

# Capital Adequacy (E) Task Force

## RBC Proposal Form

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

<p style="text-align: right;">DATE: <u>10-10-23</u></p> <p><b>CONTACT PERSON:</b> <u>Eva Yeung</u></p> <p><b>TELEPHONE:</b> <u>816-783-8407</u></p> <p><b>EMAIL ADDRESS:</b> <u>eyeung@naic.org</u></p> <p><b>ON BEHALF OF:</b> <u>Capital Adequacy (E) Task Force</u></p> <p><b>NAME:</b> <u>Tom Botsko</u></p> <p><b>TITLE:</b> <u>Chair</u></p> <p><b>AFFILIATION:</b> <u>Ohio Department of Insurance</u></p> <p><b>ADDRESS:</b> <u>50 West Town Street, Suite 300</u> <u>Columbus, OH 43215</u></p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <p>Agenda Item # <u>2023-12-CA</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) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>EXPOSED:</b></p> <p><input checked="" type="checkbox"/> TASK FORCE (TF) <u>10/11/23</u></p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</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 checked="" type="checkbox"/> Health RBC Blanks       | <input checked="" type="checkbox"/> Property/Casualty RBC Blanks       | <input type="checkbox"/> Life and Fraternal RBC Blanks       |
| <input checked="" type="checkbox"/> Health RBC Instructions | <input checked="" 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)

Health: Modified page XR002 to remove the word "Common" the heading of Column (13) and updated page XR010 and XR024 to clarify the line for the Market Value in Excess Affiliated Stocks. This line includes the affiliated amounts for both preferred and common stock.

P/C: Modified PR003 to remove the word "Common" the heading of Column (13) and updated pages PR007 & PR031 to clarify PR007, Line 12 includes the Market Value in Excess affiliated amounts for both preferred and common stocks.

#### Additional Staff Comments:

The purpose of this proposal is to clarify that both common and preferred stock are included in the calculation of Market Value in Excess of Stocks for the affiliated investments in Column (13).

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

**Revised 2-2023**

## Health

### AFFILIATED/SUBSIDIARY STOCKS

XR002–XR004



Detail Eliminated to Conserve



**Market Value (including discounted market value) Insurance Affiliates/Subsidiaries (See SSAP No. 97, Paragraph 8a.):** If the affiliate/subsidiary's common stock is publicly traded and the reporting company carries the affiliate/subsidiary at market value, after any "discount," there are generally two components to the reporting company's RBC generated by the affiliate/subsidiary. The prorated portion is the percentage of ownership of total common and preferred stock. The smaller of the prorated portion of the affiliate/subsidiary's own statutory surplus or the prorated portion of its RBC after covariance is added to the  $H_0$  component of the reporting company. Normally, the common and preferred stock book/adjusted carrying value of the affiliate/subsidiary exceeds the prorated portion of the larger of its statutory surplus and its RBC after covariance, an additional charge is applied to  $H_1$ . The additional charge to the  $H_1$  component is the larger of a) 22.5 percent of the affiliate/subsidiary's common and preferred stock book/adjusted carrying value in excess of the prorated portion of the affiliate's/subsidiary's statutory surplus or b) the prorated portion of the affiliate's/subsidiary's RBC after covariance in excess of the prorated portion of its statutory surplus. If the affiliate/subsidiary's common and preferred stock book/adjusted carrying value is less than the prorated portion of its RBC after covariance, but greater than the prorated portion of its statutory surplus, 100 percent of the common and preferred stock book/adjusted carrying value in excess of the prorated portion of the affiliate/subsidiary's statutory surplus is added to the reporting company's  $H_1$  component. If the affiliate/subsidiary's common and preferred stock book/adjusted carrying value is less than the prorated portion of the affiliate/subsidiary statutory surplus, there is no addition to the  $H_1$  component.



