

Capital Adequacy (E) Task Force

RBC Proposal Form

- | | | |
|--|--|---|
| <input type="checkbox"/> Capital Adequacy (E) Task Force | <input checked="" 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"/> SMI RBC (E) Subgroup |
| <input type="checkbox"/> C3Phase MAG43 (E/A) Subgroup | <input type="checkbox"/> P/CRBC (E) Working Group | <input type="checkbox"/> Stress Testing Subgroup |

DATE: <u>04/23/2021</u>	FOR NAIC USE ONLY
CONTACT PERSON: <u>Crystal Brown</u>	Agenda Item <u>#2021-09-H</u>
TELEPHONE: <u>816-783-8146</u>	Year <u>2021</u>
EMAIL ADDRESS: <u>cbrown@naic.org</u>	DISPOSITO
ON BEHALF OF: <u>Health RBC (E) Working Group</u>	<input checked="" type="checkbox"/> EXPOSED <u>-21-21</u>
NAME: <u>Steve Drutz</u>	<input type="checkbox"/> OTHER (SPECIFY) _____
TITLE: <u>Chief Financial Analyst/Chair</u>	
AFFILIATION: <u>WA Office of Insurance Commissioner</u>	
ADDRESS: <u>5000 Capitol Blvd SE</u> <u>Tumwater, WA 98501</u>	

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

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

(reported on Schedule E-2.) Miscellaneous fixed income assets include non-bond items reported on the cash equivalent and short-term schedules, derivatives, mortgage

- Working Capital Finance Investments: The book adjusted carrying value of NAIC 01 and 02 Working Capital Finance Investments, Lines (41) and (42), should equal the Notes to Financial Statement, Lines 5M(01a) and 5M(01b), Column 3 of the annual statement.
- Low income housing tax credit investments are reported in Column (1) in accordance with *SSAP No. 93—Low Income Housing Tax Credit Property Investments*.
 - Federal Guaranteed Low-Income Housing Tax Credit (LIHTC) investments are to be included in Line (44). There must be an all-inclusive guarantee from an ARO-rated entity that guarantees the yield on the investment.
 - Federal Non-Guaranteed LIHTC investments with the following risk mitigation factors are to be included in Line (45):
 - a) A level of leverage below 50 percent. For a LIHTC Fund, the level of leverage is measured at the fund level.
 - b) There is a tax credit guarantee agreement from general partner or managing member. This agreement requires the general partner or managing member to reimburse investors for any shortfalls in tax credits due to errors of compliance, for the life of the partnership. For an LIHTC fund, a tax credit guarantee is required from the developers of the lower-tier LIHTC properties to the upper-tier partnership.
 - State Guaranteed LIHTC investments that at a minimum meet the federal requirements for guaranteed LIHTC investments are to be included in Line (46).
 - State Non-Guaranteed LIHTC investments that at a minimum meet the federal requirements for non-guaranteed LIHTC investments are to be included on Line (47).
 - All Other LIHTC investments, state and federal LIHTC investments that do not meet the requirements of Lines (44) through (47) would be reported on Line (48).

EQUITY ASSETS

XR010

Unaffiliated Preferred Stocks

Experience data to develop preferred stock factors is not readily available; however, it is believed that preferred stocks are somewhat more likely to default than bonds. The loss on default would be somewhat higher than that experienced on bonds; however, formula factors are equal to bond factors.

