

# Capital Adequacy (E) Task Force

## RBC Proposal Form

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|---|--|--|
| <input type="checkbox"/> Capital Adequacy (E) Task Force                      | <input type="checkbox"/> Health RBC (E) Working Group      | <input 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 type="checkbox"/> Variable Annuities Capital. & Reserve (E/A) Subgroup | <input type="checkbox"/> Economic Scenarios (E/A) Subgroup | <input checked="" type="checkbox"/> RBC Investment Risk & Evaluation (E) Working Group |

<p style="text-align: right;">DATE: <u>3/23/23</u></p> <p><b>CONTACT PERSON:</b> <u>Steve Clayburn</u></p> <p><b>TELEPHONE:</b> <u>(202)624-2197</u></p> <p><b>EMAIL ADDRESS:</b> <u>steveclayburn@acli.com</u></p> <p><b>ON BEHALF OF:</b> <u>American Council of Life Insurers (ACLI)</u></p> <p><b>NAME:</b> <u>Steve Clayburn</u></p> <p><b>TITLE:</b> _____</p> <p><b>AFFILIATION:</b> _____</p> <p><b>ADDRESS:</b> _____</p>	<p style="text-align: center;"><b>FOR NAIC USE ONLY</b></p> <hr/> <p>Agenda Item # <u>2023-04-IRE</u></p> <p>Year <u>2023</u></p> <hr/> <p style="text-align: center;"><b>DISPOSITION</b></p> <p><b>ADOPTED:</b></p> <p><input checked="" type="checkbox"/> TASK FORCE (TF) <u>4-28-23</u></p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>EXPOSED:</b></p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input checked="" type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p><b>REJECTED:</b></p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p><b>OTHER:</b></p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> (SPECIFY) _____</p>
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### 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 Blanks |
| <input type="checkbox"/> Health RBC Instructions | <input type="checkbox"/> Property/Casualty RBC Instructions | <input 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)

The additional lines are to add residual tranches to the sensitivity testing exhibits for RBC.

As regulators develop designations for asset back securities to then be assigned appropriate C-1 RBC factors, the updated sensitivity testing could be an additional tool to help regulators in reviewing companies and there investments in residual tranches.

### Additional Staff Comments:

4-28-23 TF Adopted

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

**Revised 2-2023**

**ADDITIONAL INFORMATION REQUIRED**

	<u>Source</u>	(1) <u>Statement Value</u>
(1.2) Other Affiliates: Subsidiaries	Subsidiaries' Life and Fraternal Risk-Based Capital LR042 Summary for Affiliated Investments Column (1) Line (13); Property and Casualty Risk-Based Capital PR005 Summary For Subsidiary, Controlled and Affiliated Investments for Cross-Checking Statement Values Column (1) Line (8) and Line (17)	
(2.2) Noncontrolled Assets: Subsidiaries	Subsidiaries' Life and Fraternal Risk-Based Capital LR017 Off-Balance Sheet and Other Items Column (1) Line (15); Property and Casualty PR014 Miscellaneous Off-Balance Sheet Items Column (1) Line (15)	
(3.2) Guarantees for Affiliates: Subsidiaries	Subsidiaries' Life Notes to Financial Statements #14A3c1; Property and Casualty Notes to Financial Statements #14A3c1	
(4.2) Contingent Liabilities: Subsidiaries	Subsidiaries' Life Notes to Financial Statements #14A1; Property and Casualty Notes to Financial Statements #14A1	
(5.2) Long Term Leases: Subsidiaries	Subsidiaries' Life Notes to Financial Statements #15A2a1; Property and Casualty Notes to Financial Statements #15A2a1	
(7.11) Total Affiliated Investments: Company	Company's Annual Statement Five-Year Historical Data Column 1 Line 50	
(7.12) Less Affiliated Common Stock: Company	Company's Annual Statement Five-Year Historical Data Column 1 Line 46	
(7.13) Less Affiliated Preferred Stock: Company	Company's Annual Statement Five-Year Historical Data Column 1 Line 45	
(7.14) Net Affiliated Investments: Company	Lines (7.11) - (7.12) - (7.13)	
(7.2) Affiliated Investments: Subsidiaries	Subsidiaries' Life Annual Statement Five-Year Historical Data Column 1 Line 50 Less Lines 45 and 46; Property and Casualty Annual Statement Five-Year Historical Data Column 1 Line 48 Less Lines 43 and 44	
(9.1) Surplus Notes: Company	Company's Annual Statement Page 3 Column 1 Line 32	
(9.2) Surplus Notes: Subsidiaries	Subsidiaries' Life Annual Statement Page 3 Column 1 Line 32; Property and Casualty Annual Statement Page 3 Column 1 Line 33	
(10.11) Capital Paid In: Company	Company's Annual Statement Page 4 Column 1 Line 50.1	
(10.12) Surplus Paid In: Company	Company's Annual Statement Page 4 Column 1 Line 51.1	
(10.13) Total Current Year's Capital Contributions: Company	Line (10.11) + Line (10.12)	
(10.2) Current Year's Capital Contributions: Subsidiaries	Subsidiaries' Life Annual Statement Page 4 Column 1 Lines 50.1 + 51.1; Property and Casualty Annual Statement Page 4 Column 1 Lines 32.1 + 33.1	
<b>(11.1) Total Residual Tranches or Interests</b>	<b>Company's Annual Statement Asset Valuation Reserve, Equity and Other Invested Asset Component, Column 1, Line 93</b>	

