

## Capital Adequacy (E) Task Force

### RBC Proposal Form

- |   |  |   |
|---|--|---|
| <input type="checkbox"/> Capital Adequacy (E) Task Force                      | <input checked="" 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"/> Longevity Risk (A/E) Subgroup                      |
| <input type="checkbox"/> Variable Annuities Capital. & Reserve (E/A) Subgroup | <input type="checkbox"/> P/C RBC (E) Working Group               | <input type="checkbox"/> RBC Investment Risk & Evaluation (E) Working Group |

<b>DATE:</b> <u>8-19-22</u>	<b><u>FOR NAIC USE ONLY</u></b>
<b>CONTACT PERSON:</b> <u>Crystal Brown</u>	Agenda Item # <u>2022-10-H</u>
<b>TELEPHONE:</b> <u>816-783-8146</u>	Year <u>2023</u>
<b>EMAIL ADDRESS:</b> <u>cbrown@naic.org</u>	<b><u>DISPOSITION</u></b>
<b>ON BEHALF OF:</b> <u>Health Risk-Based Capital (E) Working Grp</u>	<input checked="" type="checkbox"/> ADOPTED <u>WG 12/12/22 &amp; TF 12/14/22</u>
<b>NAME:</b> <u>Steve Drutz</u>	<input type="checkbox"/> REJECTED _____
<b>TITLE:</b> <u>Chief Financial Analyst/Chair</u>	<input type="checkbox"/> DEFERRED TO _____
<b>AFFILIATION:</b> <u>WA Office of Insurance Commissioner</u>	<input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____
<b>ADDRESS:</b> <u>5000 Capitol Blvd SE</u>	<input checked="" type="checkbox"/> EXPOSED <u>WG 9/9/22</u>
<u>Tumwater, WA 98501</u>	<input type="checkbox"/> OTHER (SPECIFY) _____

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

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

#### DESCRIPTION OF CHANGE(S)

Update preferred stock instructions to delete reference to bond factors and revised for consistency with P/C RBC preferred stock instructions.

#### REASON OR JUSTIFICATION FOR CHANGE \*\*

The purpose of the change is to add clarity to the preferred stock instructions with regard to the bond factors changes for increased granularity.

#### Additional Staff Comments:

9-9-22 cgb HRBCWG exposed for 30 day comment period  
 12-12-22 cgb No comments received during comment period. WG adopted at Fall National Meeting  
 12-14-22 cgb Capital Adequacy (E) Task Force adopted at Fall National Meeting.

\*\* This section must be completed on all forms.

Revised 7-2022

## EQUITY ASSETS

XR010

### Unaffiliated Preferred Stocks

~~Experience data to develop preferred stock factors is not readily available; however, it is believed that preferred stocks are somewhat more likely to default than bonds. The loss on default would be somewhat higher than that experienced on bonds; however, formula factors are equal to bond factors.~~

~~The RBC requirements for unaffiliated preferred stocks are based on the NAIC designation. Detailed information on unaffiliated preferred stock is found in~~ Column (1) amounts ~~are~~ from Schedule D, Part 2, Section 1 not including affiliated preferred stock. The preferred stocks must be broken out by asset designation (NAIC 01 through NAIC 06) and these individual groups are to be entered in the appropriate lines. The total amount of unaffiliated preferred stock reported should equal annual statement Page 2, Column 3, Line 2.1, less any affiliated preferred stock in Schedule D Summary by Country, Column 1, Line 18.