

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>02-18-2026</u></p> <p>CONTACT PERSON: <u>Kazeem Okosun</u></p> <p>TELEPHONE: <u>816-783-8981</u></p> <p>EMAIL ADDRESS: <u>kokosun@naic.org</u></p> <p>ON BEHALF OF: <u>Life Risk-Based Capital (E) Working Group</u></p> <p>NAME: <u>Ben Slutsker, Chair</u></p> <p>TITLE: <u>Director of Life Actuarial Valuation</u></p> <p>AFFILIATION: <u>Minnesota Department of Commerce</u></p> <p>ADDRESS: <u>85 7th Place East, Suite 280</u> <u>Saint Paul, MN 55101</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <hr/> <p>Agenda Item # <u>2026-06-L</u> Year <u>2026</u></p> <hr/> <p style="text-align: center;">DISPOSITION</p> <p>ADOPTED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</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 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>
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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 intends to propose editorial changes to LR027 Interest Rate Risk and Market Risk Page (e.g. refresh Annual Statement Source / Source guidance).

Additional Staff Comments:

** This section must be completed on all forms.

Revised 2-2023

INTEREST RATE RISK AND MARKET RISK

		(1)		(2)	(3)
				Statement Value	RBC Requirement
				Value	Requirement
(1.1) Did the Company Submit an Unqualified Actuarial Opinion Based on Asset Adequacy Testing or One Qualified Due Solely to the Direction Provided in Actuarial Guideline XLVIII?	["Yes" or "No" in Column (1)]				
(1.2) C-3 RBC Cash Flow Testing on Certain Products? (See the instructions for specific details)	["Yes" or "No" in Column (1)]				
(1.3) If Line (1.2) is "Yes", is the Appointed Actuary C-3 Assumption Statement Attached?	["Yes" or "No" in Column (1)]				
(1.4) If applicable, have the appropriate certifications been attached?	["Yes" or "No" or "N/A" in Column (1)]				
RESERVES THAT WERE CASH FLOW TESTED FOR ASSET ADEQUACY (See Appendix 1 of the instructions for more details.)					
	<u>Annual Statement Source</u>				
<u>Low Risk Category</u>					
(2) Annuity Reserve with Fair Market Value Adjustment (excluding unitized separate accounts)*	Notes to Financial Statements Item 32 Line A1a and B1a , in part ‡		X	0.0095 or 0.0063 †	= _____
(3) Annuity Reserve not Withdrawable (excluding structured settlements)*	Notes to Financial Statements Item 32 Line A2 and B2 , in part ‡		X	0.0095 or 0.0063 †	= _____
(4) Guaranteed Investment Contract (GIC) Reserve within 1 Year of Maturity ‡	Notes to Financial Statements Item 32 Various Lines, in part ‡		X	0.0095 or 0.0063 †	= _____
(5.1) Single Premium Life Insurance Reserves Net of Reinsurance	Exhibit 5 Column 2 Line 0199999, in part				
(5.2) Less Single Premium Life Insurance Reserves Policy Loans	Page 2 Line 6, in part				
(5.3) Plus Modified Coinsurance Assumed Single Premium Life Reserves net of Modified Coinsurance Assumed Policy Loans	Schedule S Part 1 Section 1 Column 12, in part ‡				
(5.4) Less Modified Coinsurance Ceded Single Premium Life Reserves net of Modified Coinsurance Ceded Policy Loans	Schedule S Part 3 Section 1 Column 14, in part ‡				
(5.5) Single Premium Life Insurance Reserves	Line (5.1) - (5.2) + (5.3) - (5.4)		X	0.0095 or 0.0063 †	= _____
(6) Total Low Risk	Lines (2) + (3) + (4) + (5.5)				=====
<u>Medium Risk Category</u>					
(7) Annuity Reserve at Book Value Less Surrender Charge of 5 Percent or More*	Notes to Financial Statements Item 32 Line A1b and B1b , in part ‡		X	0.0190 or 0.0127 †	= _____
(8) Exhibit 7 Reserve not Included Elsewhere §	Exhibit 7 Line 14 amounts not included elsewhere in Interest Rate Risk (C-3) ‡		X	0.0190 or 0.0127 †	= _____
(9) Structured Settlements	Notes to Financial Statements Item 32, in part ‡		X	0.0190 or 0.0127 †	= _____
(10) Additional Actuarial Reserves for Annuities and Single Premium Life - Asset/Liability Analysis	Exhibit 5 Column 2 Line 0799997, in part		X	0.0190 or 0.0127 †	= _____
(11) Total Medium Risk	Sum of Lines (7) through (10)				=====

† The factors are decreased by one-third if the company submits an unqualified actuarial opinion based on asset adequacy testing or one qualified due solely to the direction provided in Actuarial Guideline XLVIII.

