



Date: 10/2/23

*Virtual Meeting*

**LIFE RISK-BASED CAPITAL (E) WORKING GROUP**

Wednesday, October 4, 2023

12:00 – 1:00 p.m. ET / 11:00 a.m. – 12:00 p.m. CT / 10:00 – 11:00 a.m. MT / 9:00 – 10:00 a.m. PT

**ROLL CALL**

Philip Barlow, Chair	District of Columbia	William Leung	Missouri
Sheila Travis	Alabama	Michael Muldoon	Nebraska
Thomas Reedy	California	Jennifer Li	New Hampshire
Wanchin Chou	Connecticut	Seong-min Eom	New Jersey
Dalora Schafer	Florida	Bill Carmello	New York
Vincent Tsang	Illinois	Andrew Schallhorn	Oklahoma
Mike Yanacheak	Iowa	Rachel Hemphill	Texas
Fred Andersen	Minnesota	Tomasz Serbinowski	Utah

NAIC Support Staff: Dave Fleming

**AGENDA**

1. Discuss C-2 Mortality Risk—*Philip Barlow (DC)* Attachments 1 & 2
2. Discuss Any Other Matters Brought Before the Working Group—*Philip Barlow (DC)*
3. Adjournment

## Proposed 2023 Update 2

## NOTE 37 Life Insurance Net Amount at Risk by Product Characteristics

Refer to LR025 of the RBC instructions for category definitions

## A. INDIVIDUAL &amp; INDUSTRIAL LIFE

## Line Definitions

(1)	Life In Force	Exhibit of Life Insurance Amount of Insurance for Industrial and Ordinary Life, Lines 21 and 22
(2)	Exhibit 5 Life Reserves	Exhibit 5 for Industrial and Ordinary Life, Lines 0199997 and 0199998
(3)	Separate Account Life Reserves	Separate Accounts, Exhibit 3, Column 3 Line 0199999
(4)	Modified Coinsurance Life Reserves	Schedule S, Part 1 Section 1 Column 12 and Part 3 Section 1 Column 14, the portion which relates to policy reserves that, if written on a direct basis, would be included on Exhibit 5.

Table A1

		Total Individual & Industrial Life			
		(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1)	Life In Force				
(2)	Exhibit 5 Life Reserves				
(3)	Separate Account Life Reserves				
(4)	Modified Coinsurance Life Reserves				
(5)	Life Reserves (2) + (3) + (4)				
(6)	Life Net Amount at Risk (1) - (5)				

Table A2

		Individual & Industrial Life Policies with Pricing Flexibility			
		(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1)	Life In Force				
(2)	Exhibit 5 Life Reserves				
(3)	Separate Account Life Reserves				
(4)	Modified Coinsurance Life Reserves				
(5)	Life Reserves (2) + (3) + (4)				
(6)	Life Net Amount at Risk (1) - (5)				

Table A3

		Individual & Industrial Term Life Policies without Pricing Flexibility			
		(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1)	Life In Force				
(2)	Exhibit 5 Life Reserves				
(3)	Separate Account Life Reserves				
(4)	Modified Coinsurance Life Reserves				
(5)	Life Reserves (2) + (3) + (4)				
(6)	Life Net Amount at Risk (1) - (5)				

Table A4

		Individual & Industrial Permanent Life Policies without Pricing Flexibility			
		(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1)	Life In Force				
(2)	Exhibit 5 Life Reserves				
(3)	Separate Account Life Reserves				
(4)	Modified Coinsurance Life Reserves				
(5)	Life Reserves (2) + (3) + (4)				
(6)	Life Net Amount at Risk (1) - (5)				

**B. GROUP & CREDIT LIFE EXCLUDING FEGLI/SGLI**

Line Definitions

(1) Life In Force	Exhibit of Life Insurance Amount of Insurance for Group and Credit Life, Lines 21 and 22; exclude amounts for FEGLI and SGLI reported on lines 43 and 44
(2) Exhibit 5 Life Reserves	Exhibit 5 for Group and Credit Life, Lines 0199997 and 0199998
(3) Separate Account Life Reserves	Separate Accounts, Exhibit 3, Column 4 Line 0199999
(4) Modified Coinsurance Life Reserves	Schedule S, Part 1 Section 1 Column 12 and Part 3 Section 1 Column 14, the portion which relates to policy reserves that, if written on a direct basis, would be included on Exhibit 5.

