

Capital Adequacy (E) Task Force
RBC Proposal Form

- | | | |
|---|---|--|
| <input checked="" 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"/> Investment RBC (E) Working Group | <input type="checkbox"/> Operational Risk (E) Subgroup |
| <input type="checkbox"/> C3 Phase II/ AG43 (E/A) Subgroup | <input type="checkbox"/> P/C RBC (E) Working Group | <input type="checkbox"/> Longevity Risk (A/E) Subgroup |

DATE: <u>2/19/2019</u>	<u>FOR NAIC USE ONLY</u>
CONTACT PERSON: <u>Jane Barr</u>	Agenda Item # <u>2019-06-CA</u>
TELEPHONE: _____	Year <u>2019</u>
EMAIL ADDRESS: _____	<u>DISPOSITION</u>
ON BEHALF OF: <u>Commissioner Altmaier</u>	<input type="checkbox"/> ADOPTED _____
NAME: <u>Florida Commissioner</u>	<input type="checkbox"/> REJECTED _____
TITLE: <u>Capital Adequacy Task Force chair</u>	<input type="checkbox"/> DEFERRED TO _____
AFFILIATION: _____	<input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____
ADDRESS: _____	<input checked="" type="checkbox"/> EXPOSED Mar. 22, 2019_____
_____	<input type="checkbox"/> OTHER (SPECIFY) _____

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

- | | | |
|--|---|--|
| <input type="checkbox"/> Health RBC Blanks | <input type="checkbox"/> Property/Casualty RBC Blanks | <input type="checkbox"/> Life and Fraternal RBC Instructions |
| <input type="checkbox"/> Health RBC Instructions | <input type="checkbox"/> Property/Casualty RBC Instructions | <input type="checkbox"/> Life and Fraternal RBC Blanks |
| <input checked="" type="checkbox"/> OTHER <u>RBC Procedures posted on TF Committee webpage</u> | | |

DESCRIPTION OF CHANGE(S)

Provided clarifying language that the Task Force will prioritize referrals received and may request an impact analysis before structural changes are considered.

REASON OR JUSTIFICATION FOR CHANGE **

Recommendations sent to other Working Groups or Task Forces with the purpose of lower RBC without addressing the concerns with the Capital Adequacy Task Force. Referrals may need an impact analysis prior to consideration or discussion by the Task Force.

Additional Staff Comments:

3/22/19 jdb Comments received.

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

Revised 2-2019

PROCEDURES OF THE FINANCIAL CONDITION (E) COMMITTEE'S CAPITAL ADEQUACY TASK FORCE IN CONNECTION WITH PROPOSED AMENDMENTS TO RISK-BASED CAPITAL BLANKS AND INSTRUCTIONS

The following establishes procedures and rules of the Financial Condition (E) Committee's Capital Adequacy Task Force (Task Force) with respect to proposed amendments to the NAIC RBC Forecasting (blanks) and Instructions.

1. The Task Force may consider relevant proposals to change the RBC blanks and instructions at the national meeting or designated interim meeting as scheduled by the Task Force.
2. All proposals for suggested changes and amendments shall use NAIC Proposal Forms and shall be stated in a concise and complete manner and include the appropriate blank and instruction modifications. The Proposal Form and its instructions are available online under related documents and resources at http://www.naic.org/committees_e_capad.htm and should be emailed to the appropriate NAIC staff support.

The following guidelines apply:

- Any proposal that affects a RBC blank must be exposed by the Task Force or its Working Groups by January 31 of the effective year of the change and adopted by the Task Force no later than April 30 of the effective year of the change.
- Any proposal that only affects the instructions or factors must be exposed by the Task Force / Working Group by April 30 and adopted by the Task Force by June 30 of the current year.
- The Task Force may extend the June 30th adoption deadline for previously considered proposals regarding instructions or factors upon a super majority (two-thirds) consent of the Task Force members present where such extension can be no later than July 30th of the current year. This would be considered only in rare circumstances where urgency of such adoption is high.

An illustration of the proposed change to the RBC blank or instructions should accompany the Proposal Form. In addition, an impact analysis will be required for any factor change. If another NAIC Committee, Task Force or Working Group is known to have considered this proposal, that Committee, Task Force or Working Group should provide any relevant information.

