Statutory Reporting Update

Sessions Number 601 and 701
John Bauer  
Prudential

- Vice President, Financial Reporting,  
  - john.bauer@prudential.com
- Co-chair Interested Parties for Blanks Working Group
- Industry experience since 1981  
  - Prudential Corporate and Subsidiary financial reporting – STAT  
  - Coordination of all domestic insurer risk focused State Examinations  
  - Since 2009, Prudential NAIC Regulatory Liaison
- Past President and Chairman of the Board, International IASA – 2008-2009
- FLMI
- BS Accounting – Rider University, New Jersey
Connie Jasper Woodroof
StoneRiver, Inc

- NAIC Liaison, StoneRiver, Inc.
  - connie.woodroof@stoneriver.com
- Co-chair Interested Parties for Blanks Working Group
- Industry experience since 1988
  - Insurance Companies
  - NAIC
  - Consulting
  - StoneRiver
- Past Board of Directors & VP Education, International IASA
- FLMI
- BS – Accounting; MA – General Psychology
Agenda

- Adopted 2014 Changes
- Pending 2014 Changes
- Risk-Based Capital
- Investments Alert
# Note 5H – Restricted Assets - FHLB

<table>
<thead>
<tr>
<th>Restricted Asset Category</th>
<th>Gross Restricted</th>
<th>Current Year</th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Total General Account (G/A)</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
<td>6</td>
<td>7</td>
</tr>
</tbody>
</table>
| a. Subject to contractual obligation for which liability is not shown | $ | $ | $ | $ | $ | $ | $ | $
| b. Collateral held under security lending agreements | $ | $ | $ | $ | $ | $ | $ | $
| c. Subject to repurchase agreements | $ | $ | $ | $ | $ | $ | $ | $
| d. Subject to reverse repurchase agreements | $ | $ | $ | $ | $ | $ | $ | $
| e. Subject to dollar repurchase agreements | $ | $ | $ | $ | $ | $ | $ | $
| f. Subject to dollar reverse repurchase agreements | $ | $ | $ | $ | $ | $ | $ | $
| g. Placed under option contracts | $ | $ | $ | $ | $ | $ | $ | $
| h. Letter stock or securities restricted as to sale – excluding FHLB capital stock | $ | $ | $ | $ | $ | $ | $ | $
| i. FHLB capital stock | $ | $ | $ | $ | $ | $ | $ | $
| j. On deposit with states | $ | $ | $ | $ | $ | $ | $ | $
| k. On deposit with other regulatory bodies | $ | $ | $ | $ | $ | $ | $ | $
| l. Pledged as collateral to FHLB (excluding assets backed by funding agreements) | $ | $ | $ | $ | $ | $ | $ | $
| m. Pledged as collateral not captured in other categories | $ | $ | $ | $ | $ | $ | $ | $
| n. Other restricted assets | $ | $ | $ | $ | $ | $ | $ | $
| Total Restricted Assets | $ | $ | $ | $ | $ | $ | $ | $

<table>
<thead>
<tr>
<th>Percentage</th>
<th>9</th>
<th>10</th>
</tr>
</thead>
</table>

# IASA2014
General Interrogatories - FHLB

- Addition of FHLB capital stock and FHLB collateral to General Interrogatory 25.2

25.2 If yes, state the amount thereof at December 31 of the current year:

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>25.21</td>
<td>Subject to repurchase agreements</td>
</tr>
<tr>
<td>25.22</td>
<td>Subject to reverse repurchase agreements</td>
</tr>
<tr>
<td>25.23</td>
<td>Subject to dollar repurchase agreements</td>
</tr>
<tr>
<td>25.24</td>
<td>Subject to reverse dollar repurchase agreements</td>
</tr>
<tr>
<td>25.25</td>
<td>Placed under option agreements</td>
</tr>
<tr>
<td>25.26</td>
<td>Letter stock or securities restricted as to sale—excluding FHLB Capital Stock</td>
</tr>
<tr>
<td>25.27</td>
<td>FHLB Capital Stock</td>
</tr>
<tr>
<td>25.28</td>
<td>On deposit with state</td>
</tr>
<tr>
<td>25.29</td>
<td>On deposit with other regulatory bodies</td>
</tr>
<tr>
<td>25.30</td>
<td>Pledged as collateral—excluding collateral pledged to an FHLB</td>
</tr>
<tr>
<td>25.31</td>
<td>Pledged as collateral to FHLB—including assets backing funding agreements</td>
</tr>
<tr>
<td>25.32</td>
<td>Other</td>
</tr>
</tbody>
</table>

