Life and Fraternal Risk-Based Capital / Newsletter

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What Risk-Based Capital Pages Should Be Submitted?

For year-end 2026 life and fraternal risk-based capital (RBC), submit hard copies of pages LR001 through LR049 to any state that requests a hard copy in addition to the electronic filing. Beginning with the year-end 2007 RBC, a hard copy was not required for submission to the NAIC. However, a PDF of the hard-copy filing is part of the electronic filing.

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

Other pages, such as the mortgage and real estate worksheets, do not need to be submitted. However, the company still needs to retain them for documentation purposes.

RBC Preamble

The Risk-Based Capital Model Governance (EX) Task Force and Capital Adequacy (E) Task Force adopted revisions to the RBC Preamble during their joint meeting on June 18. The purpose of the revisions was to better articulate the purpose, use, and limitations of the RBC formula and filings. The revised RBC Preamble included a newly developed section titled "Principles for RBC Requirements." These principles are intended to provide a shared framework for how the Task Forces consider transparency, consistency, and accountability in the RBC adjustment process.

In This Issue:

Generator of Economic Scenarios

The Capital Adequacy (E) Task Force adopted proposal 2025-14-L MOD during its May 14 meeting. This proposal addresses the referral from the Generator of Economic Scenarios (GOES) (E/A) Subgroup to the Life Risk-Based Capital (E) Working Group to consider changes to the C3 Phase I calculation and C3 Phase II calculation and the necessary changes to the Life RBC Instructions. This proposal implements the technical changes for C3 Phase I and C3 Phase II to update for the adoption of the GOES economic scenario generator.

Accidental and Health Underwriting Risk Structure Changes

The Capital Adequacy (E) Task Force adopted proposal 2025-15-CA MOD during its May 14 meeting. This proposal incorporates the structural and alternate risk charge changes presented in the American Academy of Actuaries' (Academy's) *H2—Underwriting Risk Component and Managed Care Credit Calculation in the Health Risk-Based Capital Formula Report*. The proposal separates comprehensive medical and dental and vision columns into the individual lines of business, matching the Health Supplement Annual Statement, page 7, Analysis of Operations. The proposal impacts the following pages: LR019, LR020, LR020-A, LR024, LR026, LR029, and LR030.

LR027 Scope Clarification

The Capital Adequacy (E) Task Force adopted proposal 2025-17-L during its March 24 meeting. This proposal clarifies that for LR027 in the Life and Fraternal RBC blanks, companies that reserve for payout annuities resulting from variable annuities under Valuation Manual (VM)-21, Requirements for Principle-Based Reserves for Variable Annuities, are not subject to C 3 Phase I, as they automatically flow into C 3 Phase II.

Collateralized Loan Obligations RBC Structure

The Capital Adequacy (E) Task Force adopted proposal 2025-22-IRE during its May 14 meeting. This proposal incorporates a more granular reporting of long-term bonds into two buckets: i) collateralized loan obligations (CLOs) and ii) all other long-term bonds on the LR002 bonds page. The expanded presentation of bonds is a result of the work of the Risk-Based Capital Investment Risk and Evaluation (E) Working Group under its working agenda item to evaluate the appropriate RBC treatment of asset-backed securities (ABS), including CLOs, collateralized fund obligations (CFOs), or other similar securities carrying similar types of tail risks. This proposal does not contemplate any changes to factors.

Asset Valuation Reserve Changes

The Capital Adequacy (E) Task Force adopted proposal 2026-01-L during its June 30 meeting. This proposal incorporates the adopted changes to the instructions and blanks of the asset valuation reserve (AVR), default component and equity, and other invested asset component tables pursuant to the NAIC Blanks (E) Working Group's adoption of 2025-27BWG MOD.

Schedule BA Residential Mortgages

The Capital Adequacy (E) Task Force adopted proposal 2026-02-L during its June 30 meeting. The proposal ultimately afforded "Unaffiliated BA Mortgage – Residential – All Other – In Good Standing" a risk charge of 0.0068. This charge mirrors the amount incurred with direct ownership of "Residential Mortgage – All Other – In Good Standing" as though the reporting entity owns the mortgages directly.

