Capital Adequacy (E) Task Force

RBC Proposal Form

[x] Capital Adequacy (E) Task Force
[ ] Catastrophe Risk (E) Subgroup
[ ] C3 Phase II/ AG43 (E/A) Subgroup
[ ] Health RBC (E) Working Group
[ ] Investment RBC (E) Working Group
[ ] P/C RBC (E) Working Group
[ ] Life RBC (E) Working Group
[ ] SMI RBC (E) Subgroup
[ ] Stress Testing (E) Subgroup

DATE: 04/15/2020

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Agenda Item # 2020-05-CA
Year 2020

DISPOSITION

[ ] ADOPTED _____
[ ] REJECTED _____
[ ] DEFERRED TO _____
[ ] REFERRED TO OTHER NAIC GROUP
[ ] EXPOSED _____
[ ] OTHER (SPECIFY) _____

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

[ ] Health RBC Blanks
[ ] Life and Fraternal RBC Blanks
[ ] Property/Casualty RBC Blanks
[x] Health RBC Instructions
[x] Life and Fraternal RBC Instructions
[x] Property/Casualty RBC Instructions
[ ] Other _____

DESCRIPTION OF CHANGE(S)

Insert the word "Overview" in the page heading on page iv and modify the Table of Contents to include only the page heading and delete references to the individual sections of the Overview.

REASON OR JUSTIFICATION FOR CHANGE **

The purpose of the proposal to clarify the overview of the RBC pages and make the references for this page consistent with the other page references in the Table of Contents.

Additional Staff Comments:

**** This section must be completed on all forms.** **Revised 11-2013**

TABLE OF CONTENTS

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Overview of the NAIC Health Risk-Based Capital Report

Introduction

Risk-based capital (RBC) is a method of measuring the minimum amount of capital appropriate for a reporting entity to support its overall business operations in consideration of its size and risk profile. It provides an elastic means of setting the capital requirement in which the degree of risk taken by the insurer is the primary determinant. The five major categories of risks involved are:

Insurance Affiliates And Misc. Other	H–0	This is the risk from declining value of insurance subsidiaries as well as risk from off-balance sheet and other misc. accounts (e.g. DTAs).
Asset Risk – Other	H–1	This is the risk of assets' default of principal and interest or fluctuation in market value.

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Overview of the NAIC Life and Fraternal Risk-Based Capital Report

Introduction

Risk-based capital (RBC) is a method of measuring the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. It provides an elastic means of setting the capital requirement in which the degree of risk taken by the insurer is the primary determinant. The five major categories of risks involved are:

Insurance Affiliates and Misc. Other	C–0	This is the risk from declining value of insurance subsidiaries as well as risk from off-balance sheet and other misc. accounts (e.g., DTAs).
Asset Risk - Other	C–1	This is the risk of assets' default of principal and interest or fluctuation in fair value.
Insurance Risk	C–2	This is the risk of underestimating liabilities from business already written or inadequately pricing business to be written in the coming year.

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Overview of the NAIC Property and Casualty Risk-Based Capital Report

Introduction

Risk-based capital is a method of establishing the minimum amount of capital appropriate for an insurance company to support its overall business operations in consideration of its size and risk profile. It provides an elastic means of setting the minimum capital requirement in which the degree of risk taken by the insurer is the primary determinant.

A company's risk-based capital is calculated by applying factors to various asset, premium and reserve items. The factor is higher for those items with greater underlying risk and lower for less risky items. The adequacy of a company's actual capital may then be measured by a comparison to its risk-based capital as determined by the formula.

Risk-based capital standards will be used by regulators to set in motion appropriate regulatory actions relating to insurers that show indications of weak or deteriorating conditions. It also provides an additional standard for minimum capital requirements that companies should meet to avoid being placed in conservatorship.

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