

Capital Adequacy (E) Task Force

RBC Proposal Form

- | | | |
|---|--|--|
| <input 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"/> P/C 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"/> Economic Scenarios (E/A) Subgroup | <input checked="" type="checkbox"/> RBC Investment Risk & Evaluation (E) Working Group |

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|---|--|
| <p style="text-align: right;">DATE: <u>3/23/23</u></p> <p>CONTACT PERSON: <u>Dave Fleming</u></p> <p>TELEPHONE: <u>816-783-8121</u></p> <p>EMAIL ADDRESS: <u>dfleming@naic.org</u></p> <p>ON BEHALF OF: <u>RBC Inv. Risk & Eval. (E) Working Group</u></p> <p>NAME: <u>Philip Barlow</u></p> <p>TITLE: <u>Associate Commissioner for Insurance</u></p> <p>AFFILIATION: <u>District of Columbia</u></p> <p>ADDRESS: <u>1050 First Street, NE Suite 801</u> <u>Washington, DC 20002</u></p> | <p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2023-03-IRE</u> Year <u>2023</u></p> <p style="text-align: center;">DISPOSITION</p> <p>ADOPTED:</p> <p><input checked="" type="checkbox"/> TASK FORCE (TF) <u>4-28-23</u></p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p>EXPOSED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input checked="" type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p>REJECTED:</p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p>OTHER:</p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> (SPECIFY) _____</p> |
|---|--|

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

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

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

Add a line to isolate residual tranches reported on Schedule BA and the asset valuation reserve.

Additional Staff Comments:

4-28-23 TF adopted

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

Revised 2-2023

OTHER LONG-TERM ASSETS (CONTINUED)

| | <u>Annual Statement Source</u> | (1) Book / Adjusted Carrying Value | (2) Unrated Items ‡ | (3) RBC Subtotal † | (4) Factor | (5) RBC Requirement |
|--|--|--|------------------------|-----------------------|----------------|---------------------------|
| <u>Schedule BA - Unaffiliated Common Stock</u> | | | | | | |
| (42) | Schedule BA Unaffiliated Common Stock-Public | AVR Equity Component Column 1 Line 65 | | | X § = | |
| (43) | Schedule BA Unaffiliated Common Stock-Private | AVR Equity Component Column 1 Line 66 | | | X 0.3000 = | |
| (44) | Total Schedule BA Unaffiliated Common Stock (pre-MODCO/Funds Withheld) | Line (42) + (43) | | | | |
| (45) | Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements | Company Records (enter a pre-tax amount) | | | | |
| (46) | Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements | Company Records (enter a pre-tax amount) | | | | |
| (47) | Total Schedule BA Unaffiliated Common Stock (including MODCO/Funds Withheld.) | Lines (44) - (45) + (46) | | | | |
| <u>Schedule BA - All Other</u> | | | | | | |
| (48.1) | BA Affiliated Common Stock - Life with AVR | AVR Equity Component Column 1 Line 67 | | | | |
| (48.2) | BA Affiliated Common Stock - Certain Other | AVR Equity Component Column 1 Line 68 | | | | |
| (48.3) | Total Schedule BA Affiliated Common Stock - C-1o | Line (48.1) + (48.2) | | | X 0.3000 = | |
| (49.1) | BA Affiliated Common Stock - All Other | AVR Equity Component Column 1 Line 69 | | | | |
| (49.2) | Total Sch. BA Affiliated Common Stock - C-1cs | Line (49.1) + AVR Equity Component Column 1 Line 93 | | | X 0.3000 = | |
| (50) | Schedule BA Collateral Loans | Schedule BA Part 1 Column 12 Line 2999999 + Line 3099999 | | | X 0.0680 = | |
| (51) | Total Residual Tranches or Interests | AVR Equity Component Column 1 Line 93 | | | X TBD = | |
| (52.1) | NAIC 01 Working Capital Finance Notes | AVR Equity Component Column 1 Line 94 | | | X 0.0050 = | |
| (52.2) | NAIC 02 Working Capital Finance Notes | AVR Equity Component Column 1 Line 95 | | | X 0.0163 = | |
| (52.3) | Total Admitted Working Capital Finance Notes | Line (52.1) + (52.2) | | | | |
| (53.1) | Other Schedule BA Assets | AVR Equity Component Column 1 Line 96 | | | | |
| (53.2) | Less NAIC 2 thru 6 Rated/Designated Surplus Notes and Capital Notes | Column (1) Lines (23) through (27) + Column (1) Lines (33) through (37) | | | | |
| (53.3) | Net Other Schedule BA Assets | Line (53.1) less (53.2) | | | X 0.3000 = | |
| (54) | Total Schedule BA Assets C-1o (pre-MODCO/Funds Withheld) | Lines (11) + (21) + (31) + (41) + (48.3) + (50) + (52.3) + (53.3) | | | | |
| (55) | Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements | Company Records (enter a pre-tax amount) | | | | |
| (56) | Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements | Company Records (enter a pre-tax amount) | | | | |
| (57) | Total Schedule BA Assets C-1o (including MODCO/Funds Withheld.) | Lines (54) - (55) + (56) | | | | |
| (58) | Total Schedule BA Assets Excluding Mortgages and Real Estate | Line (47) + (49.2) + (51) + (57) | | | | |

