

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"/> 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 |

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| <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> <p>Agenda Item # <u>2024-04-L</u> Year <u>2024</u></p> <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 LR033, Calculation of Total Adjusted Capital, to address the treatment of non-admitted insurance affiliates. This treatment was adopted as part of proposal 2022-09-CA, the revised treatment of affiliated investments. This line was omitted from the life structure change but was done for 2023 by including it in an existing line. This proposal makes no change in the treatment but makes the life formula consistent with the other RBC formulas.

Additional Staff Comments:

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

Revised 2-2023

CALCULATION OF TOTAL ADJUSTED CAPITAL
(Including Total Adjusted Capital Tax Sensitivity Test)

| | | (1) | Factor | (2) |
|--|--|--|----------|-------------------------|
| | <u>Annual Statement Source</u> | <u>Statement Value</u> | | <u>Adjusted Capital</u> |
| <u>Company Amounts</u> | | | | |
| (1) | Capital and Surplus | Page 3 Column 1 Line 38 | X 1.000 | = |
| (2) | Asset Valuation Reserve | Page 3 Column 1 Line 24.01 § | X 1.000 | = |
| (3) | Dividends Apportioned for Payment | Page 3 Column 1 Line 6.1, in part | X 0.500 | = |
| (4) | Dividends Not Yet Apportioned | Page 3 Column 1 Line 6.2, in part | X 0.500 | = |
| (5) | Hedging Fair Value Adjustment | Company Records | X -1.000 | = |
| <u>Life Subsidiary Company Amounts†</u> | | | | |
| (6) | Asset Valuation Reserve +/Carrying Value of Non-Admitted Insurance Affiliates | Subsidiaries' Annual Statement Page 3 Column 1 Line 24.01‡ § /Included in LR044 Columns 5 and 7 | X 1.000 | = |
| (7) | Dividend Liability | Subsidiaries' Annual Statement Page 3 Column 1 Line 6.1 + Line 6.2‡ | X 0.500 | = |
| (8) | Carrying Value of Non-Admitted Insurance Affiliates | Included in LR044 Columns (5) and (7) | X 1.000 | = |
| <u>Property and Casualty and Other Non-U.S. Affiliated Amounts</u> | | | | |
| (9) | Non-Tabular discount and/or Alien Insurance Subsidiaries: Other | Included in Subsidiaries' Annual Statement Page 3 Column 1 Line 1 + 3‡ and/or Schedule D Part 6, Section 1 Column 8 Line 0599999 and Line 1499999, in part | X 1.000 | = |
| (10) | Total Adjusted Capital Before Capital Notes | Sum of Lines (1) through (8) less Line (9) | | |
| <u>Credit for Capital Notes</u> | | | | |
| (11.1) | Surplus Notes | Page 3 Column 1 Line 32 | | |
| (11.2) | Limitation on Capital Notes | 0.5 x [Line (10) - Line (11.1)] - Line (11.1), but not less than 0 | | |
| (11.3) | Capital Notes Before Limitation | LR032 Capital Notes Before Limitation Column (4) Line (18) | | |
| (11.4) | Credit for Capital Notes | Lesser of Column (1) Line (11.2) or Line (11.3) | | |
| (12) | XXX/AXXX Reinsurance RBC Shortfall | LR037 XXX/AXXX Captive Reinsurance Consolidated Exhibit Column (10) Line (10) | | |
| (13) | Total Adjusted Capital | Line (10) + Line (11.4) - Line (12) | | |
| <u>Tax Sensitivity Test</u> | | | | |
| <u>Company Amounts</u> | | | | |
| (14) | Deferred Tax Asset (DTA) Value | Page 2 Column 3 Line 18.2 | X -1.000 | = |
| (15) | Deferred Tax Liability (DTL) Value | Page 3 Column 1 Line 15.2 | X 1.000 | = |
| <u>Subsidiary Amounts</u> | | | | |
| (16) | Deferred Tax Asset (DTA) Value | Company Records | X -1.000 | = |
| (17) | Deferred Tax Liability (DTL) Value | Company Records | X 1.000 | = |
| (18) | Tax Sensitivity Test: Total Adjusted Capital | Line (13)+(14)+(15)+(16)+(17) | | |
| <u>Ex DTA ACL RBC Ratio Sensitivity Test</u> | | | | |
| (19) | Deferred Tax Asset-Company Amounts | Page 2 Column 3 Line 18.2 | X 1.000 | = |
| (20) | Total Adjusted Capital Less Deferred Tax Asset Amounts | Line (13) less Line (19) | | |
| (21) | Authorized Control Level RBC | LR034 Risk-Based Capital Level of Action Line (4) | X 1.000 | = |
| (22) | Ex DTA ACL RBC Ratio | Line (20) / Line (21) | | 0.000% |

† Including subsidiaries owned by holding companies.

‡ Multiply statement value by percent of ownership.

§ The portion of the AVR that can be counted as capital is limited to the amount not utilized in asset adequacy testing in support of the Actuarial Opinion for reserves. ~~The amount on line (6) will also include the carrying value of non-admitted insurance affiliates.~~

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