tax return). "No" means the entity which files the US federal income tax return which includes the reporting entity is not a regulated insurance company (e.g. a non-insurance entity or holding company makes the filing). "N/A" means the entity is exempt from filing a US federal income tax return; lines (~~4618~~) and (~~4719~~) should be zero in this case.

Lines (~~1921~~) and (~~2022~~)

Apply a one percent (1%) charge in the RBC formula, placed outside of the covariance adjustment, to admitted adjusted gross deferred tax assets (DTAs) as described in SSAP No. 101, paragraphs 11a and 11b (lesser of paragraph 11b(i) and 11b(ii)). For the period for which the paragraph 11a component is determined, the charge is reduced to one-half percent (0.5%) when the insurance company either filed its own separate Federal income tax return or it was included in a consolidated Federal income tax of which the common parent is an insurance company. The source for the DTA amounts to use in the calculation is found in the Annual Statement, Notes to Financial Statements, Note 9, Part A, Section 2, Admission Calculation Components for *SSAP No. 101 – Income Taxes*. Paragraph 11a is found in Section 2, subpart (a). Paragraph 11b is found in Section 2, subpart (b).

Off-Balance Sheet and Other Items  
XR005



Detail Eliminated to Conserve



Line (2) – Collateral from all other securities lending programs should be reported in General Interrogatories Part 1, Line 25.05 and included in Line (2).

Line (3) through (4) Insurers may also engage in repurchase agreement transactions which are eligible for lower off-balance sheet charges. The off-balance sheet charges are comprised of two items. The amount of collateral received in the repurchase agreement transaction, subject to the elements specified under Item (2) below, will be assigned a .002 factor. The overcollateralization amount, more specifically the difference between the collateral sold and collateral received, will receive 0.01 factor.

Repurchase agreement programs (similar in nature to Securities Lending) that have all of the following elements are eligible for a lower off-balance sheet charge:

1. A written plan adopted by the Board of Directors that outlines the extent to which the insurer can engage in repurchase agreements and how cash collateral received will be invested.
2. Written operational procedures to monitor and control the risks associated with repurchase agreements. Safeguards to be addressed should, at a minimum, provide assurance of the following:
  - a. Documented investment guidelines, including, where applicable, those between lender and investment manager with established procedure for review of compliance.
  - b. Investment guidelines for cash collateral that clearly delineate liquidity, diversification, credit quality, and average life/duration requirements.
  - c. Approved borrower lists and loan limits to allow for adequate diversification.
  - d. Holding collateral with margin percentages in line with industry standards for repurchase transactions.
  - e. Daily mark-to-market of sold securities and obtaining additional collateral needed to ensure that collateral at all times is in line with the value of the loans to maintain the appropriate margin.
  - f. Not subject to any automatic stay in bankruptcy and may be closed out and terminated immediately upon the bankruptcy of any party.
  - g. Counterparty credit rating of BBB or higher
3. A binding repurchase agreement (standard “Master Repurchase Agreement” from Securities Industry and Financial Markets Association) is in writing between the insurer, or its agent on behalf of the insurer, and the borrowers.
4. Acceptable collateral is defined as cash, cash equivalents, direct obligations of, or securities that are fully guaranteed as to principal and interest by, the government of the United States or any agency of the United States, or by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation and NAIC 1-designated securities. Affiliate-issued collateral would not be deemed acceptable. In all cases the collateral held must be permitted investments in the state of domicile for the respective insurer.

Line (3)

Collateral included in General Interrogatories, Part 1, Line **XX.XX** of the annual statement should be included in Line (3).

Line (4)

Overcollateralization included in General Interrogatories, Part 1, Line **XX.XX** of the annual Statement should be included in Line (4).

Line (5)

Collateral from all other repurchase programs should be included in Line (5).

Lines (63) through (164) – Non-controlled assets are any assets reported on the balance sheet that are not exclusively under the control of the company, or assets that have been sold or transferred subject to a put option contract currently in force. For Lines (124) and (135), include assets pledged as collateral reported in the General Interrogatories Part 1, Lines 26.30 and 26.31 other than assets related to the Federal Reserve’s Term Asset Loan Facility (TALF).

Line (168) – Guarantees for Affiliates include loan guarantees or other undertakings for the benefit of an affiliate which results in a material contingent exposure of the company’s or any affiliated insurer’s assets. The definition of “material” exposure or financial effect is the same as for annual statement disclosure requirements.

Line (179) – Contingent liabilities include any material contingent liabilities that are disclosed in the Notes to Financial Statements. *This category includes all structured securities for which the company has not received a full release of liability from a third party.*

Line (1208) – “Yes” means the entity which files the U.S. federal income tax return which includes the reporting entity is a regulated insurance company (including where the reporting entity is the direct filer of the tax return). “No” means the entity which files the U.S. Federal income tax return which includes the reporting entity is not a regulated insurance company (e.g., a non-insurance entity or holding company makes the filing). “N/A” means the entity is exempt from filing a U.S. Federal income tax return; Lines (1921) and (2022) should be zero in this case.