Table B1

Total Group & Credit Life Excluding FEGLI/SGLI				
	(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1) Life In Force				
(2) Exhibit 5 Life Reserves				
(3) Separate Account Life Reserves				
(4) Modified Coinsurance Life Reserves				
(5) Life Reserves (2) + (3) + (4)				
(6) Life Net Amount at Risk (1) - (5)				

Table B2

Group & Credit Term Life with Remaining Rate Terms 36 Months and Under				
	(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1) Life In Force				
(2) Exhibit 5 Life Reserves				
(3) Separate Account Life Reserves				
(4) Modified Coinsurance Life Reserves				
(5) Life Reserves (2) + (3) + (4)				
(6) Life Net Amount at Risk (1) - (5)				

Table B3

Group & Credit Term Life with Remaining Rate Terms Over 36 Months				
	(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1) Life In Force				
(2) Exhibit 5 Life Reserves				
(3) Separate Account Life Reserves				
(4) Modified Coinsurance Life Reserves				
(5) Life Reserves (2) + (3) + (4)				
(6) Life Net Amount at Risk (1) - (5)				

Table B4

Group & Credit Permanent Life Policies with Pricing Flexibility				
	(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1) Life In Force				
(2) Exhibit 5 Life Reserves				
(3) Separate Account Life Reserves				
(4) Modified Coinsurance Life Reserves				
(5) Life Reserves (2) + (3) + (4)				
(6) Life Net Amount at Risk (1) - (5)				

Table B5

Group & Credit Permanent Life Policies without Pricing Flexibility				
	(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1) Life In Force				
(2) Exhibit 5 Life Reserves				
(3) Separate Account Life Reserves				
(4) Modified Coinsurance Life Reserves				
(5) Life Reserves (2) + (3) + (4)				
(6) Life Net Amount at Risk (1) - (5)				

NOTE: This is not an official Blanks (E) Working Group exposure.

## NAIC BLANKS (E) WORKING GROUP

### Blanks Agenda Item Submission Form

<b>DATE:</b> _____  <b>CONTACT PERSON:</b> _____  <b>TELEPHONE:</b> _____  <b>EMAIL ADDRESS:</b> _____  <b>ON BEHALF OF:</b> _____  <b>NAME:</b> _____  <b>TITLE:</b> _____  <b>AFFILIATION:</b> _____  <b>ADDRESS:</b> _____ _____ _____	<b>FOR NAIC USE ONLY</b>
	Agenda Item # _____ Year <u>2024</u> Changes to Existing Reporting [ ] New Reporting Requirement [ X ]
	<b>REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT</b>
	No Impact [ x ] Modifies Required Disclosure [ ]
	Is there data being requested in this proposal which is available elsewhere in the Annual/Quarterly Statement? [ N ] <i>***If Yes, complete question below***</i>
	<b>DISPOSITION</b>
	[ ] Rejected For Public Comment [ ] Referred To Another NAIC Group [ ] Received For Public Comment [ ] Adopted Date _____ [ ] Rejected Date _____ [ ] Deferred Date _____ [ ] Other (Specify) _____

#### BLANK(S) TO WHICH PROPOSAL APPLIES

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

Anticipated Effective Date: Annual 2023

#### IDENTIFICATION OF ITEM(S) TO CHANGE

Add a new General Interrogatory to provide needed information for completing the C-2 mortality risk in the Life Risk-Based Capital (RBC).

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

The new General Interrogatory will provide net amounts at risk in some of the categories used in the Life/Fraternal RBC C-2 mortality risk. The amounts for the reporting categories used are not available elsewhere in the annual statement. The addition will allow for direct pulls of information between the annual statement and the RBC formula.