† Fixed income instruments and surplus notes designated by the NAIC Capital Markets and Investment Analysis Office or considered exempt from filing as specified in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* should be reported in Column (3).

‡ Column (2) is calculated as Column (1) less Column (3) for Lines (1) through (17). Column (2) equals Column (3) - Column (1) for Line (53.3).

§ The factor for Schedule BA publicly traded common stock should equal 30 percent adjusted up or down by the weighted average beta for the Schedule BA publicly traded common stock portfolio subject to a minimum of 22.5 percent and a maximum of 45 percent in the same manner that the similar 15.8 percent factor for Schedule BA publicly traded common stock in the Asset Valuation Reserve (AVR) calculation is adjusted up or down. The rules for calculating the beta adjustment are set forth in the AVR section of the annual statement instructions.

Denotes items that must be manually entered on the filing software.

CALCULATION OF TAX EFFECT FOR LIFE AND FRATERNAL RISK-BASED CAPITAL (CONTINUED)

#REF!


| | | | (1) | | (2) | |
|------------------------------------|--|---|------------|------------|----------------|---|
| | | | RBC Amount | Tax Factor | RBC Tax Effect | |
| (102) | Replications | LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999) | | X 0.1575 | = | |
| (103) | Reinsurance | LR016 Reinsurance Column (4) Line (17) | | X 0.2100 | = | |
| (104) | Investment Affiliates | LR042 Summary for Affiliated Investments Column (4) Line (6) | | X 0.2100 | = | |
| (105) | Investment in Parent | LR042 Summary for Affiliated Investments Column (4) Line (10) | | X 0.2100 | = | |
| (106) | Other Affiliate: Property and Casualty Insurers not Subject to Risk-Based Capital | LR042 Summary for Affiliated Investments Column (4) Line (11) | | X 0.2100 | = | |
| (107) | Other Affiliate: Life Insurers not Subject to Risk-Based Capital | LR042 Summary for Affiliated Investments Column (4) Line (12) | | X 0.2100 | = | |
| (108) | Publicly Traded Insurance Affiliates | LR042 Summary for Affiliated Investments Column (4) Line (14) | | X 0.2100 | = | |
| (109) | Subtotal for C-1o Assets | Sum of Lines (001) through (108), Recognizing the Deduction of Lines (013), (014), (015), (036), (044), (049), (056), (061), (069), (077), (084), (089) and (100) | | | = | |
| <u>C-0 Affiliated Common Stock</u> | | | | | | |
| (110) | Off-Balance Sheet and Other Items | LR017 Off-Balance Sheet and Other Items Column (5) Line (27) | | X 0.1575 | = | |
| (111) | Off-Balance Sheet Items Reduction - Reinsurance | LR017 Off-Balance Sheet and Other Items Column (5) Line (28) | | X 0.2100 | = | † |
| (112) | Off-Balance Sheet Items Increase - Reinsurance | LR017 Off-Balance Sheet and Other Items Column (5) Line (29) | | X 0.2100 | = | |