Detail Eliminated to Conserve



## Property/Casualty



Detail Eliminated to Conserve

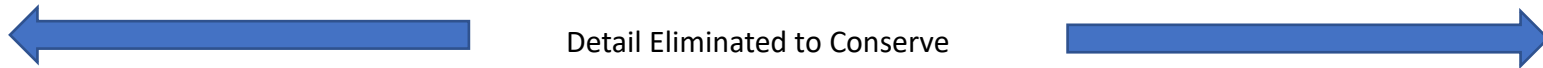


### AFFILIATED STOCKS

PR003 – PR005


**Market Value (including discounted market value) Insurance Affiliates/Subsidiaries (See SSAP No. 97, Paragraph 8a.):** If the affiliate/subsidiary's common stock is publicly traded and the reporting company carries the affiliate/subsidiary at market value, after any "discount," there are generally two components to the reporting company's RBC generated by the affiliate/subsidiary. The prorated portion is the percentage of ownership of the total common and preferred stock. The smaller of the prorated portion of the affiliate/subsidiary's own statutory surplus or the prorated portion of its RBC after covariance is added to the  $R_0$  component of the reporting company. Normally, the common and preferred stock book/adjusted carrying value of the affiliate/subsidiary exceeds the prorated portion of the larger of its statutory surplus and its RBC after covariance an additional charge is applied to  $R_2$ . The additional charge to the  $R_2$  component is the larger of a) 22.5 percent of the affiliate/subsidiary's common and preferred stock book/adjusted carrying

value in excess of the prorated portion of the affiliate/subsidiary's statutory surplus or b) the prorated portion of the affiliate/subsidiary's RBC after covariance in excess of the prorated portion of its statutory surplus. If the affiliate/subsidiary's common and preferred stock book/adjusted carrying value is less than the prorated portion of its RBC after covariance, but greater than the prorated portion of its statutory surplus, 100 percent of the common and preferred stock book/adjusted carrying value in excess of the prorated portion of the affiliate/subsidiary's statutory surplus is added to the reporting company's R<sub>2</sub> component. If the affiliate/subsidiary's common and preferred stock book/adjusted carrying value is less than the prorated portion of the affiliate/subsidiaries' s statutory surplus, there is no addition to the R<sub>2</sub> component.



**DETAILS FOR AFFILIATED STOCKS**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	Name of Affiliate	Affil Type	NAIC Company Code or Alien ID Number	Affiliate's RBC after Covariance Before Basic Operational Risk XR025 Line (41) PR032 Line (60) LR031 Line (69) + (73)	Book/Adjusted Carrying Value (Statement Value) of Affiliate's Common Stock	Valuation Basis of Col (5) M - Market Value after any "discount" A - All Other	Total Value of Affiliate's Outstanding Common Stock	Statutory Surplus of Affiliate Subject to RBC (Adjusted for % Owned)	Book/Adjusted Carrying Value (Statement Value) of Affiliate's Preferred Stock	Total Value of Affiliate's Outstanding Preferred Stock	Percent Owned *	RBC Required (H0 Component)	Market Value Excess Component Affiliated <del>Common</del> Stocks RBC Required (H1 Component)
(01)													
(02)													
(03)													
(04)													
(05)													
(06)													
(07)													
(08)													
(09)													
(10)													
(11)													
(12)													
(13)													
(14)													
(15)													
(16)													
(9999999)	<b>Total</b>	XXX	XXX			XXX					XXX		

 Denotes items that must be manually entered on filing software.


Remark: Subcategory 8a, 8b and 8c are referring to the directly owned insurance affiliates not subject to RBC look-through

Indirectly owned insurance affiliate not subject to RBC will be included Category 4

\* Only applies to Affiliate Type 1 and 2

EQUITY ASSETS

	<u>Annual Statement Source</u>	(1) <u>Bk/Adj Carrying Value</u>	Factor	(2) <u>RBC Requirement</u>
<b>PREFERRED STOCK - UNAFFILIATED</b>				
(1) NAIC 01 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.003	
(2) NAIC 02 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.010	
(3) NAIC 03 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.020	
(4) NAIC 04 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.045	
(5) NAIC 05 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.100	
(6) NAIC 06 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.300	
(7) Total - Unaffiliated Preferred Stock	Sum of Lines (1) through (6)			
(Should equal Page 2, Column 3, Line 2.1 less Sch D Sum, Column 1, Line 18)				
<b>COMMON STOCK - UNAFFILIATED</b>				
(8) Federal Home Loan Bank Stock	Company Records		0.023	
(9) Total Common Stock	Schedule D, Summary, Column 1, Line 25			
(10) Affiliated Common Stock	Schedule D, Summary, Column 1, Line 24			
(11) Other Unaffiliated Common Stock	Lines (9) - (8) - (10)		0.150	
(12) <b>Market Value Excess Affiliated Stocks</b>	XR002 C(13) L(9999999)			
(13) <b>Total Unaffiliated Common Stock and Market Value Excess Affiliated Stocks</b>	<b>Lines (8) + (11) + (12)</b>			

 Denotes items that must be manually entered on filing software.

CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE

		(1) RBC Amount
<b>H0 - INSURANCE AFFILIATES AND MISC. OTHER AMOUNTS</b>		
(1)	Off-Balance Sheet Items	XR005, Off-Balance Sheet Page, Line (21)
(2)	Directly Owned Health Insurance Companies or Health Entities	XR003, Affiliates Page, Column (2), Line (1)
(3)	Directly Owned Property and Casualty Insurance Affiliates	XR003, Affiliates Page, Column (2), Line (2)
(4)	Directly Owned Life Insurance Affiliates	XR003, Affiliates Page, Column (2), Line (3)
(5)	Indirectly Owned Health Insurance Companies or Health Entities	XR003, Affiliates Page, Column (2), Line (4)
(6)	Indirectly Owned Property and Casualty Insurance Affiliates	XR003, Affiliates Page, Column (2), Line (5)
(7)	Indirectly Owned Life Insurance Affiliates	XR003, Affiliates Page, Column (2), Line (6)
(8)	Affiliated Alien Insurers - Directly Owned	XR003, Affiliates Page, Column (2), Line (9) + (10) + (11)
(9)	Affiliated Alien Insurers - Indirectly Owned	XR003, Affiliates Page, Column (2), Line (12) + (13) + (14)
(10)	Total H0	Sum Lines (1) through (9)
<b>H1 - ASSET RISK - OTHER</b>		
(11)	Holding Company in Excess of Indirect Subs	XR003, Affiliates Page, Column (2), Line (7)
(12)	Investment Subsidiary	XR003, Affiliates Page, Column (2), Line (8)
(13)	Investment in Upstream Affiliate (Parent)	XR003, Affiliates Page, Column (2), Line (15)
(14)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	XR003, Affiliates Page, Column (2), Line (16)
(15)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	XR003, Affiliates Page, Column (2), Line (17)
(16)	Directly Owned Life Insurance Companies Not Subject to RBC	XR003, Affiliates Page, Column (2), Line (18)
(17)	Affiliated Non-Insurer	XR003, Affiliates Page, Column (2), Line (19) + (20) + (21)
(18)	Fixed Income Assets	XR006, Off-Balance Sheet Collateral, Lines (27) + (37) + (38) + (39) + XR007, Fixed Income Assets - Bonds, Line (27) + XR008, Fixed Income Assets - Miscellaneous, Line (24)
(19)	Replication & Mandatory Convertible Securities	XR009, Replication/MCS Page, Line (9999999)
(20)	Unaffiliated Preferred Stock	XR006, Off-Balance Sheet Collateral, Line (34) + XR010, Equity Assets Page, Line (7)
<b>(21)</b>	<b>Unaffiliated Common Stock &amp; Market Value Excess Affiliated Stocks</b>	<b>XR006, Off-Balance Sheet Collateral, Line (35) + XR010, Equity Assets Page, Line (13)</b>
(22)	Property & Equipment	XR006, Off-Balance Sheet Collateral, Line (36) + XR011, Prop/Equip Assets Page, Line (9)
(23)	Asset Concentration	XR012, Grand Total Asset Concentration Page, Line (27)
(24)	Total H1	Sum Lines (11) through (23)
<b>H2 - UNDERWRITING RISK</b>		
(25)	Net Underwriting Risk	XR013, Underwriting Risk Page, Line (21)
(26)	Other Underwriting Risk	XR015, Underwriting Risk Page, Line (25.3)
(27)	Disability Income	XR015, Underwriting Risk Page, Lines (26.3) + (27.3) + (28.3) + (29.3) + (30.6) + (31.3) + (32.3)
(28)	Long-Term Care	XR016, Underwriting Risk Page, Line (41)
(29)	Limited Benefit Plans	XR017, Underwriting Risk Page, Lines (42.2) + (43.6) + (44)
(30)	Premium Stabilization Reserve	XR017, Underwriting Risk Page, Line (45)
(31)	Total H2	Sum Lines (25) through (30)

(21) Denotes items that must be manually entered on filing software.

