

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"/> Stress Testing (E) Subgroup |

DATE: <u>4/30/2018</u>	<u>FOR NAIC USE ONLY</u>
CONTACT PERSON: <u>Jane Barr</u>	Agenda Item # <u>2018-09-CA</u>
TELEPHONE: _____	Year <u>2018</u>
EMAIL ADDRESS: _____	<u>DISPOSITION</u>
ON BEHALF OF: <u>Capital Adequacy Task Force</u>	<input checked="" type="checkbox"/> ADOPTED <u>6-28-18</u>
NAME: <u>Commissioner Altmaier</u>	<input type="checkbox"/> REJECTED _____
TITLE: _____	<input type="checkbox"/> DEFERRED TO _____
AFFILIATION: _____	<input type="checkbox"/> REFERRED TO OTHER NAIC GROUP
ADDRESS: _____	<input checked="" type="checkbox"/> EXPOSED May 31 _____
_____	<input type="checkbox"/> OTHER (SPECIFY) _____

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

- | | | |
|--|--|---|
| <input checked="" type="checkbox"/> Health RBC Blanks | <input checked="" type="checkbox"/> Property/Casualty RBC Blanks | <input type="checkbox"/> Life RBC Instructions |
| <input checked="" type="checkbox"/> Fraternal RBC Blanks | <input type="checkbox"/> Health RBC Instructions | <input type="checkbox"/> Property/Casualty RBC Instructions |
| <input checked="" type="checkbox"/> Life RBC Blanks | <input type="checkbox"/> Fraternal RBC Instructions | <input type="checkbox"/> OTHER _____ |

DESCRIPTION OF CHANGE(S)

Update the RBC factors for Broker Receivables.

REASON OR JUSTIFICATION FOR CHANGE **

Based on a weighted average calculation of bonds, common, preferred and hybrid stock investments, the broker receivable factors were adjusted for all RBC forecasting blanks.

Additional Staff Comments:

4/30/18 The Task Force agreed to expose for a 30-day comment period ending May 30th.
 5/2/18 The Life factor was updated to 0.014 based on comments from the regulators during the April 30 conference call. eky
 6/4/2018 No comments received after Life factor was adjusted.
 6/28/18 The Capital Adequacy (E) Task Force adopted the proposal.

** This section must be completed on all forms.

Revised 11-2013

Derivation of 2018 Life RBC Factor for Broker Receivables

	(1)	(2)	(3)	(4)	(5)	(6)
	Statement Value	Allocation % by Class Type	RBC Factors by Class Type	Weighted Avg RBC Factor by Class type (2)x(3)	Allocation % by Asset type (1)/Total (1)	Weighted Avg RBC by Asset type (4)x(5)
Bonds						
Exempt Obligations	227,481,099,640	7.59%	0.000	0.000		
NAIC 1	1,638,893,990,332	54.69%	0.004	0.002		
NAIC 2	964,824,177,235	32.19%	0.013	0.004		
NAIC 3	104,493,638,801	3.49%	0.046	0.002		
NAIC 4	47,641,574,939	1.59%	0.100	0.002		
NAIC 5	13,334,913,372	0.44%	0.230	0.001		
NAIC 6	214,283,646	0.01%	0.300	0.000		
Subtotal	2,996,883,677,965	100.00%		0.011	97.91%	0.010
Preferred stock						
NAIC 1	2,389,493,515	22.84%	0.004	0.001		
NAIC 2	6,147,006,323	58.75%	0.013	0.008		
NAIC 3	998,597,604	9.54%	0.046	0.004		
NAIC 4	394,945,381	3.77%	0.100	0.004		
NAIC 5	287,372,932	2.75%	0.230	0.006		
NAIC 6	246,336,488	2.35%	0.300	0.007		
Subtotal	10,463,752,243	100.00%		0.030	0.34%	0.000
Hybrid Securities						
NAIC 1	2,449,194,194	15.63%	0.004	0.001		
NAIC 2	9,750,134,710	62.21%	0.013	0.008		
NAIC 3	2,622,205,507	16.73%	0.046	0.008		
NAIC 4	559,910,677	3.57%	0.100	0.004		
NAIC 5	288,423,906	1.84%	0.230	0.004		
NAIC 6	4,124,426	0.03%	0.300	0.000		
Subtotal	15,673,993,420	100.00%		0.024	0.51%	0.000
Common stock (subtotal)	37,843,606,153	100.00%	0.300	0.300	1.24%	0.004
Total	3,060,865,029,781				100.00%	0.014

