

NAIC BLANKS (E) WORKING GROUP

Blanks Agenda Item Submission Form

CONTACT PERSON: <u>Dave Fleming</u> TELEPHONE: <u>816-783-8121</u> EMAIL ADDRESS: <u>dfleming@naic.org</u> ON BEHALF OF: <u>Life Risk-Based Capital (E) Working Group</u> NAME: <u>Philip Barlow</u> TITLE: <u>Chair</u> AFFILIATION: <u>District of Columbia</u> ADDRESS: _____ _____ _____	DATE: <u>07/31/2018</u>	FOR NAIC USE ONLY
	Agenda Item # <u>2018-24BWG</u> Year <u>2019</u> Changes to Existing Reporting <input checked="" type="checkbox"/> [X] New Reporting Requirement <input type="checkbox"/> []	REVIEWED FOR ACCOUNTING PRACTICES AND PROCEDURES IMPACT
	No Impact <input checked="" type="checkbox"/> [X] Modifies Required Disclosure <input type="checkbox"/> []	DISPOSITION
	<input type="checkbox"/> [] Rejected For Public Comment <input type="checkbox"/> [] Referred To Another NAIC Group <input type="checkbox"/> [] Received For Public Comment <input checked="" type="checkbox"/> [X] Adopted Date <u>04/06/2019</u> <input type="checkbox"/> [] Rejected Date _____ <input type="checkbox"/> [] Deferred Date _____ <input type="checkbox"/> [] Other (Specify) _____	

BLANK(S) TO WHICH PROPOSAL APPLIES

- | | | |
|---|---|--|
| <input checked="" type="checkbox"/> [X] ANNUAL STATEMENT | <input type="checkbox"/> [] INSTRUCTIONS | <input type="checkbox"/> [] CROSSCHECKS |
| <input type="checkbox"/> [] QUARTERLY STATEMENT | <input checked="" type="checkbox"/> [X] BLANK | |
| <input checked="" type="checkbox"/> [X] Life, Accident & Health/Fraternal | <input type="checkbox"/> [] Separate Accounts | <input type="checkbox"/> [] Title |
| <input type="checkbox"/> [] Property/Casualty | <input type="checkbox"/> [] Protected Cell | <input type="checkbox"/> [] Other _____ |
| <input type="checkbox"/> [] Health | <input type="checkbox"/> [] Health (Life Supplement) | |

Anticipated Effective Date: Annual 2019

IDENTIFICATION OF ITEM(S) TO CHANGE

Adjust AVR factors for those where the related RBC factors have changed due to the Tax Cuts and Jobs Act.

REASON, JUSTIFICATION FOR AND/OR BENEFIT OF CHANGE**

The AVR factors are linked to the after-tax RBC factors. With the Tax Cuts and Jobs Act adopted in December of 2017, the Life Risk-Based Capital (E) Working Group is implementing appropriate changes to the life and fraternal RBC factors. These RBC factor changes were adopted for 2018 RBC filings on June 8th. The AVR factors will need to be adjusted where the RBC after-tax factors have been changed.

NAIC STAFF COMMENTS

Comment on Effective Reporting Date: _____

Other Comments:

**** See Next Page ***

** This section must be completed on all forms.

Other Comments:

A brief description of the AVR factor changes by asset class is shown below. A comparison of AVR and after-tax RBC factors for 2017 with those being proposed for 2018 is posted at the Life Risk-Based Capital (E) Working Group website.

Bonds and other items receiving bond treatment (preferred stock, hybrids, surplus and capital notes and derivatives – both Schedule D and Schedule BA) – The AVR maximum reserve factors were updated to reflect the existing relationship to the RBC after-tax factors. The AVR basic contribution and reserve object factors as a percentage of the maximum reserve factors were changed to reflect the more sound funding relationships that existed prior to 2003.

Common Stock (both Schedule D and Schedule BA) – The AVR maximum reserve factors were updated to reflect the existing relationship to the RBC after-tax factors.

Real Estate (both Schedule A and Schedule BA) and Mortgages (both Schedule B and Schedule BA) - The AVR maximum reserve factors were updated to reflect the existing relationship to the RBC after-tax factors. The AVR basic contribution and reserve objective factors were changed to reflect the existing relationships to the maximum reserve factors.

