

NAIC Property and Casualty Risk-Based Capital Newsletter

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What RBC Pages Should Be Submitted?

For year-end 2018 property/casualty (P/C) risk-based capital (RBC), hard copies of pages **PR001 through PR035**, as well as **PR038 and PR039**, should be submitted to any state that requests a hard copy. Beginning with the year-end 2011 RBC, a hard copy was not required to be submitted to the NAIC, but a portable document format (PDF) file representing the hard copy filing is part of the electronic filing with the NAIC.

Affiliated Bonds

As a result of the adoption of proposal 2017-14-P by the Capital Adequacy (E) Task Force at the 2018 Spring National Meeting, the RBC charge for the affiliated bonds from PR003, PR004 and PR005 in the RBC formula were removed. Both affiliated and unaffiliated Bonds will be reported in the PR006 and PR011. Columns, Lines were eliminated and the line references were updated on PR003, PR004, PR006 and PR030 to reflect the change.

MMMFs

As a result of the adoption of proposal 2017-07-CA and proposal 2017-07-CA (MOD) by the Capital Adequacy (E) Task Force at the 2018 Spring National Meeting, the non-government MMMFs line for Common Stocks in PR007 was removed. Also, the reference for Line (18) was updated.

Receivable for Securities

As a result of the adoption of proposal 2018-09-CA by the Capital Adequacy (E) Task Force on its June 28 conference call, the factor of Line (1) Receivable for Securities of Miscellaneous Assets (PR009) and Line (25) of Asset Concentration (PR011) were updated.

Operational Risk

A revised basic operational risk “add-on” structure and instructions were adopted by the Capital Adequacy (E) Task Force during its March 25 and April 28 conference calls, respectively. The “add-on” is equal to 3% of total RBC after covariance in all RBC formulas. The operational risk charge is offset (to a minimum of zero) by the amount of C-4a risk RBC carried by life RBC filers, as well as the C-4a risk RBC of life insurance subsidiaries owned directly by any insurer type.. The basic operational risk charge will be effective with the filing of the 2018 RBC formulas. The RBC charge was previously set at 0% for 2017 RBC by the Task Force based on a technical issue that was subsequently addressed by the Operational Risk (E) Subgroup.

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Credit Risk

As a result of the change in the Annual Statement, Schedule F, Part 3, the Capital Adequacy (E) Task Force adopted proposal 2016-10-P at the 2017 Summer National Meeting. The original PR012 will be replaced by the PR012A. Also, the reinsurance credit risk component of R3 will no longer be needed to calculate in the new PR012 as these amounts will be directly linked to the Annual Statement blanks. The Blanks and Instructions were updated to reflect the change.

Catastrophe Risk

As a result of the adoption of proposal 2018-10-P by the Capital Adequacy (E) Task Force on its June 28 conference call, the “Yes” or “No” responses in PR027 were replaced by the checklist format. The purpose of this change is to make it clear that the PR027 interrogatory must be completed by the filers taking an catastrophe risk charge exemption on either earthquake, hurricane or both. The Blanks and Instructions were updated to reflect the change.

Stop Loss Interrogatories

As a result of the adoption of proposal 2018-01-CA by the Capital Adequacy (E) Task Force on its April 30 conference call, electronic only tables for stop loss interrogatories were added. Table 1 will be used to collect data to review and evaluate the stop loss factors. Table 2 will be used to capture the number of stop loss contracts by group size.

Medicaid Pass-Through Payments

As a result of the adoption of proposal 2017-08-CA, by the Capital Adequacy (E) Task Force at the 2018 Spring National Meeting, new lines (3.3) and (10.3) were added to page PR019 for Medicaid pass-through payments. The purpose of the change reflects that Medicaid Pass-Through Payments are more like uninsured business, such as ASC and ASO administrative services contracts (ASC) and administrative services only (ASO), and should reflect a similar charge.

Federal ACA Changes

The Capital Adequacy (E) Task Force adopted proposal 2018-02-CA and proposal 2017-09-CA at the 2018 Spring National Meeting. proposal 2018-02-CA deleted the structure and instructions for the Underwriting Risk– Experience Fluctuation Risk—Informational Only pages from the formula. proposal 2017-09-CA modifies the Risk Adjustment and Risk Corridor Sensitivity Test by removing the risk corridor portion. The purpose of these changes was due to discontinuation of the reinsurance and risk corridor programs, as well as the continued changes of the Federal Affordable Care Act (ACA).

Appendix 2 – Commonly Used Terms for Medicare Part D Coverage

As a result of the adoption of proposal 2018-03-CA by the Capital Adequacy (E) Task Force on its June 28 conference call, the individual definitions in Appendix 2—Commonly Used Terms for Medicare Part D Coverage were deleted, and a reference to Interpretation (*INT 05-05*): Accounting for Revenue Under Medicare Part Coverage was added to reduce the misalignment of changes in the INT compared to the RBC instructions.

New Industry Average Risk Factors – Annual Update

On its June 28 conference call, the Capital Adequacy (E) Task Force adopted the annual update of industry average development factors:

PR017 Underwriting Risk – Reserves			
Line (1), Industry Average Development Factors			
Col.	Line of Business	2017 Factor	2018 Factor
(1)	H/F	0.984	0.989
(2)	PPA	1.012	1.022
(3)	CA	1.034	1.060
(4)	WC	0.971	0.952
(5)	CMP	0.956	0.967
(6)	MPL Occurrence	0.868	0.871
(7)	MPL Clms Made	0.854	0.886
(8)	SL	0.926	0.933
(9)	OL	0.952	0.966
(10)	Fidelity/Surety	1.016	0.996
(11)	Special Property	0.982	0.971
(12)	Auto Physical Damage	1.001	1.000
(13)	Other (credit A&H)	0.981	0.976
(14)	Financial/Mortgage Guaranty	0.820	0.870
(15)	INTL	0.855	0.851
(16)	REIN. P&F Lines	0.814	0.834
(17)	REIN. Liability	0.914	0.945
(18)	PL	0.935	0.921
(19)	Warranty	0.989	1.015

PR018 Underwriting Risk – Net Written Premiums			
Line (1), Industry Average Loss and Expense Ratios			
Col.	Line of Business	2017 Factor	2018 Factor
(1) *	H/F	0.688	0.687
(2)	PPA	0.800	0.806
(3)	CA	0.706	0.724
(4)	WC	0.751	0.744
(5) *	CMP	0.647	0.664
(6)	MPL Occurrence	0.777	0.780
(7)	MPL Clms Made	0.722	0.747
(8) *	SL	0.567	0.569
(9)	OL	0.629	0.633
(10)	Fidelity/Surety	0.430	0.417
(11) *	Special Property	0.555	0.563
(12)	Auto Physical Damage	0.727	0.732
(13)	Other (credit A&H)	0.712	0.709
(14)	Financial/Mortgage Guaranty	1.175	1.099
(15) *	INTL	0.565	0.584
(16) *	REIN. P&F Lines	0.459	0.486
(17) *	REIN. Liability	0.609	0.666
(18)	PL	0.670	0.671
(19)	Warranty	0.645	0.732

* Cat Lines

RBC Forecasting and Instructions

The NAIC *2018 Property and Casualty Risk-Based Capital Forecasting & Instructions* is available for purchase through the NAIC Publications Department. Customers who purchase this publication can download the forecasting spreadsheet from the [NAIC Account Manager](#). This publication is available for purchase 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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