The RBC requirements for unaffiliated preferred stocks are based on the NAIC designation. Column (1) amounts are from Schedule D, Part 2, Section 1 not including affiliated preferred stock. The preferred stocks must be broken out by asset designation (NAIC 01 through NAIC 06) and these individual groups are to be entered in the appropriate lines. The total amount of unaffiliated preferred stock reported should equal annual statement Page 2, Column 3, Line 2.1, less any affiliated preferred stock in Schedule

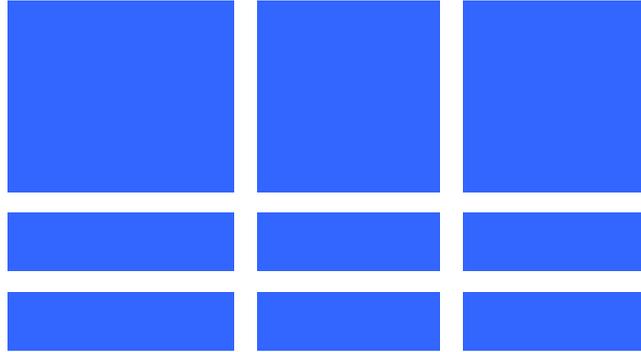
ASSET CONCENTRATION
XR01

All Other Low Income Housing Tax Credits

OFF-BALANCE SHEET SECURITY LENDING COLLATERAL AND SCHEDULE DL, PART 1 ASSETS

Asset Category	Annual Statement Source	(1) Off-Balance Sheet Collateral Book/Adjusted Carrying Value	(2) Schedule DL, Part 1 Book/Adjusted Carrying Value	(3) Subtotal	Factor	(4) RBC Requirement
<u>Fixed Income Assets</u>						
<u>Bonds</u>						
(1) NAIC 1.A - U.S. Government Full Faith and Credit, Other U.S. Government Obligations, and NAIC U.S. Government Money Market Fund List (Refer to A/S Instructions)	Company Records	0	0	0	0.000	0
(2) NAIC Designation Category 1.A Bonds	Company Records	0	0	0	0.003	0
(3) NAIC Designation Category 1.B Bonds	Company Records	0	0	0	0.005	0
(4) NAIC Designation Category 1.C Bonds	Company Records	0	0	0	0.008	0
(5) NAIC Designation Category 1.D Bonds	Company Records	0	0	0	0.011	0
(6) NAIC Designation Category 1.E Bonds	Company Records	0	0	0	0.014	0
(7) NAIC Designation Category 1.F Bonds	Company Records	0	0	0	0.016	0
(8) NAIC Designation Category 1.G Bonds	Company Records	0	0	0	0.019	0
(9) Total NAIC 01 Bonds	Sum of Lines (1) through (8)	0	0	0		0
(10) NAIC Designation Category 2.A Bonds	Company Records	0	0	0	0.022	0
(11) NAIC Designation Category 2.B Bonds	Company Records	0	0	0	0.025	0
(12) NAIC Designation Category 2.C Bonds	Company Records	0	0	0	0.031	0
(13) Total NAIC 02 Bonds	Sum of Lines (10) through (12)	0	0	0		0
(14) NAIC Designation Category 3.A Bonds	Company Records	0	0	0	0.069	0
(15) NAIC Designation Category 3.B Bonds	Company Records	0	0	0	0.076	0
(16) NAIC Designation Category 3.C Bonds	Company Records	0	0	0	0.083	0
(17) Total NAIC 03 Bonds	Sum of Lines (14) through (16)	0	0	0		0
(18) NAIC Designation Category 4.A Bonds	Company Records	0	0	0	0.089	0
(19) NAIC Designation Category 4.B Bonds	Company Records	0	0	0	0.097	0
(20) NAIC Designation Category 4.C Bonds	Company Records	0	0	0	0.110	0
(21) Total NAIC 04 Bonds	Sum of Lines (18) through (20)	0	0	0		0
(22) NAIC Designation Category 5.A Bonds	Company Records	0	0	0	0.123	0
(23) NAIC Designation Category 5.B Bonds	Company Records	0	0	0	0.137	0
(24) NAIC Designation Category 5.C Bonds	Company Records	0	0	0	0.151	0
(25) Total NAIC 05 Bonds	Sum of Lines (22) through (24)	0	0	0		0
(26) Total NAIC 06 Bonds	Company Records	0	0	0	0.300	0
(27) Total Bonds	Lines (9) + (13) + (17) + (21) + (25) + (26)	0	0	0		0
<u>Equity Assets</u>						
<u>Preferred Stock - Unaffiliated</u>						
(28) NAIC 01 Unaffiliated Preferred Stock	Company Records			0	0.003	0
(29) NAIC 02 Unaffiliated Preferred Stock	Company Records			0	0.010	0
(30) NAIC 03 Unaffiliated Preferred Stock	Company Records			0	0.020	0
(31) NAIC 04 Unaffiliated Preferred Stock	Company Records			0	0.045	0
(32) NAIC 05 Unaffiliated Preferred Stock	Company Records			0	0.100	0
(33) NAIC 06 Unaffiliated Preferred Stock	Company Records			0	0.300	0
(34) Total Unaffiliated Preferred Stock	Sum of Lines (28) through (33)	0	0	0		0
(35) Unaffiliated Common Stock	Company Records			0	0.150	0
(36) Real Estate and Property & Equipment Assets	Company Records			0	0.100	0
(37) Other Invested Assets	Company Records			0	0.200	0
(38) Mortgage Loans on Real Estate	Company Records			0	0.050	0
(39) Cash, Cash Equivalents and Short-Term Investments (Not reported on Bonds above)	Company Records			0	0.003	0
(40) Total	Lines (27) + (34) + (35) + (36) + (37) + (38) + (39)	0	0	0		0