DETAILS FOR AFFILIATED STOCKS PR003

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
Name of Affiliate	Affil Type	NAIC Company Code or Alien ID Number	Affiliate's RBC After Covariance before Basic Operational Risk LR031 L(69) + L(73) PR032 L(60) XR025 L(41)	Book/Adjusted Carrying Value (statement value) of Affiliate's Common Stock	Valuation Basis of Column (5) M - Market Value after any "discount" A - All Other	Total Value of Affiliate's Outstanding Common Stock	Statutory Surplus of Affiliate Subject to RBC (Adjusted for % Owned)	Book/Adjusted Carrying Value (statement value) of Affiliate's Preferred Stock	Total Value of Affiliate's Outstanding Preferred Stock	Percent Owned*	RBC Required (R0 Component)	Market Value Excess Component Affiliate Common Stocks RBC Required (R2 Component)
0000001										0.000%	0	0
0000002										0.000%	0	0
0000003										0.000%	0	0
0000004										0.000%	0	0
0000005										0.000%	0	0
0000006										0.000%	0	0
0000007										0.000%	0	0
0000008										0.000%	0	0
0000009										0.000%	0	0
0000010										0.000%	0	0
0000011										0.000%	0	0
0000012										0.000%	0	0
0000013										0.000%	0	0
0000014										0.000%	0	0
0000015										0.000%	0	0
0000016										0.000%	0	0
0000017										0.000%	0	0
0000018										0.000%	0	0
0000019										0.000%	0	0
0000020										0.000%	0	0
0000021										0.000%	0	0
0000022										0.000%	0	0
0000023										0.000%	0	0
0000024										0.000%	0	0
0000025										0.000%	0	0
0000026										0.000%	0	0
0000027										0.000%	0	0
0000028										0.000%	0	0
0000029										0.000%	0	0
0000030										0.000%	0	0
0000031										0.000%	0	0
0000032										0.000%	0	0
0000033										0.000%	0	0
0000034										0.000%	0	0
0000035										0.000%	0	0
0000036										0.000%	0	0
0000037										0.000%	0	0
0000038										0.000%	0	0
0000039										0.000%	0	0
0000040										0.000%	0	0
0000041										0.000%	0	0
0000042										0.000%	0	0
0000043										0.000%	0	0
0000044										0.000%	0	0
0000045										0.000%	0	0
0000046										0.000%	0	0
0000047										0.000%	0	0
0000048										0.000%	0	0
0000049										0.000%	0	0
0000050										0.000%	0	0
(9999999) Total	XXX	XXX	0	0	XXX	0	0	0	0	XXX	0	0


Remark: Subcategory 8a, 8b and 8c are referring to the directly owned insurance affiliates not subject to RBC look-through Indirectly owned insurance affiliate not subject to RBC will be included Category 4

\* Only applies to Affiliate Type 1 and 2.

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

**UNAFFILIATED PREFERRED AND COMMON STOCK PR007**

	Annual Statement Source	(1) Book/Adjusted Carrying Value	Factor	(2) RBC Requirement
<b>Unaffiliated Preferred Stock</b>				
(1) NAIC 01 Preferred Stock	Sch D Pt 2 Sn 1	0	0.003	0
(2) NAIC 02 Preferred Stock	Sch D Pt 2 Sn 1	0	0.010	0
(3) NAIC 03 Preferred Stock	Sch D Pt 2 Sn 1	0	0.020	0
(4) NAIC 04 Preferred Stock	Sch D Pt 2 Sn 1	0	0.045	0
(5) NAIC 05 Preferred Stock	Sch D Pt 2 Sn 1	0	0.100	0
(6) NAIC 06 Preferred Stock	Sch D Pt 2 Sn 1	0	0.300	0
(7) TOTAL - UNAFFILIATED PREFERRED STOCK (should equal P2 L2.1 C3 less Sch D-Sum C1 L18)	Sum of Ls (1) through (6)	0		0
<b>Unaffiliated Common Stock</b>				
(8) Total Common Stock	Sch D - Summary C1 L25	0		
(9) Affiliated Common Stock	Sch D - Summary C1 L24	0		
(10) Non-Admitted Unaffiliated Common Stock	P2 C2 L2.2 - Sch D Pt6 Sn1 C9 L1899999	0		
(11) Admitted Unaffiliated Common Stock	L(8) - L(9) - L(10)	0	0.150	0
(12) Market Value Excess Affiliated <del>Common</del> Stocks	PR003 C(14) L(9999999)	0		0
(13) Total Unaffiliated Common Stock <b>and Market Value Excess Affiliated Stocks</b>	L(11) + L(12)	0		0