$__________________
$__________________
$__________________
$__________________
$__________________
$__________________
$__________________
$__________________
$__________________
$__________________
$__________________
$__________________
$__________________
$__________________
$__________________
$__________________
New codes for restricted assets to use in “Code” column

- LS = loaned or leased to others
- RA = subject to repurchase agreement
- RR = subject to reverse repurchase agreement
- DR = subject to dollar repurchase agreement
- DRR = subject to dollar reverse repurchase agreement
- C = pledged as collateral – excluding collateral pledged to FHLB
- CF = pledged as collateral to FHLB (including assets backing funding agreements)
- DB = placed under an option agreement
- DBP = placed under an option agreement involving “asset transfers with put options”
- R = letter stock or otherwise restricted as to sale – excluding FHLB capital stock
  (Note: Private placements are not to be included unless specific restrictions as to sale are included as part of the security agreement)
- RF = FHLB capital stock
- SD = placed on deposit with state or other regulatory body
- M = not under the exclusive control of the insurer for multiple reasons
- O = other
Note 11B – Debt - FHLB

- Description of agreement
- Data-captured tables designed to disclose
  - Amount of capital stock owned by class
  - Stock eligible for redemption
  - Collateral pledged
  - Aggregate amount of borrowings
  - Maximum aggregate amount of borrowings
  - Are current borrowings subject to prepayment penalties
Working Capital Finance Investments (5I)

- Disclosure in the aggregate by NAIC designation
  - Gross assets
  - Nonadmitted asset amounts
  - Net admitted asset amounts
- Aggregate maturity distribution
- Defaults during reporting period
- From adoption of SSAP No. 105
### Aggregate Working Capital Finance Investments (WCFI) Book/Adjusted Carrying Value by NAIC Designation:

<table>
<thead>
<tr>
<th>Designation</th>
<th>Gross Asset CY</th>
<th>Non-admitted Asset CY</th>
<th>Net Admitted Asset CY</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. WCFI Designation 1</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
<tr>
<td>b. WCFI Designation 2</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>c. WCFI Designation 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>d. WCFI Designation 4</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>e. WCFI Designation 5</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>f. WCFI Designation 6</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>g. Total</td>
<td>$</td>
<td>$</td>
<td>$</td>
</tr>
</tbody>
</table>

### Aggregate Maturity Distribution on the Underlying Working Capital Finance Programs

<table>
<thead>
<tr>
<th>Maturity Distribution</th>
<th>Book/Adjusted Carrying Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>a. Up to 180 Days</td>
<td></td>
</tr>
<tr>
<td>b. 181 to 365 Days</td>
<td></td>
</tr>
<tr>
<td>c. Total</td>
<td>$</td>
</tr>
</tbody>
</table>
Offsetting and netting of assets and liabilities
  • Reconciliation of offsetting and netting on balance sheet
  • Moving from current location in Note 21 to Note 5

REMINDER – Report the following gross in the investments schedules:
  Derivatives (Schedule DB)
  Repurchase & reverse repurchase agreements (Schedule DA)
  Securities borrowing and securities lending (Schedule DL)
  IF valid right to offset ---- offset only on balance sheet
Schedule Y – Parts 1A and 2

- Columnar heading change
  - Federal ID Number now ID Number
  - Enter appropriate identification number
    - Federal Employers Identification Number (FEIN)
    - Alien Insurer Identification Number (AIIN)
    - Certified Reinsurer Identification (CRIN)
Supplemental Compensation Exhibit