**\*\*\*IF THE DATA IS AVAILABLE ELSEWHERE IN THE ANNUAL/QUARTERLY STATEMENT, PLEASE NOTE WHY IT IS REQUIRED FOR THIS PROPOSAL\*\*\***

#### NAIC STAFF COMMENTS

Comment on Effective Reporting Date: \_\_\_\_\_

Other Comments:

NOTE: This is not an official Blanks (E) Working Group exposure.

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

Revised 11/17/2022

ANNUAL STATEMENT INSTRUCTIONS – LIFE/FRATERNAL

GENERAL INTERROGATORIES - PART 2



8. This disclosure provides information by certain product characteristics not found elsewhere in the Life/Fraternal Annual Statement but used in the Life/Fraternal Risk-Based Capital (RBC). The amounts are used to calculate the net (direct plus assumed minus ceded) amount at risk for life insurance by product characteristics for the RBC C-2 risk.

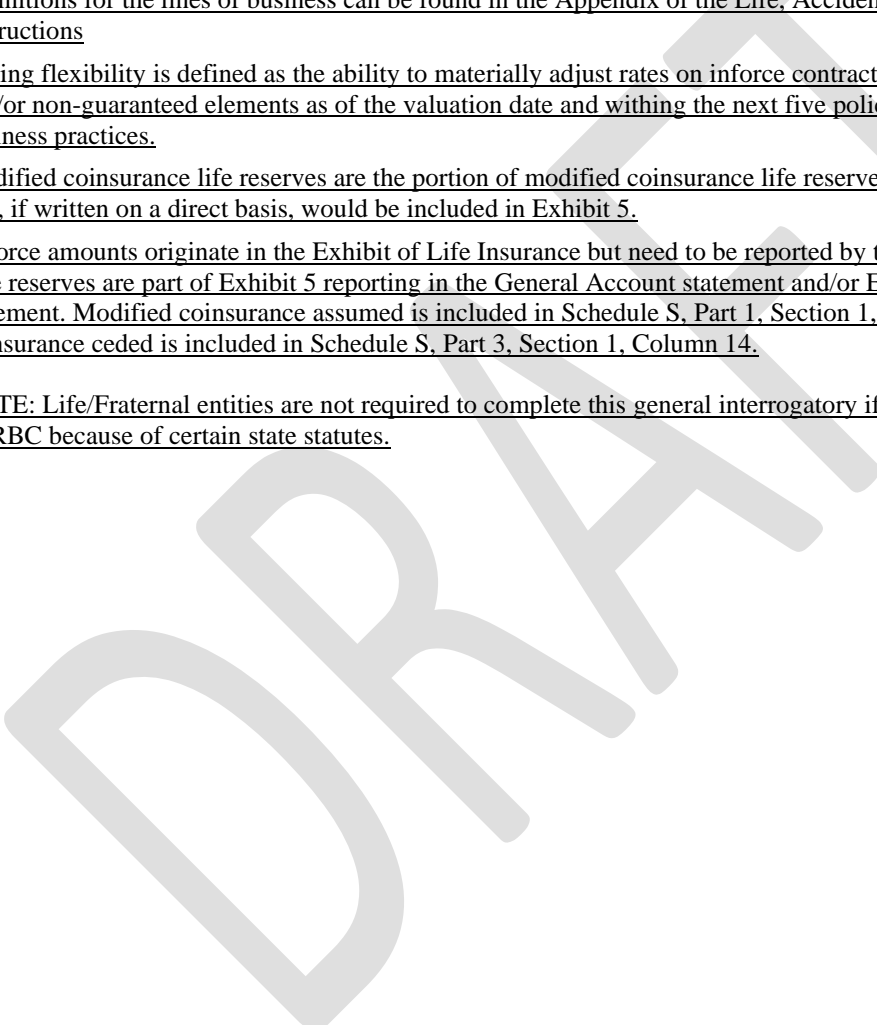
Definitions for the lines of business can be found in the Appendix of the Life, Accident and Health Annual Statement Instructions

Pricing flexibility is defined as the ability to materially adjust rates on inforce contracts through changing premiums and/or non-guaranteed elements as of the valuation date and withing the next five policy years and reflecting typical business practices.

