

What Risk-Based Capital Pages Should Be Submitted?

For year-end 2023 life and fraternal risk-based capital (RBC), submit hard copies of pages LR001 through LR049 to any state that requests a hard copy in addition to the electronic filing. Starting with year-end 2007 RBC, a hard copy was not required to be submitted to the NAIC. However, a portable document format (PDF) file representing the hard copy filing is part of the electronic filing.

If any actuarial certifications are required per the RBC instructions, those should be included as part of the hard copy filing. Starting with year-end 2008 RBC, the actuarial certifications were also part of the electronic RBC filing as PDF files, similar to the financial annual statement actuarial opinion.

Other pages, such as the mortgage and real estate worksheets, do not need to be submitted. However, they still need to be retained by the company as documentation.

Removal of Dual Trend Test

The Capital Adequacy (E) Task Force adopted proposal 2023-05-L to remove the dual presentation of the trend test during its April 28 meeting. This proposal eliminates the presentation of the test at the former 2.5 threshold while member jurisdictions transitioned to the current 3.0 threshold. That transition is now complete, so the dual presentation is not needed.

CM6 and CM7 Mortgages

The Capital Adequacy (E) Task Force adopted proposal 2023-07-L during its April 28 meeting. This proposal aligns the CM6 and CM7 factors for

non-performing commercial and farm mortgages with the factors for Schedule A and Schedule BA investments in real estate as those factors were adjusted in 2021. It also adopts the same formula for calculating RBC amounts for non-performing and performing residential, commercial and farm mortgages.

Structure and Instruction Changes to Update the Treatment of C-2 Mortality Risk

The Capital Adequacy (E) Task Force adopted update 2 in proposal 2023-06-L during its April 28 meeting. This proposal makes structural changes and instructional changes for LR025, Life Insurance. The proposal assigns the same factors to group permanent life as individual permanent life for categories stating with and without pricing flexibility. The proposal also included a new financial statement note to develop the net amounts at risk in the categories needed for

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the Life C-2 schedule to create a direct link to a financial statement source. The new note was deferred for yearend 2023 which will necessitate the line references to the new note to be company records for 2023 and will be supplemented by guidance from the Life Risk-Based Capital (E) Working Group.

Residual Tranches

The Capital Adequacy (E) Task Force adopted proposals 2023-03-IRE and 2023-04-IRE during its April 28 meeting. These proposals added a line to isolate residual tranches reported on Schedule BA and the asset valuation reserve for a specific base factor and to add lines for residual tranches to the sensitivity testing exhibits, respectively. During its June 30 meeting, the Task Force adopted proposals 2023-09-IRE and 2023-10-IRE. The first proposal applies a base factor of .30 for year-end 2023 and a base factor for year-end 2024 of .45 which is subject to adjustment based on additional information. The second proposal applies a .15 factor for sensitivity testing for year-end 2023 to be adjusted for year-end 2024.