- New format for Part 2 – Officers and Employees

<table>
<thead>
<tr>
<th>Name and Principal Position</th>
<th>Year</th>
<th>Salary</th>
<th>Bonus</th>
<th>Stock Awards</th>
<th>Option Awards</th>
<th>Sign-on Payments</th>
<th>Severance Payments</th>
<th>All Other Compensation</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Principal/Chief Executive Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Principal Financial Officer</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2014</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2013</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Must include PEO, PFO, 3 most highly compensated executive officers besides PEO & PFO; next 5 most highly compensated employees > $100,000. Final result is still the “Top Ten” compensated 4 new columns
### Supplemental Compensation Exhibit

- **New format for Part 3 – Directors**

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
</tr>
</thead>
<tbody>
<tr>
<td>Name and Principal Position Or Occupation and Company (if Outside Director)</td>
<td>Paid or Deferred for Services as Director</td>
<td>Stock Awards</td>
<td>Option Awards</td>
<td>Other</td>
<td>All Other Compensation Paid or Deferred</td>
</tr>
<tr>
<td></td>
<td>Direct Compensation Paid or Deferred for Services as Director</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Applies to all Directors other than full-time officers & and Those already listed in Part 2

3 new columns
Supplemental Compensation Exhibit

- New Part 4 – Narrative Description of Material Factors
  - Provides narrative of material factors needed to have understanding of information disclosed in Parts 2 and 3. Instructions are minimal
  - Public companies – Check if your domiciliary regulator will accept your SEC Proxy
  - Non-Public companies – Keep narrative at a very high level.

- Complete “dry run” in 4th Qtr. 2014 utilizing 2013 YTD data
Add statement contact person’s email address

- Will be shown on printed copy
- Will be data captured
LAH and Fraternal Statements

- New Supplemental Interrogatories
  - Will company be filing the confidential Regulatory Asset Adequacy Issues Summary (RAAIS) required by Actuarial Opinion and Memorandum Regulation (Model 822, Section 7A(5)) with state by March 15?
  - Will company be filing confidential Actuarial Memorandum required by Actuarial Guideline XXXVIII 8D with state by April 30?
Upcoming June 17 Blanks Call

- Call will finalize (hopefully) 2014 Annual Statements
- Scheduled for June 17, 11:00 am CST, 2 hours
- Any one can participate; pre-register for call at [http://www.naic.org/meetings_calendar.htm](http://www.naic.org/meetings_calendar.htm)
- Results will be posted to Blanks Working Group website about 2 weeks afterward; [http://www.naic.org/committees_e_app_blanks.htm](http://www.naic.org/committees_e_app_blanks.htm)
### Upcoming June 17 Blanks Call

**Note to Financials**

- **2014-02:** move Joint & Several Liabilities disclosure from Note 21 to Note 14
- **2014-06:** add disclosure for Structured Notes to Note 5. Types of investments defined as Structured Notes still under review.

<table>
<thead>
<tr>
<th>CUSIP Identification</th>
<th>Actual Cost</th>
<th>Fair Value</th>
<th>Book/Adjusted Carrying Value</th>
<th>Mortgage-Referenced Security(Y/N)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>XXX</td>
</tr>
</tbody>
</table>

| Total                |             |            |                              | XXX                              |
Upcoming June 17 Blanks Call

- Note to Financials
  - 2014-07; Modification of Note 22 disclosure for Affordable Care Act (ACA) assessment information.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>A.</td>
<td>ACA fee assessment payable</td>
</tr>
<tr>
<td>B.</td>
<td>Total Adjusted Capital before surplus adjustment.</td>
</tr>
<tr>
<td>C.</td>
<td>Authorized Control Level before surplus adjustment.</td>
</tr>
<tr>
<td>D.</td>
<td>Total Adjusted Capital after surplus adjustment.</td>
</tr>
<tr>
<td>E.</td>
<td>Authorized Control Level after surplus adjustment.</td>
</tr>
<tr>
<td>F.</td>
<td>Would reporting the ACA assessment as of Dec. 31, 2014 triggered an RBC action level (YES/NO)?</td>
</tr>
</tbody>
</table>
Note to Financials

