

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 checked="" 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 |

DATE: <u>9/24/2025</u>	FOR NAIC USE ONLY
CONTACT PERSON: <u>Jane Ren</u>	Agenda Item # <u>2025-17-L</u>
TELEPHONE: <u>212-386-1942</u>	Year <u>2026</u>
EMAIL ADDRESS: <u>jren@naic.org</u>	DISPOSITION
ON BEHALF OF: <u>Variable Annuities Capital and Reserve Subgrp</u>	ADOPTED:
NAME: <u>Matt Cheung, Vice Chair</u>	<input type="checkbox"/> TASK FORCE (TF) _____
TITLE: <u>Chief Life Actuary</u>	<input type="checkbox"/> WORKING GROUP (WG) _____
AFFILIATION: <u>Illinois</u>	<input type="checkbox"/> SUBGROUP (SG) _____
ADDRESS: <u>115 S. Lasalle St, 13th Floor</u>	EXPOSED:
<u>Chicago IL, 60603</u>	<input type="checkbox"/> TASK FORCE (TF) _____
	<input type="checkbox"/> WORKING GROUP (WG) _____
	<input type="checkbox"/> SUBGROUP (SG) _____
	REJECTED:
	<input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____
	OTHER:
	<input type="checkbox"/> DEFERRED TO _____
	<input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____
	<input type="checkbox"/> (SPECIFY) _____

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

- | | | |
|--|---|---|
| <input type="checkbox"/> Health RBC Blanks | <input type="checkbox"/> Property/Casualty RBC Blanks | <input type="checkbox"/> Life and Fraternal RBC Blanks |
| <input type="checkbox"/> Health RBC Instructions | <input type="checkbox"/> Property/Casualty RBC Instructions | <input checked="" 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 clarifies that for LR027 in the Life and Fraternal RBC blanks, companies that reserve for payout annuities resulting from variable annuities under VM-21 (which requires domiciliary commissioner approval) should exclude such reserves from the Interest Rate Risk and Market Risk calculation.

APPENDIX 1 – CASH FLOW MODELING FOR C-3 RBC

The total C-3 component is the sum of (a), (b), (c) and (d), but not less than half the C-3 component based on current factors and instructions.

- For this C-3 calculation, "Certain Annuities" means products with the characteristics of deferred and immediate annuities, structured settlements, guaranteed separate accounts (excluding guaranteed indexed separate accounts following a Class II investment strategy) and GICs (including synthetic GICs and funding agreements). Debt incurred for funding an investment account is included if cash flow testing of the arrangement is required by the insurer's state of domicile for asset adequacy analysis. Variable annuity products are not to be included, including guaranteed fixed options within such products **and payout annuities resulting from variable annuities reserved for under VM-21**, as they are separately tested under the requirements for Variable Annuities and Similar Products. See Appendix 1b for further discussion.

The RBC instructions already extend C3P2 to all policies and contracts valued with AG-43/VM-21, so no further change is needed there.

Additional Staff Comments:

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

Revised 2-2023