

NAIC Property and Casualty Risk-Based Capital Newsletter

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What RBC Pages Should Be Submitted?

For year-end 2019 property/casualty (P/C) risk-based capital (RBC), hardcopies of pages **PR001 through PR035**, as well as **PR038 and PR039**, should be submitted to any state that requests a hardcopy. Beginning with the year-end 2011 RBC, a hardcopy was not required to be submitted to the NAIC, but a portable document format (PDF) file representing the hardcopy filing is part of the electronic filing with the NAIC.

Internal Catastrophe Models

As a result of the adoption of proposal 2016-12-CR by the Capital Adequacy (E) Task Force at the 2018 Summer National Meeting, the RBC Instructions and Footnotes in PR027A and PR027B were modified to allow accepted internal catastrophe models as the basis for the catastrophe risk charge.

Label for R0 Asset Risk

As a result of the adoption of proposal 2018-05-CA by the Capital Adequacy (E) Task Force during its June 28, 2018 conference call, the label for the R0 component was modified to be more accurate and to prevent confusion and misunderstanding

Stop Loss Interrogatories

As a result of the adoption of proposal 2018-14-CA by the Capital Adequacy (E) Task Force at the 2019 Spring National Meeting, the electronic only stop loss tables were split out between specific stop loss and aggregate stop loss.

Asset Concentration Preferred Stock and Hybrid Labels

As a result of the adoption of proposal 2018-20-P by the Capital Adequacy (E) Task Force at the 2019 Spring National Meeting, the labels of preferred stock and hybrid of Asset Concentration (PR011) were updated in the blanks and instructions.

Average Growth Calculation

As a result of the adoption of proposal 2019-02-P by the Capital Adequacy (E) Task Force at the 2019 Spring National Meeting, the PR016 instructions were modified to address the inconsistencies between the instructions and the formula for the computation of the selected average growth rate.

Affiliated Stocks Instructions

As a result of the adoption of proposal 2019-08-P by the Capital Adequacy (E) Task Force at during its June 28 conference call, the PR003 through PR005 instructions was modified to address the inconsistencies between the instructions and the formula for the computation of the affiliated stocks.

Editorial Change

Schedule BA Annual Statement line references were updated in PR008 and PR009 as a result of the adoption of the Annual Statement Blanks proposal 2019-04-BWG.

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New Underwriting Risk Factors – Line 4

As a result of the adoption of proposal 2018-16-P by the Capital Adequacy (E) Task Force at the 2019 Spring National Meeting, the Line 4 factors were updated based on the 2017 American Academy of Actuaries (Academy) Report for Property and Casualty Risk-Based Capital Underwriting Line 4 Factors. At the 2018 Fall National Meeting, the Property and Casualty Risk-Based Capital (E) Working Group decided to use the 35% capped factors for commercial insurance, medical professional liability, and all other lines. The Working Group also decided to use the uncapped factors for personal and reinsurance lines.

PR017 Underwriting Risk – Reserves			
Line (4), Industry Loss & Expense Factors			
Col.	Line of Business	2019 Factor	2018 Factor
(1)	H/F	0.213	0.213
(2)	PPA	0.179	0.181
(3)	CA	0.276	0.243
(4)	WC	0.344	0.336
(5)	CMP	0.494	0.494
(6)	MPL Occurrence	0.383	0.417
(7)	MPL Claims Made	0.276	0.297
(8)	SL	0.304	0.270
(9)	OL	0.531	0.531
(10)	Fidelity/Surety	0.371	0.338
(11)	Special Property	0.246	0.207
(12)	Auto Physical Damage	0.155	0.121
(13)	Other (Credit A&H)	0.220	0.186
(14)	Financial/Mortgage Guaranty	0.179	0.194
(15)	INTL	0.359	0.336
(16)	REIN. P&F Lines	0.415	0.304
(17)	REIN. Liability	0.656	0.711
(18)	PL	0.802	0.688
(19)	Warranty	0.371	0.338