- 2014-10; Additional disclosure in Note 12 for multiemployer plans
- 2014-12; New disclosure in Note 24 for risk sharing provision of the Affordable Care Act (ACA)
  - If adopted, review carefully. Extensive exposure that will be data-captured.
Upcoming June 17 Blanks Call

- Reinsurance Schedules
  - 2014-05; instructional clarification of NAIC Company Code, Alien Insurer Identification Number (AIIN), Pool/Association Number and Certified Reinsurer Number (CRIN)
    - Which entities are assigned which numbers
    - Contact information for obtaining numbers
Upcoming June 17 Blanks Call

- Investment Schedules
  - 2014-11
    - Add postal code electronic column to Schedules A, B and BA
      - For real estate, real estate collateralizing mortgage loans and investment real estate
      - Viewed as controversial by industry
    - Add property type electronic column to Schedule A, B and BA
      - Codes will be provided
    - Add maturity date electronic column to Schedules B and BA
      - Change state column to accept 3-character country code
Upcoming June 17 Blanks Call

- LAH and Fraternal
  - Exhibit 5
    - 2014-09; Modifies definition of contingent deferred annuities (CDA) in instructions
  - AVR
    - Deferred 2013-27; Adds reporting to default component for mortgage loans and to Schedule BA for investments having the underlying characteristics of mortgage loans
Upcoming June 17 Blanks Call

- LAH and Fraternal
  - 2014-13; Actuarial Opinion
    - Actuary must be appointed by Board of Directors or Audit Committee
    - Other technical changes
### LAH, Health and Fraternal
- 2014-03; General Interrogatories – Part 2

28.1 Are any of the captive affiliates reported on Schedule S, Part 3 as authorized reinsurers? 
- Yes [ ]
- No [ ]

28.2 If the answer to 28.1 is yes, please provide the following:

<p>| | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Company Name</td>
<td>NAIC Company Code</td>
<td>Domiciliary Jurisdiction</td>
<td>Reserve Credit</td>
<td>Letters of Credit</td>
</tr>
<tr>
<td>Trust Agreements</td>
<td>Other</td>
<td>Assets Supporting Reserve Credit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>6</td>
<td>7</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#IASA2014
Upcoming June 17 Blanks Call

- LAH, Health and Fraternal
  - 2014 - 03; Schedule S – Part 3 – Sections 1 & 2, format changes
    - Adds reporting for type of business ceded
      Industrial Life, XXXLife, AXXX Life, Credit Life, Supplementary Contracts, Other Life, Fixed Annuities, Indexed Annuities, Variable General Account Annuities, Variable Separate Account annuities, Other Annuities

Comprehensive Major Medical, Other Medical (Non-Comprehensive), Specified/Named Disease, Accident Only or AD&D; Disability Income – Short-Term; Disability Income – Long-Term, Medicare Supplement (Medigap), Medicare Part D – Stand-Alone, Federal Employees Health Benefit Plan, State Children’s Health Insurance Program, Stop Loss/Excess Loss, Short-Term Medical, Limited Benefit, Student, Long-Term Care, Dental, Medicare, Medicaid, Tricare, Credit A&H, Other Health
Upcoming June 17 Blanks Call

- LAH, Health and Fraternal
  - 2014 - 03; Schedule S – Part 3 – Sections 1 & 2, format changes

<table>
<thead>
<tr>
<th>6 Type of Reinsurance Ceded</th>
<th>7 Type of Business Ceded</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#IASA2014
Upcoming June 17 Blanks Call

- Health
  - 2014-04; formal adoption of instructions issued in 2013 as guidance for Exhibit 3A
Upcoming June 17 Blanks Call

