

# NAIC Life Risk-Based Capital Newsletter

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## What RBC Pages Should Be Submitted?

For year-end 2017 life RBC, submit hardcopies of pages **LR001 through LR049** to any state that requests a hardcopy in addition to the electronic filing. Starting with year-end 2007 RBC, a hardcopy was not required to be submitted to the NAIC. However, a portable document format (PDF) file representing the hardcopy filing is part of the electronic filing.

If any actuarial certifications are required per the RBC instructions, those should be included as part of the hardcopy filing. Starting with year-end 2008 RBC, the actuarial certifications were also part of the electronic RBC filing as PDF files, similar to the financial annual statement actuarial opinion.

Other pages, such as the mortgage and real estate worksheets, do not need to be submitted, but they still need to be retained by the company as documentation.

## Risk-Based Capital Level of Action

As a result of the adoption of agenda item 2017-01-L-RBC Ratio by the Capital Adequacy (E) Task Force at the Spring National Meeting, a line was added to LR034 Risk-Based Capital Level of Action to show the Authorized Control Level RBC ratio to be consistent with the other RBC formulas and to simplify data pulls.

## XXX/AXXX Reinsurance Primary Security Shortfall by Cession

As a result of the adoption of agenda item 2017-02-L Primary Security Shortfall Instruction Change by the Capital Adequacy (E) Task Force on its June 28 conference call, changes were made to the instructions to clarify only list cessions subject to *Actuarial Guideline XLVIII—Actuarial Opinion and Memorandum Requirements for the Reinsurance of Policies Required to be Valued Under Sections 6 and 7 of the NAIC Valuation of Life Insurance Policies Model Regulation* (AG 48). For treaties that include some policies subject to AG 48 and some policies subject to the *Term and Universal Life Insurance Reserve Financing Model Regulation* (#787), only the portion of the cession regulated by AG 48 is to be included.

## Operational Risk

As a result of a technical issue that was presented during the June 28 Capital Adequacy (E) Task Force conference call, implementation of a risk factor for Operational Risk has been deferred for at least a year. The Task Force adopted agenda item 2016-13-O at the Spring National Meeting and modified it on its June 28 conference call. At the Spring National Meeting, the Task Force in essence voted to “go live” for 2017 reporting by adopting the structural change to remove the proxy-based approach, move the “add-on” approach for basic operational risk to page LR031 and retain the growth risk portion of the information only page. On its June 28 conference call, the Task Force adopted the operational risk instructions but voted to reduce the recommended RBC charge from 1.5% to 0% for 2017 to allow the Operational Risk (E) Subgroup to address the technical concerns raised.

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## Money Market Mutual Funds

As a result of the reclassification of money market mutual funds (MMMFs) to cash equivalents by the Statutory Accounting Principles (E) Working Group, the Capital Adequacy (E) Task Force adopted agenda item 2016-15-CA at the Spring National Meeting. MMMFs will be isolated on their own line on the Miscellaneous Assets schedule and subtracted from the cash equivalents. The Annual Statement Source will be Schedule E, Part 2, Column 7, Line 8599999.

## Unaffiliated Common Stock MMMFs

As a result of the adoption of agenda item 2017-06-CA, by the Capital Adequacy (E) Task Force on the June 28 conference call, the factor was modified to 0% on Line (22) on LR005 Unaffiliated Preferred and Common Stock. The purpose of the modification is to avoid the double counting of MMMFs in both cash equivalents and common stock. The instructions were also revised to reflect the change.

## Stop Loss

As a result of the adoption of agenda item 2016-17-CA by the Capital Adequacy (E) Task Force at the Spring National Meeting, a tiered factor approach will be applied to Stop Loss premiums. A footnote was added to apply a factor of 0.350 to the first \$25 million in stop loss premium and a factor of 0.250 to premium in excess of \$25 million.

## Supplemental Benefits within Stand-Alone Medicare Part D Coverage

As a result of the adoption of agenda item 2016-16-CA by the Capital Adequacy (E) Task Force at the Spring National Meeting, the factor for Supplemental Benefits within Stand-Alone Medicare Part D Coverage was increased to 0.500 and will be applied to claims incurred.

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