Modified coinsurance life reserves are the portion of modified coinsurance life reserves which relates to policy reserves that, if written on a direct basis, would be included in Exhibit 5.

In force amounts originate in the Exhibit of Life Insurance but need to be reported by the individual policy characteristic. Life reserves are part of Exhibit 5 reporting in the General Account statement and/or Exhibit 3 in the Separate Accounts statement. Modified coinsurance assumed is included in Schedule S, Part 1, Section 1, Column 12, while modified coinsurance ceded is included in Schedule S, Part 3, Section 1, Column 14.

NOTE: Life/Fraternal entities are not required to complete this general interrogatory if they are not required to generate an RBC because of certain state statutes.



NOTE: This is not an official Blanks (E) Working Group exposure.

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL

GENERAL INTERROGATORIES - PART 2



**(Drafting Note:** It is suggested that this new general interrogatory be inserted after the current #7 as it applies to both Life and Fraternal; then the remainder of the general interrogatories would need to be renumbered.)

8. Provide the current-year amounts at risk for the following categories.

A. Individual and Industrial Life

	$\frac{1}{}$ <u>Amount at Risk</u> <hr/>
(1) <u>Modified coinsurance assumed reserves</u>	
(2) <u>Modified coinsurance ceded reserves</u>	

B. Individual and Industrial Life Policies with Pricing Flexibility

	$\frac{1}{}$ <u>Amount at Risk</u> <hr/>
(1) <u>Net amount (direct + assumed – ceded) in force</u>	
(2) <u>Exhibit 5 life reserves (direct + assumed – ceded)</u>	
(3) <u>Separate Account Exhibit 3 life reserves (direct + assumed – ceded)</u>	
(4) <u>Net modified coinsurance reserves (assumed – ceded)</u>	
(5) <u>Life reserves (2 + 3 + 4)</u>	
(6) <u>Life net amount at risk (1 – 5)</u>	

C. Individual and Industrial Term Life Policies without Pricing Flexibility

	$\frac{1}{}$ <u>Amount at Risk</u> <hr/>
(1) <u>Net amount (direct + assumed – ceded) in force</u>	
(2) <u>Exhibit 5 life reserves (direct + assumed – ceded)</u>	
(3) <u>Separate Account Exhibit 3 life reserves (direct + assumed – ceded)</u>	
(4) <u>Net modified coinsurance reserves (assumed – ceded)</u>	
(5) <u>Life reserves (2 + 3 + 4)</u>	
(6) <u>Life net amount at risk (1 – 5)</u>	

**(Drafting Note:** Separate reporting of Individual and Industrial Permanent Life Policies without Pricing flexibility is not included in the general interrogatory, as with the above information, it can be calculated within the RBC.)

D. Group and Credit Life (Excluding FEGLI/SGLI)

	$\frac{1}{}$ <u>Amount at Risk</u> <hr/>
(1) <u>Modified coinsurance assumed reserves</u>	
(2) <u>Modified coinsurance ceded reserves</u>	

NOTE: This is not an official Blanks (E) Working Group exposure.

E. Group and Credit Term Life (Excluding FEGLI/SGLI) with Remaining Rate Terms 36 Months and Under

	<u>1</u>
	<u>Amount at Risk</u>
(1) <u>Net amount (direct + assumed – ceded) in force</u>	
(2) <u>Exhibit 5 life reserves (direct + assumed – ceded)</u>	
(3) <u>Separate Account Exhibit 3 life reserves (direct + assumed – ceded)</u>	
(4) <u>Net modified coinsurance reserves (assumed – ceded)</u>	
(5) <u>Life reserves (2 + 3 + 4)</u>	
(6) <u>Life net amount at risk (1 – 5)</u>	

**(Drafting Note:** Separate reporting of Group and Credit Permanent Life (Excluding FEGLI/SGLI) with Remaining Rate Terms Over 36 Months is not included in the general interrogatory, as with the above information, it can be calculated within the RBC.)




