] Longevity Risk(A/E) Subgroup [

DATE: 4/29/21		FOR NAIC USE ONLY	
CONTACT PERSON:	Dave Fleming	Agenda Item <u>#2021-12-L</u>	
TELEPHONE:	816-783-8121	Year <u>2021</u>	
EMAIL ADDRESS:	dfleming@naic.org	DISPOSITION	
ON BEHALF OF:	Life Risk-Based Capital(E) Working Group	[ X ] ADOPTED <u>6/30/2</u> 1	
NAME:	Philip Barlow, Chair	[ ] REJECTED	
TITLE:	Associate Commissioner of Insurance	[ ] DEFERRED TO	
AFFILIATION:	District of Columbia	[ ] REFERRED TO OTHERNAIC GROUP	
ADDRESS:	1050 First Street, NE Suite 801	[ ] EXPOSED	
	Washington, DC 20002	[ ] OTHER (SPECIFY)	
		l	

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

- [] Health RBC Blanks
- [ ] Property/Casualty RBC Blanks
- [x] Life and Fraternal RBC Instructions

[ ] OTHER \_\_\_\_\_

# [ ] Property/Casualty RBC Instructions

[x] Life and Fraternal RBC Blanks

- [ ] Health RBC Instructions

## DESCRIPTION OF CHANGE(S)

This proposalchanges the description bine 15 on LR016 to allow for inclusion of amounts held for reciprocal jurisdiction reinsurance.

# **REASON OR JUSTIFICATION FOR CHANGE \*\***

The purpose of the credit in the life RBC formula is to avoid having both the total adjusted capital decreased by amounts re establisheds liabilities and the authorized control level increased for the charge on reserve credit and recoverable amounts

Additional Staff Comments:

x 4-29-21: Proposal was exposed for

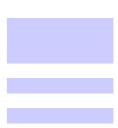
REINSURANCE				
		(1)	(2)	
			100% Owned	
	Annual Statement Source	Statement Value	Affiliates	RBC
Reinsurance Ceded <sup>†</sup>				
(1) Recoverable on Paid Losses (Life)				

(3)

BC Subtotal

Factor

(4) RBC <u>Requirement</u>



# REINSURANCE

#### LR016

## Basis of Factors

There is a risk associated with recoverability of amounts from reinsurers. The risk is deemed comparable to that represented by bonds between risk classes 1 and 2 and is assigned a pre-tax factor of 0.78 percent. To avoid an overstatement of risk-based capital, the formula gives a 0.78 percent pre-tax credit for reinsurance with non-authorized and certified companies, for reinsurance among affiliated companies, for reinsurance with funds withheld or reinsurance with authorized reinsurers that is supported by equivalent trusteed collateral that meets the requirements stipulated in Appendix A-785 (Credit for Reinsurance), where there have been regular bona fide withdrawals from such trusteed collateral to pay claims or recover payments of claims during the calendar year covered by the RBC report, and for reinsurance involving policy loans. Withdrawals from trusteed collateral that are less than the amounts due the ceding company shall be deemed to not be bona fide withdrawals.

## Specific Instructions for Application of the Formula

### Lines (1) through (7)

The first seven components of the reinsurance formula are charged against <u>all</u> reinsurance recoverables and ceded reserve credits as reported in Schedule S.

### Lines (8) through (12)

A negative 0.78 percent pre-tax factor is applied to these five components. These adjustments should only be applied to business assumed from subsidiaries of the company. would be the case if the subsidiary reinsurer was unauthorized or the treaty with the company involved funds held.

Lines (13) through (16)

The last four components are <u>primarily</u> Page 3 liabilities (including Line 24.02 – Reinsurance in Unauthorized and Certified Companies <u>and</u>-Line 24.03 – Funds Held under Reinsurance Treaties with Unauthorized and Certified Reinsurers, Line 24.07 – Funds Held under Coinsurance and Line 25 – Aggregate Write-ins for Liabilities). Line (15) is also to include amounts in support of Lines (1) through (7) and subject to the provisions of *Credit for Reinsurance Model Regulation (#786)*.