Lines (1921) and (220) - Apply a one percent (1%) charge in the RBC formula, placed outside of the covariance adjustment, to admitted adjusted gross deferred tax assets (DTAs) as described in *SSAP No. 101—Income Taxes*, paragraphs 11a and 11b (lesser of paragraph 11b(i) and 11b(ii)). For the period for which the paragraph 11a component is determined, the charge is reduced to one-half percent (0.5%) when the insurance company either filed its own separate U.S. Federal income tax return or it was included in a consolidated U.S. Federal income tax of which the common parent is an insurance company. The source for the DTA amounts to use in the calculation is found in the Annual Statement, Notes to Financial Statements, Note 9, Part A, Section 2, Admission Calculation Components for *SSAP No. 101—Income Taxes*. Paragraph 11a is found in Section 2, subpart (a), Paragraph 11b is found in Section 2, subpart (b).



OFF-BALANCE SHEET AND OTHER ITEMS

	Annual Statement Source	(1) Bk/Adj Carrying Value	(2) Factor	(3) RBC Requirement	(4) Yes/No Response
<b>Noncontrolled Assets</b>					
(1) Loaned to Others - Conforming Securities Lending Programs	General Interrogatories Part 1 Line 25.04		0.002		
(2) Loaned to Others - Securities Lending Programs - Other	General Interrogatories Part 1 Line 25.05		0.010		
<b>(3) Subject to Repurchase Agreements</b>	<b>General Interrogatories Part 1 Line 26.21</b>		<b>0.010</b>		
<b>(3) Loaned to Others - Conforming Repurchase Agreement Program Collateral</b>	<b>TBD</b>		<b>0.002</b>		
<b>(4) Loaned to Others - Conforming Repurchase Agreement Program Overcollateralization</b>	<b>TBD</b>		<b>0.010</b>		
<b>(5) Loaned to Others - Repurchase Agreement Programs - Other</b>	<b>TBD</b>		<b>0.010</b>		
(6) Subject to Reverse Repurchase Agreements	General Interrogatories Part 1 Line 26.22		0.010		
(7) Subject to Dollar Repurchase Agreements	General Interrogatories Part 1 Line 26.23		0.010		
(8) Subject to Reverse Dollar Repurchase Agreements	General Interrogatories Part 1 Line 26.24		0.010		
(9) Placed Under Option Agreements	General Interrogatories Part 1 Line 26.25		0.010		
(10) Letter Stock or Securities Restricted as to Sale - Excluding FHLB Capital Stock	General Interrogatories Part 1 Line 26.26		0.010		
(11) FHLB Capital Stock	General Interrogatories Part 1 Line 26.27		0.010		
(12) On Deposit with States	General Interrogatories Part 1 Line 26.28		0.010		
(13) On Deposit with Other Regulatory Bodies	General Interrogatories Part 1 Line 26.29		0.010		
(14) Pledged as Collateral - Excluding Collateral Pledged to an FHLB	General Interrogatories Part 1 Line 26.30		0.010		
(15) Pledged as Collateral to FHLB (Including Assets Backing Funding Agreements)	General Interrogatories Part 1 Line 26.31		0.010		
(16) Other	General Interrogatories Part 1 Line 26.32		0.010		
(17) Total Noncontrolled Assets	Sum of Lines (1) through (16)				
(18) Guarantees for Affiliates	Notes to Financial Statements 14A(03C1), Column 2		0.010		
(19) Contingent Liabilities	Notes to Financial Statements 14A(1), Column 2		0.010		
(20) Is the entity responsible for filing the U.S. Federal income tax return for the reporting insurer a regulated insurance company?	"Yes", "No" or "N/A" in Column (4)				
(21) SSAP No. 101 Paragraph 11a Deferred Tax Assets	Notes to Financial Statements, Item 9A2(a), Column 3		†		
(22) SSAP No. 101 Paragraph 11b Deferred Tax Assets	Notes to Financial Statements, Item 9A2(b), Column 3		0.010		
(23) Total Miscellaneous Off-Balance Sheet and Other Items	<b>Lines (17) + (18) + (19) + (20) + (21) + (22)</b>				

## CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE

		(1) <u>RBC Amount</u>
<b>H0 - INSURANCE AFFILIATES AND MISC. OTHER AMOUNTS</b>		
(1) Off-Balance Sheet Items	XR005, Off-Balance Sheet Page, Line (23)	_____
(2) Directly Owned Health Insurance Companies or Health Entities	XR003, Affiliates Page, Column (2), Line (1)	_____
(3) Directly Owned Property and Casualty Insurance Affiliates	XR003, Affiliates Page, Column (2), Line (2)	_____
(4) Directly Owned Life Insurance Affiliates	XR003, Affiliates Page, Column (2), Line (3)	_____
(5) Indirectly Owned Health Insurance Companies or Health Entities	XR003, Affiliates Page, Column (2), Line (4)	_____
(6) Indirectly Owned Property and Casualty Insurance Affiliates	XR003, Affiliates Page, Column (2), Line (5)	_____
(7) Indirectly Owned Life Insurance Affiliates	XR003, Affiliates Page, Column (2), Line (6)	_____
(8) Affiliated Alien Insurers - Directly Owned	XR003, Affiliates Page, Column (2), Line (9) + (10) + (11)	_____
(9) Affiliated Alien Insurers - Indirectly Owned	XR003, Affiliates Page, Column (2), Line (12) + (13) + (14)	_____
(10) Total H0	Sum Lines (1) through (9)	=====
<b>H1 - ASSET RISK - OTHER</b>		
(11) Holding Company in Excess of Indirect Subs	XR003, Affiliates Page, Column (2), Line (7)	_____
(12) Investment Subsidiary	XR003, Affiliates Page, Column (2), Line (8)	_____
(13) Investment in Upstream Affiliate (Parent)	XR003, Affiliates Page, Column (2), Line (15)	_____
(14) Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	XR003, Affiliates Page, Column (2), Line (16)	_____
(15) Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	XR003, Affiliates Page, Column (2), Line (17)	_____
(16) Directly Owned Life Insurance Companies Not Subject to RBC	XR003, Affiliates Page, Column (2), Line (18)	_____
(17) Affiliated Non-Insurer	XR003, Affiliates Page, Column (2), Line (19) + (20) + (21)	_____
(18) Fixed Income Assets	XR006, Off-Balance Sheet Collateral, Lines (27) + (37) + (38) + (39) + XR007, Fixed Income Assets - Bonds, Line (27) + XR008, Fixed Income Assets - Miscellaneous, Line (24)	_____
(19) Replication & Mandatory Convertible Securities	XR009, Replication/MCS Page, Line (9999999)	_____
(20) Unaffiliated Preferred Stock	XR006, Off-Balance Sheet Collateral, Line (34) + XR010, Equity Assets Page, Line (7)	_____
(21) Unaffiliated Common Stock	XR006, Off-Balance Sheet Collateral, Line (35) + XR010, Equity Assets Page, Line (13)	_____
(22) Property & Equipment	XR006, Off-Balance Sheet Collateral, Line (36) + XR011, Prop/Equip Assets Page, Line (9)	_____
(23) Asset Concentration	XR012, Grand Total Asset Concentration Page, Line (27)	_____
(24) Total H1	Sum Lines (11) through (23)	=====

OFF-BALANCE SHEET ITEMS AND OTHER ITEMS PR014

	Annual Statement Source	(1) Statement Value	(2) Factor	(3) RBC Requirement	(4) Yes/No Response
<u>Non-Controlled Assets</u>					
(1) Conforming Securities Lending Programs	General Interrogatories Part 1 L25.04	0	0.002	0	
(2) Securities Lending Programs - Other	General Interrogatories Part 1 L25.05	0	0.010	0	
<del>(3) Subject to Repurchase Agreements</del>	<del>General Interrogatories Part 1 L26.21</del>	<del>0</del>	<del>0.010</del>	<del>0</del>	
(3) Loaned to Others - Conforming Repurchase Agreement Program Collateral	TBD	0	0.002	0	
(4) Loaned to Others - Conforming Repurchase Agreement Program Overcollateralization	TBD	0	0.010	0	
(5) Loaned to Others - Repurchase Agreement Programs - Other	TBD	0	0.010	0	
(6) Subject to Reverse Repurchase Agreements	General Interrogatories Part 1 L26.22	0	0.010	0	
(7) Subject to Dollar Repurchase Agreements	General Interrogatories Part 1 L26.23	0	0.010	0	
(8) Subject to Reverse Dollar Repurchase Agreements	General Interrogatories Part 1 L26.24	0	0.010	0	
(9) Placed Under Option Agreements	General Interrogatories Part 1 L26.25	0	0.010	0	
(10) Letter Stock or Other Securities Restricted as to Sale - Excluding FHLB Capital Stock	General Interrogatories Part 1 L26.26	0	0.010	0	
(11) FHLB Capital Stock	General Interrogatories Part 1 L26.27	0	0.010	0	
(12) On Deposit with States	General Interrogatories Part 1 L26.28	0	0.010	0	
(13) On Deposit with Other Regulatory Bodies	General Interrogatories Part 1 L26.29	0	0.010	0	
(14) Pledged as Collateral - Excluding Collateral Pledged to an FHLB	General Interrogatories Part 1 L26.30	0	0.010	0	
(15) Pledged as Collateral to FHLB - Including Assets Backing Funding Agreements	General Interrogatories Part 1 L26.31	0	0.010	0	
(16) Other	General Interrogatories Part 1 L26.32	0	0.010	0	
(17) Total Non-Controlled Assets	Sum of L(1) through L(16)	0		0	
(18) Guarantees for Affiliates	Notes to Financial Statements Item 14A(03C1)	0	0.010	0	
(19) Contingent Liabilities	Notes to Financial Statements Item 14a1 + Item 27a Amount 2 Unrecorded Loss Contingencies	0	0.010	0	
(20) Is the entity responsible for filing the U.S. Federal income tax return for the reporting insurer a regulated insurance company?	"Yes", "No" or "N/A" in Column (4)				
(21) SSAP No. 101 Paragraph 11A Deferred Tax Assets	Notes to Financial Statements Item 9A2(a)	0		0	
(22) SSAP No. 101 Paragraph 11B Deferred Tax Assets	Notes to Financial Statements Item 9A2(b)	0	0.010	0	
(23) Total Miscellaneous Off Balance Sheet and Other Items=L(17)+L(18)+L(19)+L(21)+L(22)		0		0	

