

NAIC Property and Casualty Risk-Based Capital Newsletter

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What RBC Pages Should Be Submitted?

For year-end 2020 property/casualty (P/C) risk-based capital (RBC), hardcopies of pages **PR001 through PR035**, as well as **PR038 and PR039**, should be submitted to any state that requests a hardcopy. Beginning with the year-end 2011 RBC, a hardcopy was not required to be submitted to the NAIC, but a portable document format (PDF) file representing the hardcopy filing is part of the electronic filing with the NAIC.

Capitation Tables

The Capital Adequacy (E) Task Force adopted proposal 2018-17-CA to capture the capitation table electronically through the file submission of the P/C RBC formula during its June 28, 2019 conference call.

RBC Preamble

As a result of the adoption of proposal 2019-07-CA by the Capital Adequacy (E) Task Force at the 2019 Fall National Meeting, the Risk-Based Capital Preamble was added to the RBC instruction to provide a clear understanding of the purpose of RBC and goals of RBC as the Task Force and Working Groups review referral and proposals.

Bond Designation Structure

The Capital Adequacy (E) Task Force adopted 2019-16-CA to incorporate the 20 designation categories for bonds into the P/C RBC formula to be used in conducting an impact analysis study for year-end 2020, reporting during its April 30, 2020 conference call. The 20 bond designation categories were incorporated into the Bonds page (PR006), the Asset Concentration page (PR011) and the Off-Balance Sheet Security Lending Collateral and Schedule DL page (PR015).

Credit Risk

Vulnerable 6 or Unrated Risk Charge

As a result of the adoption of proposal 2018-19-P by the Capital Adequacy (E) Task Force during its June 30, 2020 conference call, the instruction was modified to reflect the factors for all uncollateralized reinsurance recoverable from unrated reinsurers be the same for authorized, unauthorized, certified and reciprocal reinsurance.

Clarification to Instructions Regarding Lloyd's of London

As a result of the adoption of proposal 2019-11-P by the Capital Adequacy (E) Task Force at the 2019 Fall National Meeting, the instructions were changed to clarify the reinsurance recoverable from individual syndicates of Lloyd's of London that are covered under the Lloyd's Central Fund may utilize the lowest financial strength group rating received from an approved rating agency.

Elimination of PR038 Adjustment for Reinsurance Penalty for Affiliates Applicable to Schedule F

As a result of the adoption of proposal 2019-12-P by the Capital Adequacy (E) Task Force at the 2019 Fall National Meeting, the adjustment for Reinsurance Penalty for Affiliates Applicable to Schedule F in PR038 is no longer needed because the computation of RBC charge for reinsurance recoverable has been moved to the Annual Statement Schedule F, Part 3.

Overview and Table of Contents

As a result of the adoption of proposal 2020-05-CA by the Capital Adequacy (E) Task Force during its June 30, 2020, conference call, the page iv instructions were modified to insert the word "Overview" in the page heading, and the Table of Contents was modified to include only the page heading and delete references to the individual sections of the Overview.

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New Industry Average Risk Factors – Annual Update

On its June 30 conference call, the Capital Adequacy (E) Task Force adopted the annual update of industry average development factors:

PR017 Underwriting Risk – Reserves			
Line (1), Industry Average Development Factors			
Col.	Line of Business	2020 Factor	2019 Factor
(1)	H/F	0.993	0.989
(2)	PPA	1.035	1.026
(3)	CA	1.078	1.087
(4)	WC	0.916	0.955
(5)	CMP	1.016	0.992
(6)	MPL Occurrence	0.861	0.864
(7)	MPL Claims Made	0.940	0.907
(8)	SL	0.963	0.938
(9)	OL	0.968	0.971
(10)	Fidelity/Surety	0.907	0.995
(11)	Special Property	0.977	0.972
(12)	Auto Physical Damage	0.993	0.996
(13)	Other (Credit A&H)	0.971	0.973
(14)	Financial/Mortgage Guaranty	0.682	0.788
(15)	INTL	1.162	1.037
(16)	REIN. P&F Lines	0.886	0.872
(17)	REIN. Liability	0.985	0.955
(18)	PL	0.900	0.913
(19)	Warranty	1.013	1.017

PR018 Underwriting Risk – Net Written Premiums			
Line (1), Industry Average Loss and Expense Ratios			
Col.	Line of Business	2020 Factor	2019 Factor
(1) *	H/F	0.678	0.681
(2)	PPA	0.810	0.810
(3)	CA	0.759	0.737
(4)	WC	0.705	0.726
(5) *	CMP	0.672	0.666
(6)	MPL Occurrence	0.726	0.730
(7)	MPL Claims Made	0.797	0.768
(8) *	SL	0.603	0.593
(9)	OL	0.639	0.638
(10)	Fidelity/Surety	0.384	0.399
(11) *	Special Property	0.553	0.554
(12)	Auto Physical Damage	0.732	0.730
(13)	Other (Credit A&H)	0.684	0.682
(14)	Financial/Mortgage Guaranty	0.513	0.811
(15) *	INTL	0.758	0.795
(16) *	REIN. P&F Lines	0.534	0.522
(17) *	REIN. Liability	0.708	0.679
(18)	PL	0.645	0.656
(19)	Warranty	0.691	0.695

* Cat Lines

RBC Forecasting and Instructions

The P/C RBC forecasting spreadsheet calculates RBC using the same formula presented in the *2020 NAIC Property & Casualty Risk-Based Capital Report Including Overview & Instructions for Companies*. The entire RBC publication, including the Forecasting spreadsheet, is available to download from [NAIC Account Manager](#) or is available in hard-copy through the NAIC Publications Department. The User Guide is no longer included in the RBC publications.

WARNING: The RBC forecasting spreadsheet CANNOT be used to meet the year-end RBC electronic filing requirement. RBC filing software from an annual financial statement software vendor should be used to create the electronic filing. If the forecasting worksheet is sent instead of an electronic filing, it will not be accepted, and the RBC will not have been filed.

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