Modification to the Affiliated Investment Structure and Instructions

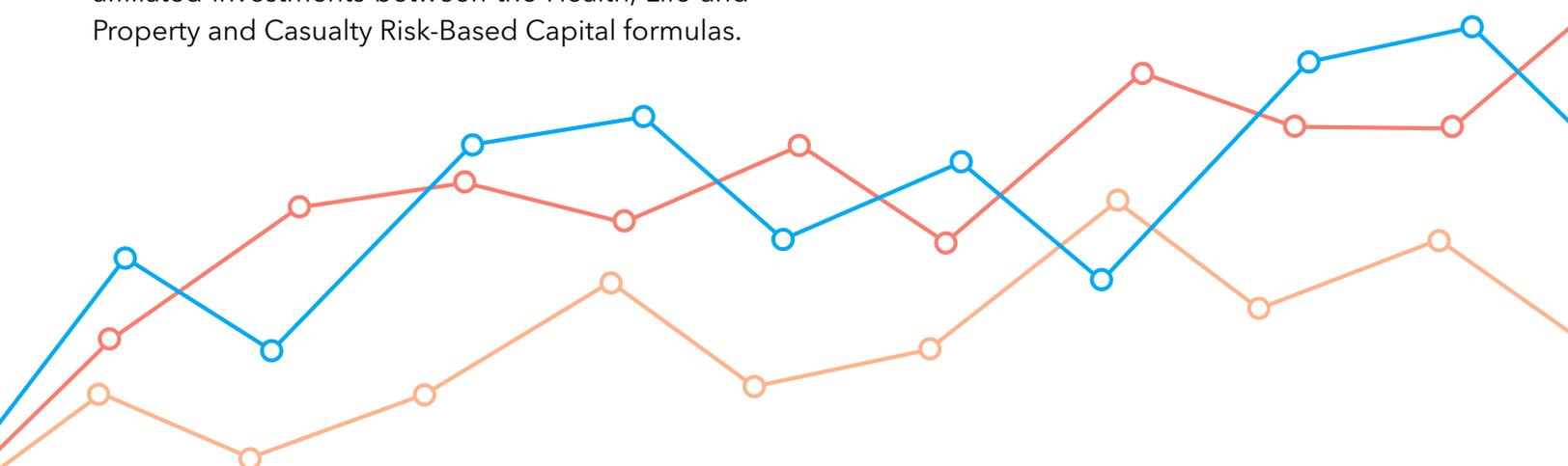
The Capital Adequacy (E) Task Force adopted proposal 2022-09-CA during its March 23 meeting, to revise the instructions and structure of the Affiliated Investment pages to provide consistent treatment of affiliated investments between the Health, Life and Property and Casualty Risk-Based Capital formulas.

The following editorial changes were made to the Life formula in relation to proposal 2022-09-CA for year-end 2023:

- 1) Modified the formula used in the Summary for Affiliated/Subsidiary Stocks page LR042. The change will pull the RBC Required amount calculated on the Details for Affiliated/Subsidiary Stocks page (LR044) into page LR042, Line (21) Other Non-Financial Entities when Column (2) Affiliate Code (1 to 10) is null. The Task Force will consider further revisions for year-end 2024 or later.
- 2) Incorporated the "Carrying Value of Non-Admitted Insurance Affiliates" into Line (6) of the Calculation of Total Adjusted Capital page (LR033) to align with the adopted instructions under proposal 2022-09-CA. The Life Risk-Based Capital (E) Working Group will discuss a proposal for year-end 2024 to add a separate line for the "Carrying Value of Non-Admitted Insurance Affiliates."

Stop Loss Premiums

The Capital Adequacy (E) Task Force adopted proposal 2023-01-CA during its June 30 meeting. This proposal clarifies the instructions for stop loss premiums in the Underwriting Risk - Experience Fluctuation Risk, Other Underwriting Risk and Stop Loss Interrogatories.



Underwriting Risk Factors - Investment Income Adjustment

The Capital Adequacy (E) Task Force adopted proposal 2022-16-CA during its June 30 meeting. This proposal updated the comprehensive medical, Medicare supplement and dental and vision factors to include a 5% investment yield adjustment. The revised factors are:

	Comprehensive Medical	Medicare Supplement	Dental & Vision
\$0-\$3 Million	0.1434	0.0980	0.1148
\$3-\$25 Million	0.1434	0.0603	0.0711
Over \$25 Million	0.0838	0.0603	0.0711

Risk-Based Capital Forecasting and Instructions

The Life and Fraternal RBC forecasting spreadsheet calculates RBC using the same formula presented in the *2023 NAIC Life and Fraternal Risk-Based Capital Forecasting & Instructions for Companies*, and it is available to download from the [NAIC Account Manager](#). The *2023 NAIC Life and Fraternal Risk-Based Capital Forecasting & Instructions for Companies* publication is available for purchase in electronic format through the NAIC Publications Department. This publication is available on or about November 1 each year. The User Guide is no longer included in the Forecasting & Instructions.

WARNING: The RBC Forecasting Spreadsheet CANNOT be used to meet the year-end RBC electronic filing requirement. RBC filing software from an annual statement software vendor should be used to create the electronic filing. If the forecasting worksheet is sent instead of an electronic filing, it will not be accepted and the RBC will not have been filed.



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