| (113) | Affiliated US Property - Casualty Insurers Directly Owned | LR042 Summary for Affiliated Investments Column (4) Line (1) | | X 0.2100 | = | |
| (114) | Affiliated US Life Insurers Directly Owned | LR042 Summary for Affiliated Investments Column (4) Line (2) | | X 0.2100 | = | |
| (115) | Affiliated US Health Insurers Directly and Indirectly Owned | LR042 Summary for Affiliated Investments Column (4) Line (3) | | X 0.2100 | = | |
| (116) | Affiliated US Property - Casualty Insurers Indirectly Owned | LR042 Summary for Affiliated Investments Column (4) Line (4) | | X 0.2100 | = | |
| (117) | Affiliated US Life Insurers Indirectly Owned | LR042 Summary for Affiliated Investments Column (4) Line (5) | | X 0.2100 | = | |
| (118) | Affiliated Alien Life Insurers - Canadian | LR042 Summary for Affiliated Investments Column (4) Line (8) | | X 0.2100 | = | |
| (119) | Affiliated Alien Life Insurers - All Others | LR042 Summary for Affiliated Investments Column (4) Line (9) | | X 0.0000 | = | |
| (120) | Subtotal for C-0 Affiliated Common Stock | Lines (110)-(111)+(112)+(113)+(114)+(115)+(116)+(117)+(118)+(119) | | | = | |
| <u>Common Stock</u> | | | | | | |
| (121) | Unaffiliated Common Stock | LR005 Unaffiliated Preferred and Common Stock Column (5) Line (17) + LR018 Off-Balance Sheet Collateral Column (3) Line (16) | | X 0.2100 | = | |
| (122) | Credit for Hedging - Common Stock | LR015 Hedged Asset Common Stock Schedule Column (10) Line (0299999) | | X 0.2100 | = | † |
| (123) | Stock Reduction - Reinsurance | LR005 Unaffiliated Preferred and Common Stock Column (5) Line (19) | | X 0.2100 | = | † |
| (124) | Stock Increase - Reinsurance | LR005 Unaffiliated Preferred and Common Stock Column (5) Line (20) | | X 0.2100 | = | |
| (125) | BA Common Stock Unaffiliated | LR008 Other Long-Term Assets Column (5) Line (47) | | X 0.2100 | = | |
| (126) | BA Common Stock Affiliated - C-1cs | LR008 Other Long-Term Assets Column (5) Lines (49.2) + (51) | | X 0.2100 | = | |
| (127) | Common Stock Concentration Factor | LR011 Common Stock Concentration Factor Column (6) Line (6) | | X 0.2100 | = | |
| (128) | NAIC 01 Working Capital Finance Notes | LR008 Other Long-Term Assets Column (5) Line (52.1) | | X 0.1575 | = | |
| (129) | NAIC 02 Working Capital Finance Notes | LR008 Other Long-Term Assets Column (5) Line (52.2) | | X 0.1575 | = | |
| (130) | Affiliated Preferred Stock and Common Stock - Holding Company in Excess of Indirect Subs | LR042 Summary for Affiliated Investments Column (4) Line (7) | | X 0.2100 | = | |
| (131) | Affiliated Preferred Stock and Common Stock - All Other | LR042 Summary for Affiliated Investments Column (4) Line (13) | | X 0.2100 | = | |
| (132) | Total for C-1cs Assets | Lines (121)-(122)-(123)+(124)+(125)+(126)+(127)+(128)+(129)+(130)+(131) | | | = | |

† Denotes lines that are deducted from the total rather than added.