F. Group and Credit Permanent Life (Excluding FEGLI/SGLI) with Pricing Flexibility

	<u>1</u>
	<u>Amount at Risk</u>
(1) <u>Net amount (direct + assumed – ceded) in force</u>	
(2) <u>Exhibit 5 life reserves (direct + assumed – ceded)</u>	
(3) <u>Separate Account Exhibit 3 life reserves (direct + assumed – ceded)</u>	
(4) <u>Net modified coinsurance reserves (assumed – ceded)</u>	
(5) <u>Life reserves (2 + 3 + 4)</u>	
(6) <u>Life net amount at risk (1 – 5)</u>	

**(Drafting Note:** Separate reporting of Group and Credit Permanent Life (Excluding FEGLI/SGLI) without Pricing Flexibility is not included in the general interrogatory, as with the above information, it can be calculated within the RBC.)

NOTE: This is not an official Blanks (E) Working Group exposure.

NOTE: The below is NOT part of the BWG proposal but is an FYI page only showing how the annual statement information, including the new general interrogatory, would pull into LRBC Page LR025 for the C-2 mortality risk.

Legend	
	Items that can be pulled direct from statement pages other than the new general interrogatory
	Calculated fields within the RBC
	Items pulled from the new general interrogatory

	Annual Statement Source
<u>Individual &amp; Industrial Life</u>	
(1) Total Individual & Industrial Life Net Amount at Risk	(EOLI, Columns 2 + 4, Line 23 x 1000) – [(Exhibit 5, Columns 3 + 4, Line 0199999) + (Separate Accounts, Exhibit 3, Column 3, Line 0199999) + (Gen Interrogatory Part 2, Column 1, Line 8A1) – (Gen Interrogatory Part 2, Column 1, Line 8A2)]
(2) Total Individual & Industrial Life Policies with Pricing Flexibility Net Amount at Risk	Gen Interrogatory Part 2, Column 1, Line 8B6
(3) Total Individual & Industrial Term Life Policies without Pricing Flexibility Net Amount at Risk	Gen Interrogatory Part 2, Column 1, Line 8C6
(4) Total Individual & Industrial Permanent Life Policies without Pricing Flexibility Net Amount at Risk	Lines (1) – (2) – (3)
(5) Total Individual & Life Insurance	Lines (2) + (3) + (4)
<u>Group &amp; Credit Life</u>	
(6) Total Group & Credit Life (Excluding FEGLI/SGLI) Net Amount At Risk	(EOLI, Columns 6 + 9, Line 23 x 1000) – (EOLI, Columns 2 + 4, Line 43 x 1000) – (EOLI, Columns 2 + 4, Line 44 x 1000) – [(Exhibit 5, Columns 5 + 6, Line 0199999) + (Separate Accounts, Exhibit 3, Column 4, Line 0199999) + (Gen Interrogatory Part 2, Column 1, Line 8D1) – (Gen Interrogatory Part 2, Column 1, Line 8D2)]
(7) Group & Credit Term Life with Remaining Rate Terms 36 Months and Under Net Amount At Risk	(Gen Interrogatory Part 2, Column 1, Line 8E6)
(8) Group & Credit Term Life with Remaining Rate Terms Over 36 Months Net Amount At Risk	Lines (6) – (7)
(9) Group & Credit Permanent Life with Pricing Flexibility Net Amount At Risk	(Gen Interrogatory Part 2, Column 1, Line 8F6)
(10) Group & Credit Permanent Life without Pricing Flexibility Net Amount At Risk	Lines (6) – (9)
(11) FEGLI/SGLI Life Insurance in Force	EOLI, Columns 2 + 4, Lines 43 + 44 x 1000
(12) Total Group & Credit Life	Lines (7) + (8) + (9) + (10) + (11)
(13) Total Life	Lines (5) + (12)