The RBC software automatically recalculates the factor, depending on the answer to Line (1.1).

‡ Net of reinsurance, less policy loans, plus modified coinsurance assumed reserves, less modified coinsurance ceded reserves.

§ Excluding any non-policyholder reserves (e.g., reserves that are not related to specific policies).

* Excluding GICs within 1 year of maturity.

‡ Includes GICs within 1 year of maturity subtracted elsewhere.

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

Company Name

Confidential when Completed

NAIC Company Code

INTEREST RATE RISK AND MARKET RISK (CONTINUED)

	<u>Annual Statement Source</u>	(2) Statement Value	Factor	(3) RBC Requirement
<u>High Risk Category</u>				
(12) Annuity Reserve at Book Value Without Adjustment (minimal or no charge or adjustment)*	Notes to Financial Statements Item 32 Line A1e and B1e , in part‡	<input type="text"/> X	0.0380 or 0.0253†	= <input type="text"/>
(13) Debt with GIC-like Characteristics (see Appendix 1 & 1b instructions)	Company records (enter a pre-tax amount)			<input type="text"/>
(14) Total High Risk	Line (12) + (13)			<input type="text"/>
<u>Synthetic GIC's</u>				
(15) Synthetic GIC's C-3 Requirement	Company records (enter a pre-tax amount)			<input type="text"/>
<u>Callable/Pre-Payable Assets</u>				
(16) Callable/Pre-Payable Assets Assigned to Products Categorized Above	Company records (enter a pre-tax amount)			<input type="text"/>
(17) Subtotal of Factor Based RBC For Products Categorized Above	Lines (6) + (11) + (14) + (15)			<input type="text"/>
ALL OTHER RESERVES (exclude statement amounts included in Lines (2) to (17) above)				
<u>Low Risk Category</u>				
(18) Annuity Reserve with Fair Market Value Adjustment (excluding unitized separate accounts and eligible experience rated pension and separate accounts with guarantees)*	Notes to Financial Statements Item 32 Line A1a and B1a , in part‡	<input type="text"/> X	0.0095 or 0.0063†	= <input type="text"/>
(19) Annuity Reserve not Withdrawable (excluding structured settlements and eligible experience rated pension and separate accounts with guarantees)*	Notes to Financial Statements Item 32 Line A2 and B2 , in part‡	<input type="text"/> X	0.0095 or 0.0063†	= <input type="text"/>
(20) Guaranteed Investment Contract (GIC) Reserve within 1 Year of Maturity£	Notes to Financial Statements Item 32 Various Lines, in part‡	<input type="text"/> X	0.0095 or 0.0063†	= <input type="text"/>
(21.1) Life Insurance Reserves Net of Reinsurance	Exhibit 5 Column 2 Line 0199999, in part	<input type="text"/>		
(21.2) Less Life Insurance Reserves Policy Loans	Page 2 Line 6, in part	<input type="text"/>		
(21.3) Plus Modified Coinsurance Assumed Reserves net of Modified Coinsurance Assumed Policy Loans	Schedule S Part 1 Section 1 Column 12, in part‡	<input type="text"/>		
(21.4) Less Modified Coinsurance Ceded Reserves net of Modified Coinsurance Ceded Policy Loans	Schedule S Part 3 Section 1 Column 14, in part‡	<input type="text"/>		
(21.5) Life Insurance Reserves	Line (21.1) - (21.2) + (21.3) - (21.4)	<input type="text"/> X	0.0095 or 0.0063†	= <input type="text"/>
(22) Total Low Risk	Lines (18) + (19) + (20) + (21.5)			<input type="text"/>

† The factors are decreased by one-third if the company submits an unqualified actuarial opinion based on asset adequacy testing or one qualified due solely to the direction provided in Actuarial Guideline XLVIII.

The RBC software automatically recalculates the factor, depending on the answer to Line (1.1).

‡ Net of reinsurance, less policy loans, plus modified coinsurance assumed reserves, less modified coinsurance ceded reserves.

§ Excluding any non-policyholder reserves (e.g., reserves that are not related to specific policies).

* Excluding GICs within 1 year of maturity.

£ Includes GICs within 1 year of maturity subtracted elsewhere.

