

Capital Adequacy (E) Task Force

RBC Proposal Form

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

<p style="text-align: right;">DATE: <u>1/10/24</u></p> <p>CONTACT PERSON: <u>Eva Yeung</u></p> <p>TELEPHONE: <u>816-783-8407</u></p> <p>EMAIL ADDRESS: <u>eyeung@naic.org</u></p> <p>ON BEHALF OF: <u>P/C RBC (E) Working Group</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>2024-11-P</u> Year <u>2024 & 2025</u></p> <p style="text-align: center;"><u>DISPOSITION</u></p> <p>ADOPTED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WF) _____</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) <u>3/17/24</u></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>
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IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

- | | | |
|--|--|--|
| <input type="checkbox"/> Health RBC Blanks | <input checked="" type="checkbox"/> Property/Casualty RBC Blanks | <input 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)

The Factors are developed based on the 2023 American Academy of Actuaries (Academy) Report for “*Update to Property and Casualty Risk-Based Capital Underwriting Factors and Investment Income Adjustment Factors*” At the 2024 Spring National Meeting, the Working Group agreed to expose the following for a 30-day public comment period ending April 16:

- 1) Reserve Factors: 2024 Reporting - 50% indicated change with capped international and product liability lines for 2024.
2025 Reporting – 100% indicated change with capped international and product liability lines for 2025.
- 2) Premium Factors: 2024 Reporting - 50% indicated change with capped Financial Mortgage Guaranty line for 2024.
2025 Reporting – 100% indicated change with capped Financial Mortgage Guaranty line for 2025.

Additional Staff Comments:

** This section must be completed on all forms.

Revised 2-2023

50% Indicated Change with Capped International and Product Liability in 2024
 100% Indicated Change with Capped International and Product Liability in 2025

PR017 Underwriting Risk - Reserves			
Proposed Line (4), Industry Loss & Expense RBC Factors			
Col.	Line of Business	2024 Factor	2025 Factor
(1)	H/F	0.220	0.226
(2)	PPA	0.192	0.205
(3)	CA	0.318	0.360
(4)	WC	0.363	0.382
(5)	CMP	0.485	0.475
(6)	MPL Occurrence	0.327	0.271
(7)	MPL Claims Made	0.224	0.172
(8)	SL	0.353	0.401
(9)	OL	0.514	0.496
(10)	Fidelity/Surety	0.479	0.586
(11)	Special Property	0.259	0.272
(12)	Auto Physical Damage	0.146	0.137
(13)	Other (Credit A&H)	0.223	0.225
(14)	Financial/Mortgage Guaranty	0.163	0.146
(15)	INTL	0.514	0.669
(16)	REIN. P&F Lines	0.367	0.319
(17)	REIN. Liability	0.626	0.596
(18)	PL	1.014	1.226
(19)	Warranty	0.363	0.355
(20)	Pet Insurance	0.259	0.272

PR017 Underwriting Risk - Reserves			
Proposed Line (8), Adjustment for Investment Income			
Col.	Line of Business	2024 Factor	2025 Factor
(1)	H/F	0.945	0.951
(2)	PPA	0.933	0.937
(3)	CA	0.919	0.926
(4)	WC	0.807	0.783
(5)	CMP	0.887	0.898
(6)	MPL Occurrence	0.863	0.861
(7)	MPL Claims Made	0.890	0.896
(8)	SL	0.887	0.884
(9)	OL	0.858	0.864
(10)	Fidelity/Surety	0.924	0.908
(11)	Special Property	0.960	0.954
(12)	Auto Physical Damage	0.977	0.978
(13)	Other (Credit A&H)	0.952	0.936
(14)	Financial/Mortgage Guaranty	0.921	0.916
(15)	INTL	0.878	0.881
(16)	REIN. P&F Lines	0.907	0.913
(17)	REIN. Liability	0.816	0.793
(18)	PL	0.843	0.844
(19)	Warranty	0.951	0.961
(20)	Pet Insurance	0.960	0.954

*Cat Lines

50% Indicated Change with Capped Financial Mortgage Guaranty in 2024
 100% Indicated Change with Capped Financial Mortgage Guaranty in 2025

PR018 Underwriting Risk - Premiums			
Proposed Line (4), Industry Losses & Loss Adjustment Expense Ratio			
Col.	Line of Business	2024 Factor	2025 Factor
(1)	H/F	0.933	0.930
(2)	PPA	0.970	0.970
(3)	CA	1.012	1.014
(4)	WC	1.041	1.037
(5)	CMP	0.878	0.873
(6)	MPL Occurrence	1.531	1.394
(7)	MPL Claims Made	1.138	1.146
(8)	SL	0.908	0.894
(9)	OL	1.003	0.993
(10)	Fidelity/Surety	0.756	0.657
(11)	Special Property	0.829	0.795
(12)	Auto Physical Damage	0.836	0.835
(13)	Other (Credit A&H)	0.931	0.926
(14)	Financial/Mortgage Guaranty	1.805	2.012
(15)	INTL	1.355	1.476
(16)	REIN. P&F Lines	1.072	0.973
(17)	REIN. Liability	1.253	1.183
(18)	PL	1.229	1.194
(19)	Warranty	0.920	0.985
(20)	Pet Insurance	0.829	0.795

PR018 Underwriting Risk - Premiums			
Proposed Line (7), Adjustment for Investment Income			
Col.	Line of Business	2024 Factor	2025 Factor
(1)*	H/F	0.960	0.966
(2)	PPA	0.931	0.937
(3)	CA	0.897	0.903
(4)	WC	0.836	0.833
(5)*	CMP	0.909	0.921
(6)	MPL Occurrence	0.781	0.795
(7)	MPL Claims Made	0.845	0.863
(8)*	SL	0.911	0.924
(9)	OL	0.827	0.837
(10)	Fidelity/Surety	0.913	0.922
(11)*	Special Property	0.953	0.957
(12)	Auto Physical Damage	0.975	0.979
(13)	Other (Credit A&H)	0.953	0.958
(14)	Financial/Mortgage Guaranty	0.888	0.891
(15)*	INTL	0.915	0.925
(16)*	REIN. P&F Lines	0.906	0.919
(17)*	REIN. Liability	0.794	0.811
(18)	PL	0.788	0.801
(19)	Warranty	0.938	0.972
(20)*	Pet Insurance	0.953	0.957

*Cat Lines