NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

DATE: 02/07/2020

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ON BEHALF OF: P/C RBC WG
NAME: Tom Botsko
TITLE: Chair
AFFILIATION: Ohio Department of Insurance
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FOR NAIC USE ONLY

Agenda Item # 2020-09BWG
Year 2020
Changes to Existing Reporting [ X ]
New Reporting Requirement [ ]
REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT
No Impact [ X ]
Modifies Required Disclosure [ ]

DISPOSITION
[ ] Rejected For Public Comment
[ ] Referred To Another NAIC Group
[ ] Received For Public Comment
[ X ] Adopted Date 05/28/2020
[ ] Rejected Date
[ ] Deferred Date
[ ] Other (Specify)

BLANK(S) TO WHICH PROPOSAL APPLIES

[ X ] ANNUAL STATEMENT
[ ] QUARTERLY STATEMENT
[ ] INSTRUCTIONS
[ ] CROSSCHECKS
[ ] BLANK
[ ] Life, Accident & Health/Fraternal
[ X ] Property/Casualty
[ ] Health
[ ] Separate Accounts
[ ] Protected Cell
[ ] Health (Life Supplement)

Anticipated Effective Date: Annual 2020

IDENTIFICATION OF ITEM(S) TO CHANGE

Modify the Annual Statement Instructions for Schedule F, Part 3 to reflect the factors for all uncollateralized reinsurance recoverable from unrated reinsurers be the same for authorized, unauthorized, certified, and reciprocal reinsurance.

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

1. The factor for reinsurance recoverable from uncollateralized, unrated reinsurers is being updated by PCRBC WG to move towards a charge that is more aligned with risk-indicated factors used by the ratings agencies.

2. With respect to the broader implementation of the Covered Agreement, the PCRBC WG identified the need to eliminate the different treatment of uncollateralized reinsurance recoverable from authorized versus unauthorized, unrated reinsurers.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date:

Other Comments:

** This section must be completed on all forms.
ANNUAL STATEMENT INSTRUCTIONS – PROPERTY

SCHEDULE F – PART 3

CEDED REINSURANCE
AS OF DECEMBER 31, CURRENT YEAR

Detail Eliminated to Conserve Space

Column 34 – Reinsurer Designation Equivalent

Following is a listing of the valid codes.

<table>
<thead>
<tr>
<th>Code</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
</table>

Utilize the table below and report a reinsurer designation equivalent code of 1 through 6 (where 6 represented vulnerable 6 or unrated) or 7 (for unrated authorized reinsurers). The equivalent designation category assigned will correspond to a current financial strength rating received from an approved rating agency as outlined in the table below. Ratings shall be based on interactive communication between the rating agency and the assuming insurer and shall not be based solely on publicly available information. If the reinsurer is unauthorized and does not have at least one financial strength rating, it should be assigned the “Vulnerable 6 or Unrated Unauthorized Reinsurers” equivalent rating. If the reinsurer is authorized and does not have at least one financial strength rating, it should be assigned the “Unrated Authorized Reinsurers” equivalent rating. Amounts recoverable from unrated voluntary pools should be assigned the “reinsurer equivalent code of 3.” An authorized association including incorporated and individual unincorporated underwriters or a member thereof may utilize the lowest financial strength group rating received from an approved rating agency.

<table>
<thead>
<tr>
<th>Reinsurer Designation Equivalent Category</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Description</td>
<td>Secure 1</td>
<td>Secure 2</td>
<td>Secure 3</td>
<td>Secure 4</td>
<td>Secure 5</td>
<td>Vulnerable 6 or Unrated Unauthorized Reinsurers</td>
<td>Unrated Authorized Reinsurers</td>
</tr>
<tr>
<td>Best</td>
<td>A++</td>
<td>A+</td>
<td>A</td>
<td>A-</td>
<td>B++, B+</td>
<td>B, B-, C++, C+, C, D, E, F</td>
<td>.................</td>
</tr>
<tr>
<td>Moody's</td>
<td>Aaa</td>
<td>Aa1, Aa2, Aa3</td>
<td>A1, A2</td>
<td>A3</td>
<td>Ba1, Ba2, Ba3</td>
<td>Ba1, Ba2, Ba3, B1, B2, B3, Caa, Ca, C</td>
<td>.................</td>
</tr>
</tbody>
</table>
Column 35 – Credit Risk on Collateralized Recoverables

Following is a table of factors applicable to the respective reinsurer designation equivalent categories in Column 34

<table>
<thead>
<tr>
<th>Code</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor</td>
<td>3.6%</td>
<td>4.1%</td>
<td>4.8%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>

Column 36 – Credit Risk on Uncollateralized Recoverables

Following is a table of factors applicable to the respective reinsurer designation equivalent categories in Column 34

<table>
<thead>
<tr>
<th>Code</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
</tr>
</thead>
<tbody>
<tr>
<td>Factor</td>
<td>3.6%</td>
<td>4.1%</td>
<td>4.8%</td>
<td>5.3%</td>
<td>7.1%</td>
<td>14.0%</td>
<td>14.0%</td>
<td>10.0%</td>
</tr>
</tbody>
</table>

Detail Eliminated to Conserve Space