Denotes items that must be manually entered on the filing software



ASSET CONCENTRATION

		(1)		
Issuer Name				
Issuer		(2)	Factor	(3)
		<u>Bk/Adj Carrying Value</u>		<u>Additional RBC</u>
01	(1) NAIC Designation Category 2.A Bonds		0.0220	\$0
01	(2) NAIC Designation Category 2.B Bonds		0.0250	\$0
01	(3) NAIC Designation Category 2.C Bonds		0.0310	\$0
01	(4) NAIC Designation Category 3.A Bonds		0.0690	\$0
01	(5) NAIC Designation Category 3.B Bonds		0.0760	\$0
01	(6) NAIC Designation Category 3.C Bonds		0.0830	\$0
01	(7) NAIC Designation Category 4.A Bonds		0.0890	\$0
01	(8) NAIC Designation Category 4.B Bonds		0.0970	\$0
01	(9) NAIC Designation Category 4.C Bonds		0.1100	\$0
01	(10) NAIC Designation Category 5.A Bonds		0.1230	\$0
01	(11) NAIC Designation Category 5.B Bonds		0.1370	\$0
01	(12) NAIC Designation Category 5.C Bonds		0.1490	\$0
01	(13) Collateral Loans		0.0500	\$0
01	(14) Mortgages		0.0500	\$0
01	(15) NAIC 02 Unaffiliated Preferred Stock		0.0100	\$0
01	(16) NAIC 03 Unaffiliated Preferred Stock		0.0200	\$0
01	(17) NAIC 04 Unaffiliated Preferred Stock		0.0450	\$0
01	(18) NAIC 05 Unaffiliated Preferred Stock		0.1000	\$0
01	(19) Other Long-Term Invested Assets		0.1000	\$0
01	(20) NAIC 02 Working Capital Finance Investments		0.0125	\$0
01	(21) Federal Guaranteed Low Income Housing Tax Credits		0.0014	\$0
01	(22) Federal Non-Guaranteed Low Income Housing Tax Credits		0.0260	\$0
01	(23) State Guaranteed Low Income Housing Tax Credits		0.0014	\$0
01	(24) State Non-Guaranteed Low Income Housing Tax Credits		0.0260	\$0
01	(25) All Other Low Income Housing Tax Credits		0.1500	\$0
01	(26) Unaffiliated B3iliat11.1(l)11.1(Ot)11.1(he)8.3(r L)19.5(o)-.4(w)14(I)14.3(n)-.4(c)8.3(o)-.4(m)30.7(e)8.3(Hous)5.6(i)11.1(n)-.4(g)12259 Tengerm I06afm			