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INTEREST RATE RISK AND MARKET RISK (CONTINUED)

	<u>Annual Statement Source</u>	(2) Statement <u>Value</u>	<u>Factor</u>	(3) RBC <u>Requirement</u>
<u>Medium Risk Category</u>				
(23) Annuity Reserve at Book Value Less Surrender Charge of 5 Percent or More*	Notes to Financial Statements Item 32 Line A 1b and B 1b , in part‡	[] X	0.0190 or 0.0127†	= []
(24) Exhibit 7 Reserve not Included Elsewhere §	Exhibit 7 Line 14 amounts not included elsewhere in Interest Rate Risk (C-3)‡	[] X	0.0190 or 0.0127†	= []
(25) Structured Settlements	Notes to Financial Statements Item 32 in part‡	[] X	0.0190 or 0.0127†	= []
(26) Additional Actuarial Reserves - Asset/Liability Analysis	Exhibit 5 Column 2 Line 0799997, in part	[] X	0.0190 or 0.0127†	= []
(27) Total Medium Risk	Sum of Lines (23) through (26)			[]
<u>High Risk Category</u>				
(28) Annuity Reserve at Book Value Without Adjustment (minimal or no charge or adjustment)*	Notes to Financial Statements Item 32 Line A 1e and B 1e , in part‡ Line (28)	[] X	0.0380 or 0.0253†	= []
(29) Total High Risk				[]
<u>Synthetic GIC's</u>				
(30) Synthetic GIC's C-3 Requirement	Company records (enter a pre-tax amount)		RBC x 1.000 (less "haircut")	[]
<u>Callable/Pre-Payable Assets</u>				
(31) Callable/Pre-Payable Assets Not Allocated to Line (16). Include Callable/Pre-Payable Assets Allocated to Surplus	Company records (enter a pre-tax amount)			[]
(32) Interest Rate Risk Based Completely on Factors	Lines (16) + (17) + (22) + (27) + (29) + (30) + (31)			[]
(33) C-3 RBC Cash Flow Testing Interest Rate Risk (If Line 1.2 = "Yes")	Company records (enter a pre-tax amount)		C-3 RBC Cash Flow Testing	[]
(34) Sub-Total Interest Rate Risk	If Line (33) = 0, then Line (34) = Line (32). Otherwise, Line (34) = Line (32) + (33) - (16) - (17), subject to a minimum of 0.5 times Line (32)			[]
(35) Interest Rate Risk Component (See the instructions for specific detail.)	Company Records (enter the pre-tax amount)			[]
(36) Total Interest Rate Risk	Lines (34) + (35)			[]
(37) Total Market Risk	Company Records (enter a pre-tax amount)			[]

† The factors are decreased by one-third if the company submits an unqualified actuarial opinion based on asset adequacy testing or one qualified due solely to the direction provided in Actuarial Guideline XLVIII.

The RBC software automatically recalculates the factor, depending on the answer to Line (1.1).

‡ Net of reinsurance, less policy loans, plus modified coinsurance assumed reserves, less modified coinsurance ceded reserves.

§ Excluding any non-policyholder reserves (e.g., reserves that are not related to specific policies).

* Excluding GICs within 1 year of maturity.

£ Includes GICs within 1 year of maturity subtracted elsewhere.

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INTEREST RATE RISK AND MARKET RISK (Alternative)
C-3 RBC Cash Flow Testing Alternative Calculations
(For Informational Purposes Only)

(1)

Source

RBC Requirement

(1) C-3 RBC Cash Flow Testing Interest Rate Risk

LR027 Interest Rate Risk and Market Risk Column (3) Line (33)

(2) C-3 RBC Cash Flow Testing Interest Rate Risk

The Line (1) Equivalent Calculated Using ~~Version 7.1.201406 of the the NAIC Generator of Economic Scenarios †† §§ American Academy of Actuaries Scenario Generator~~

(3) C-3 RBC Cash Flow Testing Interest Rate Risk

The Line (1) Equivalent Calculated Using a Proprietary Generator ‡‡ §§

(4) Please Describe Proprietary Generator Used, Calibration Criteria, and Number of Scenarios:

- †† This information is not required for 2026.
- ‡‡ This information is requested, if applicable, on a voluntary basis.
- §§ This information is not required for 2026.
- _____ Denotes items that must be manually entered on the filing software.

Cover question

NAIC Staff are in the process of updating Annual Statement Source references in LR027 Interest Rate Risk and Market Risk Page to incorporate the changes in Annual Statement Footnotes and Exhibit presentations over the course of time. It was noted that the current Annual Statement Source reference oftentimes does not include “Column” reference of the destinations, e.g., LR027 lines 2, 3, 4, 7, 8, 12, 18, 19 ,20, 21.2, 23, 24, and 28 (Please note this is not an exhaustive list). NAIC Staff would like to seek feedback from regulators and interested parties as to whether more specific guidance is needed. And if so, please provide proposed edits in your comments.