

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"/> Investment RBC (E) Working Group | <input type="checkbox"/> Operational Risk (E) Subgroup |
| <input type="checkbox"/> C3 Phase II/ AG43 (E/A) Subgroup | <input type="checkbox"/> P/C RBC (E) Working Group | <input type="checkbox"/> Longevity Risk (A/E) Subgroup |

DATE: <u>4/22/2022</u>	<u>FOR NAIC USE ONLY</u>
CONTACT PERSON: <u>Dave Fleming</u> TELEPHONE: <u>816-783-8121</u> EMAIL ADDRESS: <u>d Fleming@naic.org</u> ON BEHALF OF: <u>Life Risk-Based Capital (E) Working Group</u> NAME: <u>Philip Barlow, Chair</u> TITLE: <u>Associate Commissioner of Insurance</u> AFFILIATION: <u>District of Columbia</u> ADDRESS: <u>1050 First Street, NE Suite 801</u> <u>Washington, DC 20002</u>	Agenda Item # <u>2022-05-L</u> Year <u>2022</u> <u>DISPOSITION</u> <input checked="" type="checkbox"/> ADOPTED <u>6/3/22, TF 6/30/22</u> <input type="checkbox"/> REJECTED _____ <input type="checkbox"/> DEFERRED TO _____ <input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____ <input type="checkbox"/> EXPOSED _____ <input type="checkbox"/> OTHER (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 checked="" type="checkbox"/> Life and Fraternal RBC Instructions |
| <input type="checkbox"/> Health RBC Instructions | <input type="checkbox"/> Property/Casualty RBC Instructions | <input type="checkbox"/> Life and Fraternal RBC Blanks |
| <input type="checkbox"/> OTHER _____ | | |

DESCRIPTION OF CHANGE(S)

This proposal adds instruction for line 49.2 on LR008 to include the total of residual tranches.

REASON OR JUSTIFICATION FOR CHANGE **

Schedule BA and the Asset Valuation Reserve (AVR) were both modified for year end 2022 to isolate residual tranches. This proposal adds instruction to include the total of those reported in the AVR in line 49.2 on LR008.

Additional Staff Comments:

- 4/22/22: Proposal was exposed for comments (DBF)
- 6/3/22 : Adopted by the Working Group.
- 6/30/22: Capital Adequacy (E) Task Force adopted at their meeting on 6/30/22.

** This section must be completed on all forms.

Revised 2-2019

OTHER LONG-TERM ASSETS

LR008

Basis of Factors

Recognizing the diverse nature of Schedule BA assets, the RBC is calculated by assigning different risk factors according to the different type of assets. Assets with underlying characteristics of bonds and preferred stocks designated by the NAIC Capital Markets and Investment Analysis Office have different factors according to the NAIC assigned classification. Unrated fixed-income securities will be treated the same as Other Schedule BA Assets and assessed a 30 percent pre-tax charge. Rated surplus and capital notes have the same factors applied as Schedule BA assets with the characteristics of preferred stock. Where it is not possible to determine the RBC classification of an asset, a 30 percent pre-tax factor is applied.

Specific Instructions for Application of the Formula

Line (49.1)

Schedule BA affiliated common stock – all other should be included in C-1cs. Specifically this means that all subs with an affiliate code 13 in the current life-based framework and “holding company in excess of indirect subsidiaries” or subsidiaries with affiliate code 7 are to be included in C-1cs.

Line (49.2)

[New lines were added for yearend 2022 reporting to Schedule BA and the AVR Equity Component to capture amounts related to residual tranches or interest. For yearend 2022 life RBC reporting, AVR Equity Component, Column 1, Line 93 will be included in Line \(49.2\).](#)

Line (57)

Total Schedule BA assets [LR008 Other Long-Term Assets Column (1) Line (57) plus LR007 Real Estate Column (1) Line (14) plus Lines (17) through Line (21) plus LR009 Schedule BA Mortgages Column (1) Line (20)] should equal the total Schedule BA assets reported in the Annual Statement Page 2, Column 3, Line 8.