Denotes items that must be manually entered on the filing software.

CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

| | <u>Source</u> | <u>(1) RBC Requirement</u> |
|--|--|------------------------------------|
| <u>Asset Risk – Unaffiliated Common Stock and Affiliated Non-Insurance Stock (C-1cs)</u> | | |
| (12) Schedule D Unaffiliated Common Stock | LR005 Unaffiliated Common Stock Column (5) Line (21) + LR018 Off-Balance Sheet Collateral Column (3) Line (16) | _____ |
| (13) Schedule BA Unaffiliated Common Stock | LR008 Other Long-Term Assets Column (5) line (47) | _____ |
| (14) Schedule BA Affiliated Common Stock - C-1cs | LR008 Other Long-Term Assets Column (5) lines (49.2) + (51) | _____ |
| (15) Common Stock Concentration Factor | LR011 Common Stock Concentration Factor Column (6) Line (6) | _____ |
| (16) Affiliated Preferred Stock and Common Stock - Holding Company in Excess of Indirect Subsidiaries | LR042 Summary for Affiliated Investments Column (4) Line (7) | _____ |
| (17) Affiliated Preferred Stock and Common Stock - All Other | LR042 Summary for Affiliated Investments Column (4) Line (13) | _____ |
| (18) Total (C-1cs) - Pre-Tax | Sum of Lines (12) through (17) | _____ |
| (19) (C-1cs) Tax Effect | LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (132) | _____ |
| (20) Net (C-1cs) - Post-Tax | Line (18) - Line (19) | ===== |
| <u>Asset Risk - All Other (C-1o)</u> | | |
| (21) Bonds after Size Factor | LR002 Bonds Column (2) Line (27) + LR018 Off-Balance Sheet Collateral Column (3) Line (8) | _____ |
| (22) Mortgages (including past due and unpaid taxes) | LR004 Mortgages Column (6) Line (31) | _____ |
| (23) Unaffiliated Preferred Stock | LR005 Unaffiliated Preferred and Common Stock Column (5) Line (10) + LR018 Off-Balance Sheet Collateral Column (3) Line (15) | _____ |
| (24) Affiliated Preferred Stock and Common Stock - Investment Subsidiaries | LR042 Summary for Affiliated Investments Column (4) Line (6) | _____ |
| (25) Affiliated Preferred Stock and Common Stock - Parent | LR042 Summary for Affiliated Investments Column (4) Line (10) | _____ |
| (26) Affiliated Preferred Stock and Common Stock - Property and Casualty Insurers not Subject to Risk-Based Capital | LR042 Summary for Affiliated Investments Column (4) Line (11) | _____ |
| (27) Affiliated Preferred Stock and Common Stock - Life Insurers not Subject to Risk-Based Capital | LR042 Summary for Affiliated Investments Column (4) Line (12) | _____ |
| (28) Affiliated Preferred Stock and Common Stock - Publicly Traded Insurers Held at Fair Value (excess of statement value over book value) | LR042 Summary for Affiliated Investments Column (4) Line (14) | _____ |
| (29) Separate Accounts with Guarantees | LR006 Separate Accounts Column (3) Line (7) | _____ |
| <u>Authorized Control Level Risk-Based Capital (After Covariance Adjustment and Shortfall)</u> | | |
| (73) Total Risk-Based Capital After Covariance Times Fifty Percent | Line (72) x 0.50 | ===== |
| <u>Tax Sensitivity Test</u> | | |
| (74) Tax Sensitivity Test: Total Risk-Based Capital After Covariance | $L(9)+L(61) + \text{Square Root of } [(L(40) + L(50))^2 + (L(18) + L(56))^2 + L(47)^2 + L(53)^2 + L(64)^2]$ | _____ |
| (75) Tax Sensitivity Test: Authorized Control Level Risk-Based Capital | Line (74) x 0.50 | _____ |

 Denotes items that must be manually entered on the filing software.