

Longevity Risk(A/E) Subgroup

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

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

- Health RBC Blanks                       Property/Casualty RBC Blanks                       Life and Fraternal RBC Instructions  
 Health RBC Instructions                       Property/Casualty RBC Instructions                       Life and Fraternal RBC Blanks  
 OTHER \_\_\_\_\_

DESCRIPTION OF CHANGE(S)

This proposal changes the description ~~line~~ 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 established as 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**

	<u>Annual Statement Source</u>	(1) <u>Statement Value</u>	(2) <u>100% Owned Affiliates</u>	(3) <u>RBC Subtotal</u>	<u>Factor</u>	(4) <u>RBC Requirement</u>
<u>Reinsurance Ceded</u> †						
(1) Recoverable on Paid Losses (Life)						

## 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 trusted collateral that meets the requirements stipulated in Appendix A-785 (Credit for Reinsurance), where there have been regular bona fide withdrawals from such trusted 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 trusted 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 all 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)

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The last four components are primarily Page 3 liabilities (including Line 24.02 – Reinsurance in Unauthorized and Certified Companies ~~and~~ 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).