† If Line (20) Column (4) is "Yes", then the factor is 0.005. If Line (20) Column (4) is "No", then the factor is 0.010. If Line (20) Column (4) is "N/A", then the factor is 0.000.

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

(1)

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

**MEMORANDUM**

**TO:** Dale Bruggeman, Chair, Statutory Accounting Principles (E) Working Group  
Tom Botsko, Chair, Capital Adequacy (E) Task Force

**FROM:** Philip Barlow, Chair, Life Risk-Based Capital (E) Working Group

**DATE:** January 25, 2024

**RE:** Repurchase Agreement RBC Proposal Referral

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The Life Risk-Based Capital (E) Working Group received, discussed, and exposed for public comment, a proposal from the American Council of Life Insurers (ACLI) to modify the treatment of repurchase agreements in the life risk-based capital (RBC) formula (Proposal). One comment was received from the ACLI with full support of the Proposal. ACLI has subsequently provided an official proposal with structural changes to the RBC blanks and instructions. The implementation of the structural changes is predicated on changes made to the Annual Statement's General Interrogatories. NAIC staff has reviewed the proposal and noted accounting differences between repurchase agreements and security lending programs, on which the proposal appears to base the RBC treatment.

The Working Group would appreciate consideration by the Statutory Accounting Principles (E) Working Group on accounting and reporting aspects of the proposal as well as the Capital Adequacy (E) Task Force on its possible application to the other RBC formulas.

Cc: Dave Fleming, Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr, Wil Oden, Mary Casewell, Maggie Chang, Eva Yeung, Crystal Brown

## Capital Adequacy (E) Task Force

### RBC Proposal Form

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

<p style="text-align: right;"><b>DATE:</b> <u>1/22/2024</u></p> <p><b>CONTACT PERSON:</b> <u>Brian Bayerle</u></p> <p><b>TELEPHONE:</b> <u>(202) 624-2169</u></p> <p><b>EMAIL ADDRESS:</b> <u>BrianBayerle@acli.com</u></p> <p><b>ON BEHALF OF:</b> <u>ACLI</u></p> <p><b>NAME:</b> <u>Brian Bayerle</u></p> <p><b>TITLE:</b> <u>Chief Life Actuary</u></p> <p><b>AFFILIATION:</b> <u>ACLI</u></p> <p><b>ADDRESS:</b> <u>101 Constitution Ave, NW Suite 700</u> <u>Washington, DC 20001</u></p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2024-03-L</u> Year _____</p> <p style="text-align: center;"><b>DISPOSITION</b></p> <p><b>ADOPTED:</b></p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>EXPOSED:</b></p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>REJECTED:</b></p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p><b>OTHER:</b></p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> (SPECIFY) _____</p>
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#### IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

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

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

**Summary:** Life Risk-Based Capital (RBC) currently has a C-0 charge for Repurchase Agreements (repo) advances of 1.26% computed on LR017. ACLI proposes a reduction of the repo charge to 0.2% for programs that meet “conforming program criteria” through the General Interrogatories, including identification of a reinvestment pool funded by conforming repo programs; General Interrogatories will be updated as part of this proposal. This reduced charge will apply to footnote 5 F (7) ending balance for collateral received under secured borrowing (or the conforming amount as determined by the instructions). The overcollateralized amount (the difference in statement balances for the above-mentioned footnote 5 F (7) ending balance for collateral received under secured borrowing net of the statement balance for Footnote 5 F (5) defining the fair value ending balance for securities sold under repurchase secured borrowing) would receive C-1 RBC factor for bonds rated BBB; this would only apply to counterparties rated BBB or higher. All other repo programs that do not meet the conforming programing criteria or where the counterparty is rated BB or lower would continue to receive the current 1.26% charge.

**Rationales for change:** Approval of this proposal would align capital charges and disclosure requirements between conforming securities lending programs and conforming repo programs, incentivizing insurers to diversify sources of short-term funding. Enhanced disclosure for conforming repo programs would improve regulatory oversight, while RBC alignment would help insurers reduce interconnectedness with Primary Dealers and the idiosyncratic risk associated with bank balance sheet management, particularly during periods of financial stress.