Underwriting Risk Factors (LR020)—Investment Income Adjustment

The Capital Adequacy (E) Task Force adopted proposal 2026-03-CA during its June 30 meeting. This proposal updated the comprehensive medical, Medicare supplement, and dental and vision factors to include a 4.0% investment yield adjustment. The proposal also included lines to separate investment adjustment factors from underwriting factors at the request of interested parties. The investment income adjustment factors are:

	Comprehensive Medical	Medicare Supplement	Dental & Vision
Initial Premium	0.9647	0.9467	0.9650
Excess Premium	0.9444	0.9194	0.9474

Remove Investment Affiliate Code 4

The Capital Adequacy (E) Task Force adopted proposal 2026-05-CA during its May 14 meeting. This proposal updates the RBC instructions and blanks for the Statutory Accounting Principles (E) Working Group's and Blanks (E) Working Group's adopted items (Statutory Accounting Principles (E) Working Group Ref. #2024-21 and Blanks (E) Working Group #2025-20BWG). The proposal removes Affiliate Type 4, Investment Subsidiary, from the Affiliated Investments pages. This proposal affects pages LR010, LR011, LR031, LR033, LR036, LR038, LR042, LR043, and LR044.

LR027 Annual Statement Source Update

The Capital Adequacy (E) Task Force adopted proposal 2026-06-L MOD during its June 30 meeting. This proposal updates the annual statement source and instructions to the LR027 Interest Rate Risk and Market Risk page.

Longevity Reinsurance

The Capital Adequacy (E) Task Force adopted proposal 2026-07-L during its May 14 meeting.

This proposal added structural and instructional changes to the LR025-A Longevity Risk page to account for RBC treatment of longevity reinsurance products, as recommended by the Longevity Risk (E/A) Subgroup.

LR008 Annual Statement Source Update

The Capital Adequacy (E) Task Force adopted proposal 2026-09-L MOD during its June 30 meeting. This proposal updates the annual statement sources for schedule BA assets on page LR008 due to the expansion of reporting lines for CLOs, as adopted in Blanks (E) Working Group proposal 2024-19BWG and AVR references in proposal 2025-27BWG MOD.

CLO RBC Factors

The Capital Adequacy (E) Task Force adopted proposal 2026-12-IRE MOD during its June 30 meeting. This proposal applies CLOs' modeled C-1 factors, as presented by the Academy on June 23, to all CLOs, collateralized bond obligations (CBOs), and collateralized debt obligations (CDOs) as reported in the AVR Default Component Table, lines A9.1–A14. Broadly syndicated loan (BSL) CLOs with NAIC Designation 2.C. or lower AND with tranche thickness equal to or below 4% will be assessed a surcharge of 11.77% pre-tax. In addition, a new portfolio adjustment factor (PAF) of 1.0 is adopted for CLOs, CBOs, and CDOs.

Editorial Changes

On LR020-A, in the Annual Statement Source table, the "Total" column number was corrected to read column "9."

On LR038, the Additional Information Required page, Line (7.11), reference was corrected to "Company's Annual Statement Five-Year Historical Data Column 1 Line **50**," and the line (7.2) reference was corrected to "Subsidiaries' Life Annual Statement Five-Year Historical Data Column 1 Line **50** Less Lines 45 and 46; Property and Casualty Annual Statement Five-Year Historical Data Column 1 Line **48** Less Lines 43 and 44," resulting from the adoption of Blanks (E) Working Group 2026-09BWG on May 28.

Risk-Based Capital Forecasting and Instructions

The life and fraternal RBC forecasting spreadsheet calculates RBC using the same formula presented in the *2026 Life and Fraternal Risk-Based Capital Forecasting and Instructions for Companies* (Forecasting and Instructions). This publication is typically published around Nov. 1 each year and is available to download in PDF or CSV format from the NAIC publications web page at https://content.naic.org/publications. Please note that the user guide is no longer included in the Forecasting and Instructions.

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

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