

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 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 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 |

<p style="text-align: right;">DATE: <u>1/18/2024</u></p> <p>CONTACT PERSON: <u>Dave Fleming</u></p> <p>TELEPHONE: <u>816-783-8121</u></p> <p>EMAIL ADDRESS: <u>dfleming@naic.org</u></p> <p>ON BEHALF OF: <u>Life Risk-Based Capital (E) Working Group</u></p> <p>NAME: <u>Philip Barlow, Chair</u></p> <p>TITLE: <u>Associate Commissioner of Insurance</u></p> <p>AFFILIATION: <u>District of Columbia</u></p> <p>ADDRESS: <u>1050 First Street, NE Suite 801</u> <u>Washington, DC 20002</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <hr/> <p>Agenda Item # <u>2024-05-L</u> Year <u>2024</u></p> <hr/> <p style="text-align: center;">DISPOSITION</p> <p>ADOPTED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p>EXPOSED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p>REJECTED:</p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p>OTHER:</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)

This proposal adds a line to LR009 to specifically address line 44 of the Asset Valuation Reserve (AVR) Equity Component. This AVR line was not included in the LR009 changes made with the mortgage methodology change in 2013. This proposal does not include a factor but facilitates the application of one specific to this category if appropriate.

Additional Staff Comments:

** This section must be completed on all forms.

Revised 2-2023

SCHEDULE BA MORTGAGES

		(1)	(2)	(3)	(4)	(5)	(6)
	<u>Annual Statement Source</u>	<u>Book / Adjusted Carrying Value</u>	<u>Involuntary Reserve Adjustment †</u>	<u>RBC Subtotal</u>	<u>Cumulative Writedowns ‡</u>	<u>Average Factor</u>	<u>RBC Requirement</u>
<u>In Good Standing</u>							
(1)	Insured or Guaranteed	AVR Equity Component Column 1 Line 43 + Line 45			XXX X	0.0014	=
(2)	Residential - All Other	AVR Equity Component Column 1 Line 44			XXX X	TBD	=
(3)	Unaffiliated Mortgages with Covenants	AVR Equity Component Column 1 Line 57			XXX X	*	=
(4)	Unaffiliated Mortgages - Defeased with Government Securities	AVR Equity Component Column 1 Line 58			XXX X	0.0090	=
(5)	Unaffiliated Mortgages - Primarily Senior	AVR Equity Component Column 1 Line 59			XXX X	0.0175	=
(6)	Unaffiliated Mortgages - All Other	AVR Equity Component Column 1 Line 60			XXX X	0.0300	=
(7)	Affiliated Mortgages - Category CM1	AVR Equity Component Column 1 Line 38			XXX X	0.0090	=
(8)	Affiliated Mortgages - Category CM2	AVR Equity Component Column 1 Line 39			XXX X	0.0175	=
(9)	Affiliated Mortgages - Category CM3	AVR Equity Component Column 1 Line 40			XXX X	0.0300	=
(10)	Affiliated Mortgages - Category CM4	AVR Equity Component Column 1 Line 41			XXX X	0.0500	=
(11)	Affiliated Mortgages - Category CM5	AVR Equity Component Column 1 Line 42			XXX X	0.0750	=
(12)	Total In Good Standing	Sum of Lines (1) through (11)					=
<u>90 Days Overdue, Not in Process of Foreclosure</u>							
(13)	Insured or Guaranteed 90 Days Overdue	AVR Equity Component Column 1 Line 47 + Line 49			XXX X	0.0027	=
(14)	All Other 90 Days Overdue - Unaffiliated	AVR Equity Component Column 1 Line 61			XXX X	0.1100	=
(15)	All Other 90 Days Overdue - Affiliated	AVR Equity Component Column 1 Line 48 + Line 50			XXX X	0.1100	=
(16)	Total 90 Days Overdue, Not in Process of Foreclosure	Lines (13) + (14) + (15)					=
<u>In Process of Foreclosure</u>							
(17)	Insured or Guaranteed in Process of Foreclosure	AVR Equity Component Column 1 Line 52 + Line 54			XXX X	0.0054	=
(18)	All Other in Process of Foreclosure - Unaffiliated	AVR Equity Component Column 1 Line 62			XXX X	0.1300	=
(19)	All Other in Process of Foreclosure - Affiliated	AVR Equity Component Column 1 Line 53 + Line 55			XXX X	0.1300	=
(20)	Total In Process of Foreclosure	Lines (17) + (18) + (19)					=
(21)	Total Schedule BA Mortgages (pre-MODCO/Funds Withheld)	Lines (12) + (16) + (20)					=
(22)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(23)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
(24)	Total Schedule BA Mortgages (including MODCO/Funds Withheld.)	Lines (21) - (22) + (23)					=

† Involuntary reserves are reserves that are held as an offset to a particular asset that is clearly a troubled asset and are included on Page 3 Line 25 of the Annual Statement.
‡ Cumulative writedowns include the total amount of writedowns, non-admissions, and involuntary reserves that have been taken or established with respect to a particular mortgage.
* This will be calculated as Column (6) divided by Column (3).

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