**Background:**

Repurchase agreements and securities lending transactions are similar forms of short-term collateralized funding for life insurers. Counterparties are a key difference between these two funding structures. While Primary Dealers act as intermediaries for securities lending transactions, repo is generally executed directly with end-counterparties, such as money market funds. When risk-based capital (RBC) standards were developed, both securities lending and repurchase agreements were assigned C-0 RBC factors of 1.26%. Around 2006, the NAIC revised the C-0 RBC factor for “conforming” securities lending programs to 0.2%:

- To qualify for a “conforming” securities lending program, insurers must attest that their program conforms to appropriate operational and investment risk guidelines and that the collateral margin applied to transactions is within the industry standard. The primary “conforming” requirement is to identify a dedicated reinvestment portfolio to match the securities lending liability.
- Adjusting RBC requirements for smaller “repo” programs was left for a later date.

Since the Great Financial Crisis, regulators and market participants have worked towards reducing the interconnectedness of funding through both regulation and risk management practices. A core tenant of these efforts has been to reduce concentration risk, both in single counterparty and source. Reliance on Primary Dealers in the securities lending market has exposed insurers to the idiosyncratic risks that drive bank balance sheet availability, particularly under stress. The expansion of funding sources to include repo counterparties would enhance overall liquidity for Securities Lenders, increase stability in secured funding markets during times of stress and diversify loan exposures, collectively reducing systematic risk. Alignment of RBC charges would support this enhancement.

**ACLI Proposal**

The ACLI proposal for conforming repo programs mirrors existing RBC for conforming securities lending:

1. Establish “conforming program criteria” for repo, similar to securities lending. Reporting insurers must attest that they have dedicated reinvestment assets to support the repo liability and enhance their statutory reporting so that regulators can validate these attestations.
2. Proposed RBC for conforming repo programs is the sum of:
  - 0.20% charge for repo assets, plus
  - Additional RBC applied to insurer’s net uncollateralized counterparty exposure (typically 2% of funding amount). To be conservative, the C-1 RBC charge for bonds rated BBB is applied to the insurer’s net counterparty exposure. Counterparts rated lower than BBB would not qualify for a conforming repo program.

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**Additional Staff Comments:**

