

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"/> SMI 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;">DATE: <u>04/15/2020</u></p> <p>CONTACT PERSON: <u>Jane Barr</u></p> <p>TELEPHONE: <u>816-783-8413</u></p> <p>EMAIL ADDRESS: <u>jbarr@naic.org</u></p> <p>ON BEHALF OF: <u>Capital Adequacy (E) Task Force</u></p> <p>NAME: <u>Tom Botsko</u></p> <p>TITLE: <u>Chair</u></p> <p>AFFILIATION: <u>Ohio Department of Insurance</u></p> <p>ADDRESS: <u>50 West Town Street, Suite 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;"><u>FOR NAIC USE ONLY</u></p> <p>Agenda Item # <u>2020-05-CA</u></p> <p>Year <u>2020</u></p> <p style="text-align: center;"><u>DISPOSITION</u></p> <p><input checked="" type="checkbox"/> ADOPTED <u>6-30-2020</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 <u>May 15,, 2020__</u></p> <p><input type="checkbox"/> OTHER (SPECIFY) _____</p>
--	--

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

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

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:

5-15-2020- jdb No comments were received
6-30-2020 – cgb – TF adopted on June 30, 2020 conference call.

** This section must be completed on all forms.

Revised 11-2019

TABLE OF CONTENTS

Risk-Based Capital Preamble	i
Overview of the NAIC Health Risk-Based Capital Report	iv
Introduction	iv
Purpose of this Report	v
What’s in the Report	v
Management Discussion and Analysis	v
Applicability of NAIC Health RBC Report	vi
Changes to the Formula	vi
How to Submit Data	vi
Workpapers	vi
Questions	vi
Affiliated Stocks – XR002–XR004.....	1
Off-Balance Sheet and Other Items – XR005.....	6



Detail Eliminated To Conserve Space

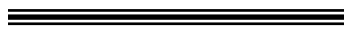


Overview of the NAIC Health Risk-Based Capital Report

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 H-0 And Misc. Other		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.



Detail Eliminated To Conserve Space



Table of Contents

Risk-Based Capital Preamble.....	i
Overview of the NAIC Life and Fraternal Risk-Based Capital Report	iv
Introduction	iv
Purpose of this Report	iv
What's in the Report	v
Management Discussion and Analysis	v
Applicability of NAIC Life and Fraternal RBC Report	v
Changes to the Formula	vi
How to Submit Data	vi
Workpapers	vi
Questions	vi
Bonds.....	4
Mortgage Experience Adjustment.....	6
Mortgages.....	7



Detail Eliminated To Conserve Space



[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.



Detail Eliminated To Conserve Space



Table of Contents

RISK-BASED CAPITAL PREAMBLE.....i

OVERVIEW OF THE NAIC PROPERTY & CASUALTY RISK-BASED CAPITAL REPORT-INTRODUCTION.....iv

PURPOSE OF THIS REPORT.....iv

WHAT'S IN THE REPORT.....iv

MANAGEMENT DISCUSSION AND ANALYSIS.....v

APPLICABILITY OF NAIC PROPERTY/CASUALTY RBC REPORT.....v

CHANGES TO THE FORMULA.....v

HOW TO SUBMIT DATA.....v

WORKPAPERS.....vi

QUESTIONS.....vi

AFFILIATED STOCKS AND BONDS, PR003 – PR005..... 1



Detail Eliminated To Conserve Space

[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.



Detail Eliminated To Conserve Space