PR018 Underwriting Risk – Premiums			
Line (4), Industry Loss & Expense Factors			
Col.	Line of Business	2019 Factor	2018 Factor
(1)*	H/F	0.936	0.927
(2)	PPA	0.969	0.969
(3)	CA	1.010	1.005
(4)	WC	1.044	1.044
(5)*	CMP	0.883	0.892
(6)	MPL Occurrence	1.668	1.778
(7)	MPL Claims Made	1.130	1.103
(8)*	SL	0.922	0.898
(9)	OL	1.013	1.027
(10)	Fidelity/Surety	0.854	0.875
(11)*	Special Property	0.863	0.907
(12)	Auto Physical Damage	0.836	0.836
(13)	Other (Credit A&H)	0.935	0.906
(14)	Financial/Mortgage Guaranty	1.598	1.515
(15)*	INTL	1.234	1.187
(16)*	REIN. P&F Lines	1.170	1.223
(17)*	REIN. Liability	1.322	1.449
(18)	PL	1.263	1.228
(19)	Warranty	0.854	0.875

* Cat Lines

New Industry Average Risk Factors – Annual Update

On its June 28 conference call, the Capital Adequacy (E) Task Force adopted the annual update of industry average development factors:

PR017 Underwriting Risk – Reserves			
Line (1), Industry Average Development Factors			
Col.	Line of Business	2019 Factor	2018 Factor
(1)	H/F	0.989	0.989
(2)	PPA	1.026	1.022
(3)	CA	1.087	1.060
(4)	WC	0.955	0.952
(5)	CMP	0.992	0.967
(6)	MPL Occurrence	0.864	0.871
(7)	MPL Claims Made	0.907	0.886
(8)	SL	0.938	0.933
(9)	OL	0.971	0.966
(10)	Fidelity/Surety	0.995	0.996
(11)	Special Property	0.972	0.971
(12)	Auto Physical Damage	0.996	1.000
(13)	Other (Credit A&H)	0.973	0.976
(14)	Financial/Mortgage Guaranty	0.788	0.870
(15)	INTL	1.037	0.851
(16)	REIN. P&F Lines	0.872	0.834
(17)	REIN. Liability	0.955	0.945
(18)	PL	0.913	0.921
(19)	Warranty	1.017	1.015

PR018 Underwriting Risk – Net Written Premiums			
Line (1), Industry Average Loss and Expense Ratios			
Col.	Line of Business	2019 Factor	2018 Factor
(1) *	H/F	0.681	0.687
(2)	PPA	0.810	0.806
(3)	CA	0.737	0.724
(4)	WC	0.726	0.744
(5) *	CMP	0.666	0.664
(6)	MPL Occurrence	0.730	0.780
(7)	MPL Claims Made	0.768	0.747
(8) *	SL	0.593	0.569
(9)	OL	0.638	0.633
(10)	Fidelity/Surety	0.399	0.417
(11) *	Special Property	0.554	0.563
(12)	Auto Physical Damage	0.730	0.732
(13)	Other (Credit A&H)	0.682	0.709
(14)	Financial/Mortgage Guaranty	0.811	1.099
(15) *	INTL	0.795	0.584
(16) *	REIN. P&F Lines	0.522	0.486
(17) *	REIN. Liability	0.679	0.666
(18)	PL	0.656	0.671
(19)	Warranty	0.695	0.732

* Cat Lines

RBC Forecasting and Instructions

The P/C RBC forecasting spreadsheet calculates RBC using the same formula presented in the *2019 NAIC Property & Casualty Risk-Based Capital Report Including Overview & Instructions for Companies*. The entire RBC publication, including the Forecasting spreadsheet, is available to download from [NAIC Account Manager](#) or is available in hard-copy through the NAIC Publications Department. The User Guide is no longer included in the RBC publications.

WARNING: The RBC forecasting spreadsheet CANNOT be used to meet the year-end RBC electronic filing requirement. RBC filing software from an annual financial statement software vendor should be used to create the electronic filing. If the forecasting worksheet is sent instead of an electronic filing, it will not be accepted, and the RBC will not have been filed.

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