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

**Revised 11-2023**



OFF-BALANCE SHEET AND OTHER ITEMS

		(1)	(2)	(3)	(4)	(5)	(6)
		Statement Value	Less Noncontrolled Assets Funding Guaranteed Separate Accounts, Synthetic GIC's and Certain FHLB Liabilities	Subtotal	Factor	RBC Requirement	Yes/No Response
Annual Statement Source							
<u>Noncontrolled Assets</u>							
(1)	(1) Loaned to Others - Conforming Securities Lending Program	General Interrogatories Part 1 Line 25.04		X 0.0020	=		
(2)	(2) Loaned to Others - Securities Lending Programs - Other	General Interrogatories Part 1 Line 25.05		X 0.0126	=		
(3)	(3) Loaned to Others - Conforming Repurchase Agreement Program Collateral	General Interrogatories Part 1 Line 25.06	\$	X 0.0020	=		
(4)	(4) Loaned to Others - Conforming Repurchase Agreement Program Overcollateralization	General Interrogatories Part 1 Line 25.07	\$	X 0.0126	=		
(5)	(5) Loaned to Others - Repurchase Agreement Programs - Other	General Interrogatories Part 1 Line 25.08		X 0.0126	=		
(6)	(6) Subject to Reverse Repurchase Agreements	General Interrogatories Part 1 Line 26.21		X 0.0126	=		
(7)	(7) Subject to Dollar Repurchase Agreements	General Interrogatories Part 1 Line 26.22		X 0.0126	=		
(8)	(8) Subject to Reverse Dollar Repurchase Agreements	General Interrogatories Part 1 Line 26.23		X 0.0126	=		
(9)	(9) Placed Under Option Agreements	General Interrogatories Part 1 Line 26.24		X 0.0126	=		
(10)	(10) Letter Stock or Other Securities Restricted as to sale - excluding FHLB Capital Stock	General Interrogatories Part 1 Line 26.25		X 0.0126	=		
(11)	(11) FHLB Capital Stock	General Interrogatories Part 1 Line 26.26		X 0.0126	=		
(12)	(12) On Deposit with States	General Interrogatories Part 1 Line 26.27		X 0.0126	=		
(13)	(13) On Deposit with Other Regulatory Bodies	General Interrogatories Part 1 Line 26.28		X 0.0126	=		
(14.1)	(14.1) Pledged as Collateral - excluding Collateral Pledged to an FHLB	General Interrogatories Part 1 Line 26.29		X 0.0126	=		
(14.2)	(14.2) Less Derivative Collateral Pledged	General Interrogatories Part 1 Line 26.30		X 0.0039	=		
(14.3)	(14.3) Pledged as Collateral - excluding Collateral Pledged to an FHLB Less Derivatives Collateral Pledged	Schedule DB Part D Section 2 Column 7, Line 0199999999		X 0.0126	=		
(15)	(15) Pledged as Collateral to FHLB - including Assets Backing Funding Agreements	Line (15.1) - (15.2)		X 0.0126	=		
(16)	(16) Other	General Interrogatories Part 1 Line 26.31		X #	=		
(17)	(17) Total Noncontrolled Assets	General Interrogatories Part 1 Line 26.32		X 0.0126	=		
(18)	(18) Total Noncontrolled Assets	Sum of Lines (1) through (13) Plus Lines (14.2) through (16)					
<u>Derivative Instruments</u>							
(19)	(19) Exchange Traded and Centrally Cleared	Schedule DB Part D Section 1 Column 12, Line 0999999999, in part		X 0.0039	=		
(20)	(20) Off-Balance Sheet Exposure NAIC 1	Schedule DB Part D Section 1 Column 12, Line 0999999999, in part		X 0.0039	=		
(21)	(21) Off-Balance Sheet Exposure NAIC 2	Schedule DB Part D Section 1 Column 12, Line 0999999999, in part		X 0.0126	=		
(22)	(22) Off-Balance Sheet Exposure NAIC 3	Schedule DB Part D Section 1 Column 12, Line 0999999999, in part		X 0.0446	=		
(23)	(23) Off-Balance Sheet Exposure NAIC 4	Schedule DB Part D Section 1 Column 12, Line 0999999999, in part		X 0.0970	=		
(24)	(24) Off-Balance Sheet Exposure NAIC 5	Schedule DB Part D Section 1 Column 12, Line 0999999999, in part		X 0.2231	=		
(25)	(25) Off-Balance Sheet Exposure NAIC 6	Schedule DB Part D Section 1 Column 12, Line 0999999999, in part		X 0.3000	=		
(26)	(26) Total Derivative Instruments Off-Balance Sheet Exposure	Sum of Lines (18) through (25)					
(27)	(27) Guarantees for Affiliates	Notes to Financial Statements Number 14A3c1		X 0.0126	=		
(28)	(28) Contingent Liabilities	Notes to Financial Statements Number 14A1		X 0.0126	=		
(29)	(29) Long Term Leases	Notes to Financial Statements Number 15A2a1		X 0.0000	=		
(30)	(30) Total Off-Balance Sheet Items (pre-MODCO/Funds Withheld)	Lines (17) + (25) + (26) + (27) + (28)					
(31)	(31) Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(32)	(32) Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
(33)	(33) Total Off-Balance Sheet Items (including MODCO/Funds Withheld.)	Lines (29) - (30) + (31)					
<u>Other Items</u>							
(34)	(34) Is the entity responsible for filing the U.S. Federal income tax return for the reporting insurer a regulated insurance company?	"Yes", "No" or "N/A" in Column (6)					
(35)	(35) SSAP No. 101 Paragraph 11a Deferred Tax Assets	Notes to Financial Statements Item 9A2(a)		X ‡	=		
(36)	(36) SSAP No. 101 Paragraph 11b Deferred Tax Assets	Notes to Financial Statements Item 9A2(b)		X 0.0100	=		
(37)	(37) Total Off-Balance Sheet and Other Items	Line (32) + Line (34) + Line (35)					

† For Column (2) Line (16), include assets pledged as collateral other than assets related to the Federal Reserve's Term Asset Loan Facility (TALF). For Column (2) include excess assets held by a FHLB but not associated with a FHLB advance (i.e. assets above the required collateral amount and therefore

‡ If Line (35) Column (6) is "Yes", then the factor is 0.005. If Line (35) Column (6) is "No", then the factor is 0.010. If Line (35) Column (6) is "N/A", then the factor is 0.000.

# In most instances, apply a factor based on the NAIC ratings category equivalent to an unsecured debt obligation of the FHLB. A higher factor applies if FHLB funded advance liabilities associated with spread-lending activities exceed 5% of total net admitted assets. This higher factor shall equal the factor

§ For Column (1), lines (3) and (4), values are based on Cash and Fair Value amounts.

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

**OFF-BALANCE SHEET AND OTHER ITEMS**

LR017

*Basis of Factors*

The potential for risk exists in off-balance sheet items. For items other than derivative instruments, a 1.26 percent factor was chosen on a judgment basis. The 1.26 percent pre-tax factor will differentiate between the companies that have small and large exposures to this risk. Since there is no firm actuarial basis for assigning the 1.26 percent pre-tax factor to these risks, off-balance sheet items are included in the sensitivity analysis using a factor of 3 percent, and leases are added as an additional off-balance sheet item. For securities lending programs, a reduced charge may apply to certain programs that meet the criteria as outlined below.