Denotes items that must be manually entered on the filing software.

**SENSITIVITY TESTS - AUTHORIZED CONTROL LEVEL**


Sensitivity Tests Affecting Authorized Control Level Risk-Based Capital		Source	(1) Statement Value	Additional Sensitivity Factor	(2) Additional RBC	(3) Authorized Control Level Before Test	(4) Authorized Control Level After Test
(1.1)	Other Affiliates: Company	LR042 Summary for Affiliated Investments Column (1) Line (13)		0.700			
(1.2)	Other Affiliates: Subsidiaries	LR038 Additional Information Required Column (1) Line (1.2)		0.700			
(1.99)	Total Other Affiliates			0.700			
(2.1)	Noncontrolled Assets - Company	LR017 Off-Balance Sheet and Other Items Column (1) Line (15)		0.020			
(2.2)	Noncontrolled Assets - Subsidiaries	LR038 Additional Information Required Column (1) Line (2.2)		0.020			
(2.99)	Total Noncontrolled Assets			0.020			
(3.1)	Guarantees for Affiliates: Company	LR017 Off-Balance Sheet and Other Items Column (1) Line (24)		0.020			
(3.2)	Guarantees for Affiliates: Subsidiaries	LR038 Additional Information Required Column (1) Line (3.2)		0.020			
(3.99)	Total Guarantees for Affiliates			0.020			
(4.1)	Contingent Liabilities: Company	LR017 Off-Balance Sheet and Other Items Column (1) Line (25)		0.020			
(4.2)	Contingent Liabilities: Subsidiaries	LR038 Additional Information Required Column (1) Line (4.2)		0.020			
(4.99)	Total Contingent Liabilities			0.020			
(5.1)	Long-Term Leases: Company	LR017 Off-Balance Sheet and Other Items Column (1) Line (26)		0.030			
(5.2)	Long-Term Leases: Subsidiaries	LR038 Additional Information Required Column (1) Line (5.2)		0.030			
(5.99)	Total Long-Term Leases			0.030			
(7.1)	Affiliated Investments†: Company	LR038 Additional Information Required Column (1) Line (7.14)		0.100			
(7.2)	Affiliated Investments†: Subsidiaries	LR038 Additional Information Required Column (1) Line (7.2)		0.100			
(7.99)	Total Affiliated Investments			0.100			
<b>(8.1)</b>	<b>Total Residual Tranches or Interests</b>	<b>LR038 Additional Information Required Column (1) Line (11.1)</b>		<b>0.100</b>			

† Excluding affiliated preferred and common stock

Denotes items that must be manually entered on the filing software.

**SENSITIVITY TESTS - TOTAL ADJUSTED CAPITAL**

		(1)	Additional	(2)	(3)	(4)
Sensitivity Tests Affecting			Sensitivity	Change to Total	Total Adjusted	Total Adjusted
<u>Total Adjusted Capital</u>	<u>Source</u>	<u>Statement Value</u>	<u>Factor</u>	<u>Adjusted Capital</u>	<u>Capital Before Test</u>	<u>Capital After Test</u>
(9.1)	Dividend Liability: Company	LR033 Calculation of Total Adjusted Capital Column (1) Line (3) + Line (4)	-0.250			
(9.2)	Dividend Liability: Subsidiaries	LR033 Calculation of Total Adjusted Capital Column (1) Line (7)	-0.250			
(9.99)	Total Dividend Liability		-0.250			
(10.1)	Surplus Notes: Company	LR038 Additional Information Required Column (1) Line (9.1)	-1.000			
(10.2)	Surplus Notes: Subsidiaries	LR038 Additional Information Required Column (1) Line (9.2)	-1.000			
(10.99)	Total Surplus Notes		-1.000			
(11.1)	Current Year Capital Contribution: Company	LR038 Additional Information Required Column (1) Line (10.13)	-1.000			
(11.2)	Current Year Capital Contribution: Subsidiaries	LR038 Additional Information Required Column (1) Line (10.2)	-1.000			
(11.99)	Total Current Year Capital Contributions		-1.000			

 Denotes items that must be manually entered on the filing software.