- **Property/Casualty**
  - 2014-15; Revisions to Schedule F and addition of reinsurance supplement
    - Counterparty reporting exception for asbestos and pollution contracts within Schedule F
    - New supplement for reinsurance counterparty reporting exception provides details of original reinsurers that are aggregated
      - Format very similar to Schedule F – Part 3
      - Add question to Supplemental Exhibits and Schedules Interrogatories for the filing of new supplement w/state and NAIC by March 1
    - Note 23 would be revised to include disclosure for reinsurance agreements qualifying for reinsurer aggregation
Upcoming June 17 Blanks Call

- **Property/Casualty**
  - 2014-14; Actuarial Opinion and Actuarial Opinion Summary Supplement (also Title companies)
    - Includes revised reporting for pooled companies and other technical changes
  - 2014-08; Add new line (2.4) to state page, IEE, Parts II and III for Private Crop
  - 2014-01; Schedule P instructions regarding restatement as a result of a change in pooling percentage (2015 implementation)
Risk-Based Capital
Adopted For All RBC Formulas

- Federal Home Loan Bank
  - Under non-controlled assets section
  - Same treatment and factor as other non-controlled assets
  - Comes from information added to General Interrogatory 25 for FHLB

- ACA Fee RBC Ratio Sensitivity Test
  - Deducts ACA fees from TAC
  - Computes RBC ratio of TAC less ACA fees to Authorized Control Level RBC
Operational Risk

- Format different for each of the formulas
- FYI only for 2014
- No factors will be used for 2014; factors added in 2015?
- Currently would not be subject to covariance calculation

Current total RBC after Covariance
+ Operational Risk
= Total RBC after Covariance
Broker Receivables

- Has been on Capital Adequacy agenda for 18+ months
- At March meeting, decided more research was needed, but discussion was now focused on one RBC charge for unsettled asset trades that will be materially lower than the current 6.8%.
New page XR012-A Underwriting Risk – Experience Fluctuation Risk

<table>
<thead>
<tr>
<th>Line of Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) † Premium</td>
</tr>
<tr>
<td>(2) † Title XVIII-Medicare</td>
</tr>
<tr>
<td>(3) † Title XIX-Medicaid</td>
</tr>
<tr>
<td>(4) † Other Health Risk Revenue</td>
</tr>
<tr>
<td>(5) Underwriting Risk Revenue = L(1)+L(2)+L(3)+L(4)</td>
</tr>
<tr>
<td>(6) † Net Incurred Claims</td>
</tr>
<tr>
<td>(7) † Fee-for-service Offset</td>
</tr>
<tr>
<td>(8) Underwriting Risk Incurred Claims = L(6)-L(7)</td>
</tr>
<tr>
<td>(9) Underwriting Risk Claims Ratio = L(8)/L(5)</td>
</tr>
<tr>
<td>(10) Underwriting Risk Factor*</td>
</tr>
<tr>
<td>(11) Base Underwriting Risk RBC = L(5) x L(9) x L(10)</td>
</tr>
<tr>
<td>(12) Managed Care Discount Factor</td>
</tr>
<tr>
<td>(13) RBC after Managed Care Discount = L(11) x L(12)</td>
</tr>
<tr>
<td>(14) † Maximum per-individual Risk after Reinsurance</td>
</tr>
<tr>
<td>(15) Alternate Risk Charge **</td>
</tr>
<tr>
<td>(16) Alternate Risk Adjustment</td>
</tr>
<tr>
<td>(17) Net Alternate Risk Charge***</td>
</tr>
<tr>
<td>(18) Net Underwriting Risk RBC (MAX{L(13),L(17)})</td>
</tr>
<tr>
<td>(19) Underwriting Risk Factor*</td>
</tr>
<tr>
<td>(20) Base Underwriting Risk RBC = L(8) x L(18) x L(19)</td>
</tr>
<tr>
<td>(21) Managed Care Discount Factor</td>
</tr>
<tr>
<td>(22) RBC after Managed Care Discount = L(20) x L(21)</td>
</tr>
<tr>
<td>(23) † Maximum per-individual Risk after Reinsurance</td>
</tr>
<tr>
<td>(24) Alternate Risk Charge **</td>
</tr>
<tr>
<td>(25) Alternate Risk Adjustment</td>
</tr>
<tr>
<td>(26) Net Alternate Risk Charge*</td>
</tr>
<tr>
<td>(27) Net Underwriting Risk RBC (MAX{L(22),L(26)})</td>
</tr>
</tbody>
</table>
Revisions to Credit Risk

