



Risk-Based Capital Newsletter

NAIC

Updated 12/3/2007

National Association of Insurance Commissioners

What RBC Pages Should be Submitted?

For year-end 2007 Health RBC, hard copies of pages **XR001 through XR024** should be submitted to **any state that requests a hard copy** in addition to the electronic filing. **For year-end 2007 RBC, a hard copy will not be required to be submitted to the NAIC.**

Other pages, such as the capitations worksheet do not need to be submitted. Those pages would need to be retained by the company as documentation.

New Lines Added for Off-Balance Sheet Risk

New lines (1) through (10) were added to XR005 Off-Balance Sheet Risk. Lines were added for each of the categories from General Interrogatories Part 1 Lines 23.21 through 23.291. This change was made so a separate factor could be assigned for each line, if needed. This change was made per a discussion held at the Mar. 11, 2007, meeting of the Capital Adequacy Task Force.

This change also included adding a line to page XR005 for state deposits due to an annual statement change where General Interrogatories Part 1 Line 23.29 was added.

The Capital Adequacy (E) Task force formed a subgroup to review the RBC treatment of securities lending transactions. In addition, the RBC charge for the new state deposits line may be reviewed by the Task Force as well.

Hybrid Securities Lines Added to Preferred Stock and Asset Concentration Pages

At the Dec. 10, 2006, meeting of the Hybrid RBC (E) Working Group, new lines for hybrid securities were added to pages PR006 Unaffiliated Preferred and Common Stock and PR010 Asset Concentration.

The new lines were added to split out hybrid securities from preferred stock in the RBC calculation. This change would allow different factors to be given to hybrid securities in the future, if needed. Currently though, hybrids would still receive the same RBC factors as preferred stock and bonds.

The short-term solution of notching certain hybrid securities implemented for year-end 2006 would continue to be in effect until a longer-term solution is adopted by the Hybrid RBC (E) Working Group.

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Premium Stabilization Reserves

INT 05-05 of the Emerging Accounting Issues (E) Working Group indicates that certain risk corridor adjustments are accounted for as retrospectively rated insurance contracts. This implies that a liability for a return of premium would be reported as a premium stabilization reserve.

It was not intended that an RBC premium stabilization reserve credit would be received for stand-alone Medicare Part D prescription drug coverage. At the June 21, 2007, conference call of the Capital Adequacy (E) Task Force, changes to the 2007 RBC instructions were adopted to clarify this intent.

Please note that risk corridor liabilities relating to Medicare Advantage Part D prescription drug coverage would still be eligible for premium stabilization reserve credit since that business is included with comprehensive medical for RBC.

Managed Care Credit Line Description Changes

Descriptions for XR016 Managed Care Credit were changed to indicate they were manual entry now rather than pulling directly from Exhibit 7 of the annual statement.

This change was made because Medicare Part D capitations included in Exhibit 7 are reported on Lines (12) and (13) of XR016. Those companies without Medicare Part D business reported in Lines (12) and (13) should continue to have amounts that tie directly to Exhibit 7.

Change in Excessive Growth Risk for Medicare Part D

Since two years of Medicare Part D data will now be available, the XR020 Excessive Growth Risk Lines (13) through (19) will no longer exclude Medicare Part D business as it did in the 2006 RBC.



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