## Capital Adequacy (E) Task Force

**RBC Proposal Form**

| [ ] Catastrophe Risk (E) Subgroup | [ ] Investment RBC (E) Working Group | [ ] Operational Risk (E) Subgroup |
| [ ] C3 Phase II/AG43 (E/A) Subgroup | [ ] P/C RBC (E) Working Group | [ ] Longevity Risk (A/E) Subgroup |

**DATE:** 4/22/2022

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**ON BEHALF OF:** Life Risk-Based Capital (E) Working Group

**NAME:** Philip Barlow, Chair

**TITLE:** Associate Commissioner of Insurance

**AFFILIATION:** District of Columbia

**ADDRESS:** 1050 First Street, NE Suite 801
Washington, DC 20002

### FOR NAIC USE ONLY

**Agenda Item # 2022-05-L**

**Year:** 2022

**DISPOSITION**

- [ X ] ADOPTED 6/3/22, TF 6/30/22
- [ ] REJECTED
- [ ] DEFERRED TO
- [ ] REFERRED TO OTHER NAIC GROUP
- [ ] EXPOSED
- [ ] OTHER (SPECIFY)

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

- [ ] Health RBC Blanks
- [ ] Property/Casualty RBC Blanks
- [ X ] Life and Fraternal RBC Instructions
- [ ] Property/Casualty RBC Instructions
- [ ] Life and Fraternal RBC Blanks
- [ ] OTHER ____________________________

### DESCRIPTION OF CHANGE(S)

This proposal adds instruction for line 49.2 on LR008 to include the total of residual tranches.

### REASON OR JUSTIFICATION FOR CHANGE **

Schedule BA and the Asset Valuation Reserve (AVR) were both modified for year end 2022 to isolate residual tranches. This proposal adds instruction to include the total of those reported in the AVR in line 49.2 on LR008.

### Additional Staff Comments:

- 4/22/22: Proposal was exposed for comments (DBF)
- 6/30/22: Capital Adequacy (E) Task Force adopted at their meeting on 6/30/22.

** This section must be completed on all forms.  

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OTHER LONG-TERM ASSETS  
LR008

Basis of Factors

Recognizing the diverse nature of Schedule BA assets, the RBC is calculated by assigning different risk factors according to the different type of assets. Assets with underlying characteristics of bonds and preferred stocks designated by the NAIC Capital Markets and Investment Analysis Office have different factors according to the NAIC assigned classification. Unrated fixed-income securities will be treated the same as Other Schedule BA Assets and assessed a 30 percent pre-tax charge. Rated surplus and capital notes have the same factors applied as Schedule BA assets with the characteristics of preferred stock. Where it is not possible to determine the RBC classification of an asset, a 30 percent pre-tax factor is applied.

Specific Instructions for Application of the Formula

Line (49.1)
Schedule BA affiliated common stock – all other should be included in C-1cs. Specifically this means that all subs with an affiliate code 13 in the current life-based framework and “holding company in excess of indirect subsidiaries” or subsidiaries with affiliate code 7 are to be included in C-1cs.

Line (49.2)
New lines were added for yearend 2022 reporting to Schedule BA and the AVR Equity Component to capture amounts related to residual tranches or interest. For yearend 2022 life RBC reporting, AVR Equity Component, Column 1, Line 93 will be included in Line (49.2).

Line (57)
Total Schedule BA assets [LR008 Other Long-Term Assets Column (1) Line (57) plus LR007 Real Estate Column (1) Line (14) plus Lines (17) through Line (21) plus LR009 Schedule BA Mortgages Column (1) Line (20)] should equal the total Schedule BA assets reported in the Annual Statement Page 2, Column 3, Line 8.