The Task Force/Working Group will review the proposal and determine whether to receive the proposal and expose for public comment (initial exposure of at least 30-days) or whether to reject the proposal. The comment period ends at least 10 days prior to the next designated national or interim meeting of the Task Force/ Working Group. The Task Force/Working Group will consider comments received on each proposal at its next meeting. Proposals under consideration may be deferred by the Task Force/Working Group if there is general consensus among members that the proposal has merit but warrants additional work or input. However, the Task Force will limit the number of deferrals to two. The proposal must be acted upon by the third meeting, and absent action, the proposal is deemed to have been rejected and will be removed from the agenda. The Task Force may also refer proposals to other NAIC groups due to their technical expertise or for additional review. If a proposal has been referred to another NAIC group, the proposal will be reprioritized on the working agenda and will be considered again in the form of a modified or new proposal after comments/recommendations are received. The Task Force will review and adopt the working agenda at each National Meeting, if necessary, to ensure all items designated as a priority 1 are being addressed, to add or delete items that have been addressed or to reprioritize the remaining items on the working agenda.

Referrals sent to the Task Force or Working Groups will be reviewed and prioritized by the Task Force/Working Group. If the referral suggests changes to the RBC factors or structural changes for added granularity, an impact analysis may be conducted.

3. Proposals filed with the appropriate NAIC staff support shall be considered at the next regularly scheduled meeting of the Task Force/Working Group if the proposal is filed at least twenty days prior to the meeting. Items filed less than twenty days prior to a regularly scheduled meeting will be considered at the following regularly scheduled meeting.
4. The NAIC staff support shall prepare an agenda of all suggested proposals. The agenda will be posted one week prior to the scheduled meeting.
5. At each meeting, the Task Force/Working Group will review comments that were received by the comment exposure due date for suggested proposals.
6. NAIC staff support will present to the Task Force/ Working Group a list of necessary non-substantive changes discovered in the process of implementing proposals, e.g., reference changes due to new SSAPs or required changes discovered in the process of implementing proposals. The Task Force/ Working Group will review these changes and may adopt the appropriate items at any

regularly scheduled meeting. Such actions will be documented in the minutes of the Task Force/Working Group. NAIC staff support may also request that the Task Force/Working Group reconsider items adopted, if these items contain substantial errors.

7. The Task Force/Working Group may, when deemed necessary, appoint an Ad Hoc Group to study proposals and/or certain issues.
8. The NAIC will publish each agenda approximately one week prior to each interim or national meeting (including proposals received for comment and comments received) on the NAIC Web site.
9. The NAIC will retain all current and subsequent adopted proposals on the Task Force website up to the publication date of November 1 for current and subsequent years.
10. The NAIC will publish the RBC Forecasting and Instructions for the next subsequent year on, or about November 1 each year. NAIC staff support will post to the NAIC Web site any subsequent corrections to these publications.



Brian Bayerle
Senior Actuary

March 22, 2019

Commissioner David Altmaier
Chair, NAIC Capital Adequacy Task Force (LATF)

Re: Proposed revisions to the RBC Procedures

Dear Commissioner Altmaier:

The American Council of Life Insurers (ACLI)¹ appreciates the opportunity on the exposed revisions to the RBC Procedures.

ACLI supports the direction of the additional text, but we would seek clarification around the impact analysis requirements. The current procedures state the following:

“An illustration of the proposed change to the RBC blank or instructions should accompany the Proposal Form. In addition, an impact analysis will be required [emphasis added] for any factor change.”

The redlined text seems to contradict this requirement:

“If the referral suggests changes to the RBC factors or structural changes for added granularity, an impact analysis may be conducted [emphasis added].”

We would request the redlined text be changed to state “an impact analysis will be conducted” to harmonize with the existing requirements. If the disconnect is intentional, we would request clarification on the reason for the difference.

We look forward to a discussion of these issues. Thank you.

Sincerely,

cc Jane Barr, NAIC

¹ The American Council of Life Insurers (ACLI) advocates on behalf of 280 member companies dedicated to providing products and services that promote consumers' financial and retirement security. 90 million American families depend on our members for life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, dental and vision and other supplemental benefits. ACLI represents member companies in state, federal and international forums for public policy that supports the industry marketplace and the families that rely on life insurers' products for peace of mind. ACLI members represent 95 percent of industry assets in the United States. Learn more at www.acli.com.