- Excludes ACA recoverables from existing lines
- Adds ACA recoverables and separates affiliate from non-affiliate reinsurance
  - Recoverables on Paid Losses – ACA
  - Recoverables on Paid Losses – Non-affiliate
  - Recoverables on Unpaid Losses – ACA
  - Recoverables on Unpaid Losses – Non-affiliates
- Same .005 factor applied to other receivables in Credit Risk
### Federal ACA Risk Adjustment & Risk Corridor Sensitivity Test

<table>
<thead>
<tr>
<th>Car (1)</th>
<th>Car (2)</th>
<th>Car (3)</th>
<th>Car (4)</th>
<th>Car (5)</th>
<th>Car (6)</th>
<th>Car (7)</th>
<th>Car (8)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Statement Factor</td>
<td>RBC Result</td>
<td>AMC Adjusted Capital</td>
<td>Annual Statement Factor</td>
<td>RBC Result</td>
<td>AMC Adjusted Capital</td>
<td>Annual Statement Factor</td>
<td>RBC Result</td>
</tr>
</tbody>
</table>

Notes to Financial Statement 24E1a *  
Notes to Financial Statement 24E1c *  
Line (16) + (17)  
Notes to Financial Statement 24E3a *  
Notes to Financial Statement 24E3b *  
Line (18) + (19)  
Line (19) + Line (21)  
Line (20)  
Line (21) - Line (22)  
XX225 Comparison of Total Adjusted Capital to Risk-Based Capital Line (4)  
Line (24)/Line (25)
Additional FYI page C-3 Cash flow testing results

- Methodology modified with respect to number of scenarios and the scenario generator to be used
- Only to collect information, at this time
- Companies to include description of proprietary generated used, calibration criteria and number of scenarios
- Required for companies with reserves of $1b or more and admitted assets > $10b; optional for other companies

AVR limited for inclusion in Total Adjusted Capital

- Only AVR not used in asset adequacy testing
  - Not readily apparent reporting format; noted in instructions and as footnote at bottom of page
Future projects on the horizon

- Addition of indexed annuities to C-3 Phase I
- Change treatment of unauthorized reinsurance
- How formula will need to change with implementation of PBR
Attestation for catastrophe modeling
  • Modeling used for RBC catastrophe same as used internally
    • If exceptions, must disclose and explain why
• New FYI PR003A that uses RBC After Covariance Including Catastrophic Risk to calculate affiliated risk
  • Also new FYI PR004A to summarize affiliated risk with catastrophic numbers included
• Calculates “regular” TAC; also calculates “FYI” TAC
• Considering for the future
  • Change in reinsurance credit risk
    • Credit rating and collateral would be considered
Investments Alert
Investments, Investments, Investments

- With emphasis on risk exposure of all types, investments being scrutinized again
- Several groups will be leading the charge
  - Investments RBC Working Group
    - New NAIC designations? New valuation for reporting?
  - Statutory Accounting Principles Working Group
    - Revisiting some of the reporting/accounting “exceptions” adopted through the years, plus some current “problem” areas
  - Valuation of Securities Task Force
    - Recalibration project
- Lots of changes in both accounting and reporting coming
Recalibration of investment RBC factors
- Current RBC Factors over 20 years old (1992)
- Significant Potential Changes:
  - Bonds
    - Bond Model Replicating 1992 Factors
  - Model Output
  - Expansion of NAIC Designations.
  - Real Estate
    - Reduction in Directly Owned from 15% to 8%

Future projects on the horizon
- Addition of indexed annuities to C-3 Phase I
- Change treatment of unauthorized reinsurance
- How formula will need to change with implementation of PBR
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