

# 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 checked="" 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 type="checkbox"/> RBC Investment Risk & Evaluation (E) Working Group |

<p style="text-align: right;">DATE: <u>4/25/2024</u></p> <p><b>CONTACT PERSON:</b> <u>Dave Fleming</u></p> <p><b>TELEPHONE:</b> <u>816-783-8121</u></p> <p><b>EMAIL ADDRESS:</b> <u>dfleming@naic.org</u></p> <p><b>ON BEHALF OF:</b> <u>Life Risk-Based Capital (E) Working Group</u></p> <p><b>NAME:</b> <u>Philip Barlow, Chair</u></p> <p><b>TITLE:</b> <u>Associate Commissioner of Insurance</u></p> <p><b>AFFILIATION:</b> <u>District of Columbia</u></p> <p><b>ADDRESS:</b> <u>1050 First Street, NE Suite 801</u> <u>Washington, DC 20002</u></p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2024-17-L</u> Year <u>2024</u></p> <p style="text-align: center;"><b>DISPOSITION</b></p> <p><b>ADOPTED:</b></p> <p><input type="checkbox"/> TASK FORCE (TF) <u>6/28/2024</u></p> <p><input checked="" type="checkbox"/> WORKING GROUP (WG) <u>6/18/2024</u></p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>EXPOSED:</b></p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input checked="" type="checkbox"/> WORKING GROUP (WG) <u>4/25/2024</u></p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>REJECTED:</b></p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p><b>OTHER:</b></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 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)

This proposal adds a factor for the line added to LR009 to specifically address line 44 of the Asset Valuation Reserve (AVR) Equity Component as part of proposal 2024-05-L. This AVR line was not included in the LR009 changes made with the mortgage methodology change in 2013.

### Additional Staff Comments:

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

Revised 2-2023

**SCHEDULE BA MORTGAGES**

	(1)	(2)	(3)	(4)	(5)	(6)
	Book / Adjusted Carrying Value	Involuntary Reserve Adjustment †	RBC Subtotal	Cumulative Writedowns ‡	Average Factor	RBC Requirement
<u>In Good Standing</u>	<u>Annual Statement Source</u>					
(1) Insured or Guaranteed	AVR Equity Component Column 1 Line 43 + Line 45			XXX X	0.0014	=
(2) <b>Affiliated Mortgages – Residential – All Other</b>	AVR Equity Component Column 1 Line 44			XXX X	<b>0.0068</b>	=
(3) Unaffiliated Mortgages with Covenants	AVR Equity Component Column 1 Line 57			XXX X	*	=
(4) Unaffiliated Mortgages - Defeased with Government Securities	AVR Equity Component Column 1 Line 58			XXX X	0.0090	=
(5) Unaffiliated Mortgages - Primarily Senior	AVR Equity Component Column 1 Line 59			XXX X	0.0175	=
(6) Unaffiliated Mortgages - All Other	AVR Equity Component Column 1 Line 60			XXX X	0.0300	=
(7) Affiliated Mortgages - Category CM1	AVR Equity Component Column 1 Line 38			XXX X	0.0090	=
(8) Affiliated Mortgages - Category CM2	AVR Equity Component Column 1 Line 39			XXX X	0.0175	=
(9) Affiliated Mortgages - Category CM3	AVR Equity Component Column 1 Line 40			XXX X	0.0300	=
(10) Affiliated Mortgages - Category CM4	AVR Equity Component Column 1 Line 41			XXX X	0.0500	=
(11) Affiliated Mortgages - Category CM5	AVR Equity Component Column 1 Line 42			XXX X	0.0750	=
(12) Total In Good Standing	Sum of Lines (1) through (11)					
<u>90 Days Overdue, Not in Process of Foreclosure</u>						
(13) Insured or Guaranteed 90 Days Overdue	AVR Equity Component Column 1 Line 47 + Line 49			XXX X	0.0027	=
(14) All Other 90 Days Overdue - Unaffiliated	AVR Equity Component Column 1 Line 61			XXX X	0.1100	=
(15) All Other 90 Days Overdue - Affiliated	AVR Equity Component Column 1 Line 48 + Line 50			XXX X	0.1100	=
(16) Total 90 Days Overdue, Not in Process of Foreclosure	Lines (13) + (14) + (15)					
<u>In Process of Foreclosure</u>						
(17) Insured or Guaranteed in Process of Foreclosure	AVR Equity Component Column 1 Line 52 + Line 54			XXX X	0.0054	=
(18) All Other in Process of Foreclosure - Unaffiliated	AVR Equity Component Column 1 Line 62			XXX X	0.1300	=
(19) All Other in Process of Foreclosure - Affiliated	AVR Equity Component Column 1 Line 53 + Line 55			XXX X	0.1300	=
(20) Total In Process of Foreclosure	Lines (17) + (18) + (19)					
(21) Total Schedule BA Mortgages (pre-MODCO/Funds Withheld)	Lines (12) + (16) + (20)					
(22) Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(23) Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
(24) Total Schedule BA Mortgages (including MODCO/Funds Withheld.)	Lines (21) - (22) + (23)					

† Involuntary reserves are reserves that are held as an offset to a particular asset that is clearly a troubled asset and are included on Page 3 Line 25 of the Annual Statement.  
‡ Cumulative writedowns include the total amount of writedowns, non-admissions, and involuntary reserves that have been taken or established with respect to a particular mortgage.  
\* This will be calculated as Column (6) divided by Column (3).

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