

During the Life Risk-Based Capital (E) Working Group's discussion at the Fall National Meeting, an issue was raised with respect to voluntary reserves and smoothing that may impact those companies that choose to early adopt for 2019. To highlight and address this issue, the Working Group exposed proposed modifications to the 2020 RBC instructions for comment. Additionally, as indicated, the Working Group is also now exposing the following recommendation for 2019 reporting for comment:

For insurers that meet the following three criteria:

- 1. Are early adopting the revised methodology for variable annuity reserves and C-3 RBC;**
- 2. Held voluntary reserves in 2018 and intend to reduce or eliminate voluntary reserves in 2019;**
- 3. Are currently smoothing or intend to request permission to smooth for 2019;**

It is recommended those insurers do not smooth for 2019. Those insurers may then choose to begin smoothing in 2020. The smoothing instructions have been proposed to be revised for 2020 and the impact of the change will be a discontinuity in the C-3 RBC amount between 2019 and 2020 for those companies meeting the criteria identified above. A change in smoothing does require approval from the state of domicile.