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



Calculation of Total Risk-Based Capital After Covariance PR031 R2-R3

(1)

<b>R2 - Asset Risk - Equity</b>		<b>PRBC O&amp;I Reference</b>	<b>RBC Amount</b>
(27)	Common - Affiliate Investment Subsidiary	PR004 L(7)C(2)	0
(28)	Common - Affiliate Hold. Company. in excess of Ins. Subs.	PR004 L(10)C(2)	0
(29)	Common - Investment in Parent	PR004 L(11)C(2)	0
(30)	Common - Aff'd US P&C Not Subj to RBC	PR004 L(12)C(2)	0
(31)	Common - Affil US Life Not Subj to RBC	PR004 L(13)C(2)	0
(32)	Common - Affil US Health Insurer Not Subj to RBC	PR004L(14)C(2)	0
(33)	Common - Aff'd Non-insurer	PR004 L(15)C(2)	0
(34)	Preferred - Aff'd Invest Sub	PR004 L(7)C(3)	0
(35)	Preferred - Aff'd Hold. Co. in excess of Ins. Subs.	PR004 L(10)C(3)	0
(36)	Preferred - Investment in Parent	PR004 L(11)C(3)	0
(37)	Preferred - Affil US P&C Not Subj to RBC	PR004 L(12)C(3)	0
(38)	Preferred - Affil US Life Not Subj to RBC	PR004 L(13)C(3)	0
(39)	Preferred - Affil US Health Insurer Not Subj to RBC	PR004 L(14)C(3)	0
(40)	Preferred - Affil Non-insurer	PR004 L(15)C(3)	0
(41)	Unaffiliated Preferred Stock	PR007 L(7)C(2)+PR015 L(34)C(4)	0
(42)	<b>Total Unaffiliated Common Stock and Fair Value Excess Affiliated Stocks</b>	PR007 L(13)C(2)+PR015 L(35)C(4)	0
(43)	Other Long -Term Assets - Real Estate	PR008 L(7)C(2)	0
(44)	Other Long -Term Assets - Schedule BA Assets	PR008 L(19)C(2)+PR015 L(36)+L(37)C(4)	0
(45)	Misc Assets - Receivable for Securities	PR009 L(1)C(2)	0
(46)	Misc Assets - Aggregate Write-ins for Invested Assets	PR009 L(2)C(2)	0
(47)	Misc Assets - Derivatives	PR009 L(14)C(2)	0
(48)	Replication - Synthetic Asset: One Half	PR010 L(9999999)C(7)	0
(49)	Asset Concentration RBC - Equity	PR011 L(33)C(3) Grand Total Page	0
(50)	Total R2	L(27)+L(28)+L(29)+L(30)+L(31)+L(32)+L(33)+L(34) +L(35)+L(36)+L(37)+L(38)+L(39)+L(40)+L(41)+L(42) +L(43)+L(44)+L(45)+L(46)+L(47)+L(48)+L(49)	0
<b>R3 - Asset Risk - Credit</b>			
(51)	Other Credit RBC	PR012 L(8)-L(1)-L(2)C(2)	0
(52)	One half of Rein Recoverables	0.5 x (PR012 L(1)+L(2)C(2))	0
(53)	Other half of Rein Recoverables	If R4 L(57)>(R3 L(51) + R3 L(52)), 0, otherwise, R3 L(52)	0
(54)	Health Credit Risk	PR013 L(12)C(2)	0
(55)	Total R3	L(51) + L(52) + L(53) + L(54)	0