For assets pledged as collateral on funded Federal Home Loan Bank (FHLB) liabilities included in the C3 Phase 1 Cash Flow Testing, the C3 calculation already provides adequate provision for potential risks up to the Statement Value of the associated FHLB liabilities tested therein. For any excess of assets pledged as collateral above this Statement Value (FHLB liabilities included in C3 Phase 1 Cash Flow Testing) the potential exposure is proportionate to the credit risk assessed for the FHLB counterparty, making the bond factor associated with the NAIC designation assigned to the FHLB an appropriate risk provision. For FHLB advances that are not subject to the C3 Phase 1 Cash Flow Testing, the full amount of pledged collateral supporting those advances shall receive a C-0 RBC factor based on the credit standing of the FHLB. Excess assets held by a FHLB but not associated with a FHLB advance (i.e. assets above the required collateral amount and therefore available to be recalled by the insurer), do not present non-controlled asset risk and should be excluded.

Collateral supporting certain FHLB funding agreement activities might be subject to a higher non-controlled asset charge. If the amount of FHLB funded liabilities associated with funding agreement activities is greater than 5% of the company's total net admitted assets, the full amount of pledged collateral supporting FHLB funding agreements in excess of this 5% will receive a higher factor equal to the factor for an NAIC 2 Corporate Bond asset factor.

For derivative instruments, the book/adjusted carrying value exposure net of collateral (the balance sheet exposure) is included under miscellaneous C-1o risks. Because collars, swaps, forwards and futures can have book/adjusted carrying values that are positive, zero or negative, the potential exposure to default by the counterparty or exchange for these instruments cannot be measured by the book/adjusted carrying values. Schedule DB, therefore, includes a calculation of the potential exposure that is based on the March 1987 research paper "Potential Credit Exposure on Interest Rate and Foreign Exchange Rate Related Instruments," supporting the 1988 Bank of International Settlements framework for banks. The off-balance sheet exposure (Schedule DB, Part D, Section 1, Column 12) will measure this potential exposure for risk-based capital purposes. The factors applied to the derivatives off-balance sheet exposure are the same as those applied to bonds.

*Specific Instructions for Application of the Formula*Column (2)

Assets directly funding guaranteed separate accounts or synthetic GIC contracts should be excluded from the noncontrolled assets computation.

Line (1)

Securities lending programs that have all of the following elements are eligible for a lower off-balance sheet charge:

1. A written plan adopted by the Board of Directors that outlines the extent to which the insurer can engage in securities lending activities and how cash collateral received will be invested.
2. Written operational procedures to monitor and control the risks associated with securities lending. Safeguards to be addressed should, at a minimum, provide assurance of the following:
  - a. Documented investment guidelines, including, where applicable, those between lender and investment manager with established procedure for review of compliance.
  - b. Investment guidelines for cash collateral that clearly delineate liquidity, diversification, credit quality, and average life/duration requirements.
  - c. Approved borrower lists and loan limits to allow for adequate diversification.
  - d. Holding excess collateral with margin percentages in line with industry standards, which are currently 102% (or 105% for cross currency loans).
  - e. Daily mark-to-market of lent securities and obtaining additional collateral needed to ensure that collateral at all times exceeds the value of the loans to maintain margin

of 102% of market.

- f. Not subject to any automatic stay in bankruptcy and may be closed out and terminated immediately upon the bankruptcy of any party.
3. A binding securities lending agreement (standard “Master Lending Agreement” from Securities Industry and Financial Markets Association) is in writing between the insurer, or its agent on behalf of the insurer, and the borrowers.
4. Acceptable collateral is defined as cash, cash equivalents, direct obligations of, or securities that are fully guaranteed as to principal and interest by, the government of the United States or any agency of the United States, or by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation and NAIC 1-designated securities. Affiliate-issued collateral would not be deemed acceptable. In all cases the collateral held must be permitted investments in the state of domicile for the respective insurer.

Collateral included in General Interrogatories, Part 1, Line 24.04 of the annual statement should be included on Line (1).

Line (2)

Collateral from all other securities lending programs should be reported General Interrogatories, Part 1, Line 24.05 and included in Line (2).

Line (3) through (4)

Insurers may also engage in repurchase transactions which are eligible for lower off-balance sheet charges. The off-balance sheet charges are comprised of two items. The amount of collateral received in the repurchase transaction, subject to the elements specified under Line (2) below, will be assigned a .002 factor. The overcollateralization amount, more specifically the difference between the collateral sold and collateral received, will receive the Bonds - NAIC Designation Category 2.A factor.

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Repurchase programs (similar in nature to Securities Lending) that have all of the following elements are eligible for a lower off-balance sheet charge:

1. A written plan adopted by the Board of Directors that outlines the extent to which the insurer can engage in repurchase agreements and how cash collateral received will be invested.
2. Written operational procedures to monitor and control the risks associated with securities lending/repurchase agreements. Safeguards to be addressed should, at a minimum, provide assurance of the following:
  - a. Documented investment guidelines, including, where applicable, those between lender and investment manager with established procedure for review of compliance.
  - b. Investment guidelines for cash collateral that clearly delineate liquidity, diversification, credit quality, and average life/duration requirements.
  - c. Approved borrower lists and loan limits to allow for adequate diversification.
  - d. Holding collateral with margin percentages in line with industry standards for repurchase transactions.
  - e. Daily mark-to-market of sold securities and obtaining additional collateral needed to ensure that collateral at all times is in line with the value of the loans to maintain the appropriate margin.
  - f. Not subject to any automatic stay in bankruptcy and may be closed out and terminated immediately upon the bankruptcy of any party.
  - g. Counterparty credit rating of BBB or higher

3. A binding repurchase agreement (standard “Master Repurchase Agreement” from Securities Industry and Financial Markets Association) is in writing between the insurer, or its agent on behalf of the insurer, and the borrowers.

