

MEMORANDUM

TO: Insurance Companies Completing the Life Risk-Based Capital Report

FROM: Philip Barlow, Chair of the Life Risk-Based Capital (E) Working Group

DATE: Dec. 2, 2023

RE: Implementation of 2023 Mortality Risk Changes

This document addresses implementation of changes for yearend 2023 to the life risk-based capital (RBC) C-2 mortality calculation as part of adopted proposal 2023-06-L. Included in the American Academy of Actuaries' (Academy) updates for 2023 was a new note to the financial statement which was proposed to provide an annual statement source for amounts used in the life RBC calculation. The proposed note was ~~deferred-withdrawn~~ for yearend 2023 due to concerns raised with respect to audit implications of including the data in the notes. An alternative for yearend 2024 has been proposed by the Blanks (E) Working Group during its Nov. 7 meeting which uses a new general interrogatory as the source. ~~This alternative was exposed for public comment by the Blanks (E) Working Group during its Nov. 7 meeting.~~

Although the presentation of the C-2 mortality calculation has changed from 2022, continue to use the references and procedures that were used for 2022 completion, including the use of "Company Records," where appropriate. The references are:

- Exhibit of Life Insurance
- Exhibit 5
- Separate Accounts Exhibit 3
- Schedule S – Part 1 – Section 1 and Part 3 – Section 1
- Company Records

~~The adopted 2023 instructions should be used, along with the previously adopted C-2 Mortality Risk Guidance included on the Working Group's website. The proposed note specifically referenced the RBC instructions, and its primary purpose was to be used as the source for the RBC inputs. The RBC references to the note have been changed to "Company Records" for the 2023 RBC line descriptions and instructions but the proposed note is included here for reference and can be used in addition to the adopted 2023 instructions along with previously adopted C-2 Mortality Risk Guidance included on the Working Group's website.~~

Proposed 2023 Update 2

NOTE 37 Life Insurance Net Amount at Risk by Product Characteristics

Refer to LR025 of the RBC instructions for category definitions

A. INDIVIDUAL & INDUSTRIAL LIFE

Line Definitions

- (1) Life In Force Exhibit of Life Insurance Amount of Insurance for Industrial and Ordinary Life, Lines 21 and 22
- (2) Exhibit 5 Life Reserves Exhibit 5 for Industrial and Ordinary Life, Lines 0199997 and 0199998
- (3) Separate Account Life Reserves Separate Accounts, Exhibit 3, Column 3 Line 0199999
- (4) Modified Coinsurance Life Reserves Schedule S, Part 1 Section 1 Column 12 and Part 3 Section 1 Column 14, the portion which relates to policy reserves that, if written on a direct basis, would be included on Exhibit 5.

Table A1

		Total Individual & Industrial Life			
		(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1)	Life In Force				
(2)	Exhibit 5 Life Reserves				
(3)	Separate Account Life Reserves				
(4)	Modified Coinsurance Life Reserves				
(5)	Life Reserves (2) + (3) + (4)				
(6)	Life Net Amount at Risk (1) - (5)				

Table A2

		Individual & Industrial Life Policies with Pricing Flexibility			
		(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1)	Life In Force				
(2)	Exhibit 5 Life Reserves				
(3)	Separate Account Life Reserves				
(4)	Modified Coinsurance Life Reserves				
(5)	Life Reserves (2) + (3) + (4)				
(6)	Life Net Amount at Risk (1) - (5)				

Table A3

		Individual & Industrial Term Life Policies without Pricing Flexibility			
		(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1)	Life In Force				
(2)	Exhibit 5 Life Reserves				
(3)	Separate Account Life Reserves				
(4)	Modified Coinsurance Life Reserves				
(5)	Life Reserves (2) + (3) + (4)				
(6)	Life Net Amount at Risk (1) - (5)				

Table A4

		Individual & Industrial Permanent Life Policies without Pricing Flexibility			
		(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1)	Life In Force				
(2)	Exhibit 5 Life Reserves				
(3)	Separate Account Life Reserves				
(4)	Modified Coinsurance Life Reserves				
(5)	Life Reserves (2) + (3) + (4)				
(6)	Life Net Amount at Risk (1) - (5)				

B. GROUP & CREDIT LIFE EXCLUDING FEGLI/SGLI

Line Definitions

<p>(1) Life In Force (2) Exhibit 5 Life Reserves (3) Separate Account Life Reserves (4) Modified Coinsurance Life Reserves</p>	<p>Exhibit of Life Insurance Amount of Insurance for Group and Credit Life, Lines 21 and 22; exclude amounts for FEGLI and SGLI reported on lines 43 and 44 Exhibit 5 for Group and Credit Life, Lines 0199997 and 0199998 Separate Accounts, Exhibit 3, Column 4 Line 0199999 Schedule S, Part 1 Section 1 Column 12 and Part 3 Section 1 Column 14, the portion which relates to policy reserves that, if written on a direct basis, would be included on Exhibit 5.</p>
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Table B1

Total Group & Credit Life Excluding FEGLI/SGLI				
	(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1) Life In Force				
(2) Exhibit 5 Life Reserves				
(3) Separate Account Life Reserves				
(4) Modified Coinsurance Life Reserves				
(5) Life Reserves (2) + (3) + (4)				
(6) Life Net Amount at Risk (1) - (5)				

Table B2

Group & Credit Term Life with Remaining Rate Terms 36 Months and Under				
	(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1) Life In Force				
(2) Exhibit 5 Life Reserves				
(3) Separate Account Life Reserves				
(4) Modified Coinsurance Life Reserves				
(5) Life Reserves (2) + (3) + (4)				
(6) Life Net Amount at Risk (1) - (5)				

Table B3

Group & Credit Term Life with Remaining Rate Terms Over 36 Months				
	(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1) Life In Force				
(2) Exhibit 5 Life Reserves				
(3) Separate Account Life Reserves				
(4) Modified Coinsurance Life Reserves				
(5) Life Reserves (2) + (3) + (4)				
(6) Life Net Amount at Risk (1) - (5)				

Table B4

Group & Credit Permanent Life Policies with Pricing Flexibility				
	(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1) Life In Force				
(2) Exhibit 5 Life Reserves				
(3) Separate Account Life Reserves				
(4) Modified Coinsurance Life Reserves				
(5) Life Reserves (2) + (3) + (4)				
(6) Life Net Amount at Risk (1) - (5)				

Table B5

Group & Credit Permanent Life Policies without Pricing Flexibility				
	(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1) Life In Force				
(2) Exhibit 5 Life Reserves				
(3) Separate Account Life Reserves				
(4) Modified Coinsurance Life Reserves				
(5) Life Reserves (2) + (3) + (4)				
(6) Life Net Amount at Risk (1) - (5)				