



Risk-Based Capital Newsletter

NAIC

Updated 12/3/2007

National Association of
Insurance Commissioners

What RBC Pages should be Submitted?

For year-end 2007 property RBC, hard copies of pages **PR001 through PR031, PR034 and PR035** 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 Schedule P detail and capitations worksheet do not need to be submitted. Those pages would need to be retained by the company as documentation.

New Line added for Miscellaneous Off-Balance Sheet Items

A new line (9) was added to page PR013 Miscellaneous Off-Balance Sheet Items for state deposits. This line was added due to an annual statement change where the General Interrogatories Part 1 line 23.29 was added.

In addition, a factor was given to each of lines (1) through (10) so a separate factor could be assigned if needed. This change was made per a discussion held at the Mar. 11, 2007, meeting of the Capital Adequacy Task Force.

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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New Industry Average Risk Factors

The new 2007 industry average risk factors are as follows:

PR015 Underwriting Risk – Reserves

Line (1), Industry Average Development Factors

Col.	Line of Business	2006 Factor	2007 Factor
(1)	H/F	0.997	0.995
(2)	PPA	1.017	1.007
(3)	CA	1.070	1.062
(4)	WC	1.081	1.051
(5)	CMP	1.025	1.037
(6)	MM OCCURRENCE	1.363	1.333
(7)	MM CLMS MADE	1.203	1.140
(8)	SL	1.118	1.108
(9)	OL	1.020	1.015
(10)	FIDELITY / SURETY	1.267	1.274
(11)	Special Property	1.101	1.102
(12)	Auto Physical	1.124	1.106
(13)	Other(credit a&h)	1.288	1.282
(14)	Mortg Guaranty	0.843	1.495
(15)	INTL	1.241	1.291
(16)	REIN. P&F Lines	1.096	1.048
(17)	REIN. Liability	1.237	1.296
(18)	PL	1.116	1.112

PR016 Underwriting Risk – Net Written Premiums

Line (1), Industry Average Loss and Expense Ratios

Col.	Line of Business	2006 Factor	2007 Factor
(1)	H/F	0.783	0.750
(2)	PPA	0.847	0.836
(3)	CA	0.805	0.784
(4)	WC	0.856	0.847
(5)	CMP	0.746	0.727
(6)	MM OCCURRENCE	1.269	1.231
(7)	MM CLMS MADE	1.134	1.091
(8)	SL	0.736	0.732
(9)	OL	0.769	0.758
(10)	FIDELITY / SURETY	0.567	0.582
(11)	Special Property	0.601	0.568
(12)	Auto Physical	0.729	0.716
(13)	Other(credit a&h)	0.783	0.789
(14)	Mortg. Guaranty	0.867	0.827
(15)	INTL	0.850	0.874
(16)	REIN. P&F Lines	0.984	0.994
(17)	REIN. Liability	1.143	1.164
(18)	PL	0.822	0.822

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Property & Casualty Risk-Based Capital Newsletter Volume 13.1
Published annually or whenever needed by the NAIC for insurance regulators, professionals and consumers.

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RBC
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2007