4. Acceptable collateral is defined as cash, cash equivalents, direct obligations of, or securities that are fully guaranteed as to principal and interest by, the government of the United States or any agency of the United States, or by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation and NAIC 1-designated securities. Affiliate-issued collateral would not be deemed acceptable. In all cases the collateral held must be permitted investments in the state of domicile for the respective insurer.

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Line (5)

Collateral from all other repurchase programs should be included in Line (5).

Lines (36) through (147)

Noncontrolled assets are the amount of all assets not exclusively under the control of the company, or assets that have been sold or transferred subject to a put option contract currently in force. For Line (12.1) and (13) include assets pledged as collateral reported in the General Interrogatories Part 1 Line 25.30 and 25.31 other than assets related to the Federal Reserve's Term Asset Loan Facility (TALF). For Line (12.2), include all collateral pledged, both cash and securities, to derivative counterparties and/or central clearinghouses for initial margin and variation margin. In addition, include securities collateral pledged as initial margin for futures. Line (12.2) should agree to Schedule DB Part D Section 2 Column 7, Line 0199999. Line (12.3) should equal Line (12.1) minus Line (12.2). For Line (13) column 2 include excess assets held by a FHLB but not associated with a FHLB advance (i.e. assets above the required collateral amount and therefore available to be recalled by the insurer). For Line (13) column 2 also include an amount equal to the lessor of Statement Value of FHLB liabilities subject to C3P1 Cash Flow Testing or 5% of total net admitted assets. For Line (13) column (4), the Factor will be manually input. In most instances, the Factor will be based on the NAIC ratings category equivalent to an unsecured debt obligation of the FHLB. A higher factor applies if FHLB funded advance liabilities associated with funding agreement activities exceed 5% of total net admitted assets. If the higher factor is applicable, the Factor for column 4 is calculated as a blended factor prorated such that collateral in column 3 supporting FHLB funding agreement liabilities in excess of the limit is subject to the factor for an NAIC 2 corporate bond (Line 14 Column 4). All other collateral in column 3 is subject to the factor based on the NAIC ratings category equivalent to an unsecured debt obligation of the FHLB.

Lines (196) through (2326)

The off-balance sheet exposure for derivative instruments reported on Schedule DB, Part D, Section 1, Column 12, Lines 0199999 through 0899999. Off-balance sheet exposure is reported for aggregate exchange traded derivatives, OTC – bilateral derivatives aggregated by counterparty brought into each individual NAIC designation 1-6, and aggregated centrally cleared derivatives. For 2015, derivative balances subject to central clearing are to be included in Line (16) regardless of the category they are included in for Schedule DB, Part D, Section 1.

Line (247)

Guarantees for affiliates include guarantees for the benefit of an affiliate that result in a material<sup>†</sup> contingent exposure of the company's assets to liability.

Line (296)

The exposure amount for long-term leases is the annual rental amount of all leases that could have a material<sup>†</sup> financial effect. If the rent expense is shared with affiliates, it should be allocated by company.

Line (344)

“Yes” means the entity which files the US Federal income tax return which includes the reporting entity is a regulated insurance company (including where the reporting entity is the direct filer of the tax return). “No” means the entity which files the US Federal income tax return which includes the reporting entity is not a regulated insurance company (e.g. a non-insurance entity or holding company makes the filing). “N/A” means the entity is exempt from filing a US federal income tax return; lines (32) and (33) should be zero in this case.

Lines (325) and (336)

These lines are not applicable to Fraternal Benefit Societies.

Apply a one-percent (1%) charge in the RBC formula, placed outside of the covariance adjustment, to admitted adjusted gross deferred tax assets (DTAs) as described in SSAP No. 101, paragraphs 11a and 11b (lesser of paragraph 11b(i) and 11b(ii)). For the period for which the paragraph 11a component is determined, the charge is reduced to one-half percent (0.5%) when the insurance company either filed its own separate Federal income tax return or it was included in a consolidated Federal income tax of which the common parent is an insurance company. The source for the DTA amounts to use in the calculation is found in the Annual Statement, Notes to Financial Statements, Note 9, Part A, Section 2, Admission Calculation Components for SSAP No. 101. Paragraph 11a is found in Section 2, subpart (a), Paragraph 11b is found in Section 2, subpart (b).

<sup>†</sup> The definition of “material” exposure or financial effect is the same as for annual statement disclosure requirements.