Derivation of 2018 P&C RBC Factor for Broker Receivables

	(1)	(2)	(3)	(4)	(5)	(6)
	Statement Value	Allocation % by Class Type	RBC Factors by Class Type	Weighted Avg RBC Factor by Class type (2)x(3)	Allocation % by Asset type (1)/Total (1)	Weighted Avg RBC by Asset type (4)x(5)
Bonds						
Exempt Obligations	168,304,506,165	18.17%	0.000	0.000		
NAIC 1	568,796,906,065	61.39%	0.003	0.002		
NAIC 2	146,108,312,000	15.77%	0.010	0.002		
NAIC 3	21,994,827,532	2.37%	0.020	0.000		
NAIC 4	17,727,636,377	1.91%	0.045	0.001		
NAIC 5	2,919,768,159	0.32%	0.100	0.000		
NAIC 6	673,831,129	0.07%	0.300	0.000		
Subtotal	926,525,787,427	100.00%		0.005	85.68%	0.005
Preferred stock						
NAIC 1	304,940,286	5.97%	0.003	0.000		
NAIC 2	2,588,492,485	50.68%	0.010	0.005		
NAIC 3	1,711,639,097	33.51%	0.020	0.007		
NAIC 4	134,873,793	2.64%	0.045	0.001		
NAIC 5	135,325,034	2.65%	0.100	0.003		
NAIC 6	232,222,816	4.55%	0.300	0.014		
Subtotal	5,107,493,511	100.00%		0.029	0.47%	0.000
Hybrid Securities						
NAIC 1	212,145,636	7.39%	0.003	0.000		
NAIC 2	1,813,324,834	63.14%	0.010	0.006		
NAIC 3	831,151,025	28.94%	0.020	0.006		
NAIC 4	15,205,627	0.53%	0.045	0.000		
NAIC 5	211,598	0.01%	0.100	0.000		
NAIC 6	23,438	0.00%	0.300	0.000		
Subtotal	2,872,062,158	100.00%		0.013	0.27%	0.000
Common stock (subtotal)	146,901,500,882	100.00%	0.150	0.150	13.58%	0.020
Total	1,081,406,843,978				100.00%	0.025

Derivation of 2018 Health RBC Factor for Broker Receivables

	(1)	(2)	(3)	(4)	(5)	(6)
	Statement Value	Allocation % by Class Type	RBC Factors by Class Type	Weighted Avg RBC Factor by Class type (2)x(3)	Allocation % by Asset type (1)/Total (1)	Weighted Avg RBC by Asset type (4)x(5)
Bonds						
Exempt Obligations	23,304,690,096	18.50%	0.000	0.000		
NAIC 1	76,871,148,697	61.03%	0.003	0.002		
NAIC 2	19,543,727,861	15.52%	0.010	0.002		
NAIC 3	3,565,393,306	2.83%	0.020	0.001		
NAIC 4	2,370,676,986	1.88%	0.045	0.001		
NAIC 5	277,282,933	0.22%	0.100	0.000		
NAIC 6	31,580,592	0.03%	0.300	0.000		
Subtotal	125,964,500,471	100.00%		0.005	85.55%	0.004
Preferred stock						
NAIC 1	32,584,108	7.34%	0.003	0.000		
NAIC 2	217,768,185	49.06%	0.010	0.005		
NAIC 3	118,995,707	26.81%	0.020	0.005		
NAIC 4	4,622,731	1.04%	0.045	0.000		
NAIC 5	31,552,403	7.11%	0.100	0.007		
NAIC 6	38,359,923	8.64%	0.300	0.026		
Subtotal	443,883,057	100.00%		0.044	0.30%	0.000
Hybrid Securities						
NAIC 1	12,422,341	4.01%	0.003	0.000		
NAIC 2	238,967,318	77.23%	0.010	0.008		
NAIC 3	52,476,150	16.96%	0.020	0.003		
NAIC 4	3,045,807	0.98%	0.045	0.000		
NAIC 5	-	0.00%	0.100	0.000		
NAIC 6	2,500,000	0.81%	0.300	0.002		
Subtotal	309,411,616	100.00%		0.014	0.21%	0.000
Common stock (subtotal)	20,520,638,036	100.00%	0.150	0.150	13.94%	0.021
Total	147,238,433,180				100.00%	0.025