ANNUAL STATEMENT BLANK – LIFE/FRATERNAL

BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
DEFAULT COMPONENT

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
LONG-TERM BONDS												
1		Exempt Obligations.....		XXX	XXX		0.0000		0.0000		0.0000	
2	1	Highest Quality.....		XXX	XXX		0.0004-0005		0.0023-0016		0.0030-0033	
3	2	High Quality.....		XXX	XXX		0.0019-0021		0.0058-0064		0.0090-0106	
4	3	Medium Quality.....		XXX	XXX		0.0093-0099		0.0230-0263		0.0340-0376	
5	4	Low Quality.....		XXX	XXX		0.0213-0245		0.0530-0572		0.0750-0817	
6	5	Lower Quality.....		XXX	XXX		0.0432-0630		0.1100-1128		0.1700-1880	
7	6	In or Near Default.....		XXX	XXX		0.0000		0.2000-2370		0.2000-2370	
8		Total Unrated Multi-Class Securities Acquired by Conversion.....		XXX	XXX		XXX		XXX		XXX	
9		Total Long-Term Bonds (Sum of Lines 1 through 8)		XXX	XXX		XXX		XXX		XXX	
PREFERRED STOCKS												
10	1	Highest Quality.....		XXX	XXX		0.0004-0005		0.0023-0016		0.0030-0033	
11	2	High Quality.....		XXX	XXX		0.0019-0021		0.0058-0064		0.0090-0106	
12	3	Medium Quality.....		XXX	XXX		0.0093-0099		0.0230-0263		0.0340-0376	
13	4	Low Quality.....		XXX	XXX		0.0213-0245		0.0530-0572		0.0750-0817	
14	5	Lower Quality.....		XXX	XXX		0.0432-0630		0.1100-1128		0.1700-1880	
15	6	In or Near Default.....		XXX	XXX		0.0000		0.2000-2370		0.2000-2370	
16		Affiliated Life with AVR.....		XXX	XXX		0.0000		0.0000		0.0000	
17		Total Preferred Stocks (Sum of Lines 10 through 16)		XXX	XXX		XXX		XXX		XXX	
SHORT-TERM BONDS												
18		Exempt Obligations.....		XXX	XXX		0.0000		0.0000		0.0000	
19	1	Highest Quality.....		XXX	XXX		0.0004-0005		0.0023-0016		0.0030-0033	
20	2	High Quality.....		XXX	XXX		0.0019-0021		0.0058-0064		0.0090-0106	
21	3	Medium Quality.....		XXX	XXX		0.0093-0099		0.0230-0263		0.0340-0376	
22	4	Low Quality.....		XXX	XXX		0.0213-0245		0.0530-0572		0.0750-0817	
23	5	Lower Quality.....		XXX	XXX		0.0432-0630		0.1100-1128		0.1700-1880	
24	6	In or Near Default.....		XXX	XXX		0.0000		0.2000-2370		0.2000-2370	
25		Total Short-Term Bonds (Sum of Lines 18 through 24)		XXX	XXX		XXX		XXX		XXX	
DERIVATIVE INSTRUMENTS												
26		Exchange Traded.....		XXX	XXX		0.0004-0005		0.0023-0016		0.0030-0033	
27	1	Highest Quality.....		XXX	XXX		0.0004-0005		0.0023-0016		0.0030-0033	
28	2	High Quality.....		XXX	XXX		0.0019-0021		0.0058-0064		0.0090-0106	
29	3	Medium Quality.....		XXX	XXX		0.0093-0099		0.0230-0263		0.0340-0376	
30	4	Low Quality.....		XXX	XXX		0.0213-0245		0.0530-0572		0.0750-0817	
31	5	Lower Quality.....		XXX	XXX		0.0432-0630		0.1100-1128		0.1700-1880	
32	6	In or Near Default.....		XXX	XXX		0.0000		0.2000-2370		0.2000-2370	
33		Total Derivative Instruments.....		XXX	XXX		XXX		XXX		XXX	
34		Total (Lines 9+ 17+ 25+ 33)		XXX	XXX		XXX		XXX		XXX	

ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
DEFAULT COMPONENT

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
MORTGAGE LOANS												
In Good Standing:												
35		Farm Mortgages – CM1 – Highest Quality			XXX		0.0010_0011		0.0050_0057		0.0065_0074	
36		Farm Mortgages – CM2 – High Quality			XXX		0.0035_0040		0.0100_0114		0.0130_0149	
37		Farm Mortgages – CM3 – Medium Quality			XXX		0.0060_0069		0.0175_0200		0.0225_0257	
38		Farm Mortgages – CM4 – Low Medium Quality			XXX		0.0105_0120		0.0300_0343		0.0375_0428	
39		Farm Mortgages – CM5 – Low Quality			XXX		0.0160_0183		0.0425_0486		0.0550_0628	
40		Residential Mortgages – Insured or Guaranteed			XXX		0.0003		0.0006_0007		0.0010_0011	
41		Residential Mortgages – All Other			XXX		0.0013_0015		0.0030_0034		0.0040_0046	
42		Commercial Mortgages – Insured or Guaranteed			XXX		0.0003		0.0006_0007		0.0010_0011	
43		Commercial Mortgages – All Other – CM1 – Highest Quality			XXX		0.0010_0011		0.0050_0057		0.0065_0074	
44		Commercial Mortgages – All Other – CM2 – High Quality			XXX		0.0035_0040		0.0100_0114		0.0130_0149	
45		Commercial Mortgages – All Other – CM3 – Medium Quality			XXX		0.0060_0069		0.0175_0200		0.0225_0257	
46		Commercial Mortgages – All Other – CM4 – Low Medium Quality			XXX		0.0105_0120		0.0300_0343		0.0375_0428	
47		Commercial Mortgages – All Other – CM5 – Low Quality			XXX		0.0160_0183		0.0425_0486		0.0550_0628	
Overdue, Not in Process:												
48		Farm Mortgages			XXX		0.0420_0480		0.0760_0868		0.1200_1371	
49		Residential Mortgages – Insured or Guaranteed			XXX		0.0005_0006		0.0012_0014		0.0020_0023	
50		Residential Mortgages - All Other			XXX		0.0025_0029		0.0058_0066		0.0090_0103	
51		Commercial Mortgages - Insured or Guaranteed			XXX		0.0005_0006		0.0012_0014		0.0020_0023	
52		Commercial Mortgages - All Other			XXX		0.0420_0480		0.0760_0868		0.1200_1371	
In Process of Foreclosure:												
53		Farm Mortgages			XXX		0.0000		0.1700_1942		0.1700_1942	
54		Residential Mortgages - Insured or Guaranteed			XXX		0.0000		0.0040_0046		0.0040_0046	
55		Residential Mortgages - All Other			XXX		0.0000		0.0130_0149		0.0130_0149	
56		Commercial Mortgages - Insured or Guaranteed			XXX		0.0000		0.0040_0046		0.0040_0046	
57		Commercial Mortgages - All Other			XXX		0.0000		0.1700_1942		0.1700_1942	
58		Total Schedule B Mortgages (Sum of Lines 35 through 57)			XXX		XXX		XXX		XXX	
59		Schedule DA Mortgages			XXX		0.0030_0034		0.0100_0114		0.0130_0149	
60		Total Mortgage Loans on Real Estate (Lines 58 + 59)			XXX		XXX		XXX		XXX	

**ASSET VALUATION RESERVE
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET COMPONENT**

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
COMMON STOCK												
1		Unaffiliated Public		XXX	XXX		0.0000		0.1300-1580 (a)		0.1300-1580 (a)	
2		Unaffiliated Private		XXX	XXX		0.0000		0.1600-1945		0.1600-1945	
3		Federal Home Loan Bank		XXX	XXX		0.0000		0.0050-0061		0.0080-0097	
4		Affiliated Life with AVR		XXX	XXX		0.0000		0.0000		0.0000	
Affiliated Investment Subsidiary:												
5		Fixed Income Exempt Obligations					XXX		XXX		XXX	
6		Fixed Income Highest Quality					XXX		XXX		XXX	
7		Fixed Income High Quality					XXX		XXX		XXX	
8		Fixed Income Medium Quality					XXX		XXX		XXX	
9		Fixed Income Low Quality					XXX		XXX		XXX	
10		Fixed Income Lower Quality					XXX		XXX		XXX	
11		Fixed Income In or Near Default					XXX		XXX		XXX	
12		Unaffiliated Common Stock Public					0.0000		0.1300-1580 (a)		0.1300-1580 (a)	
13		Unaffiliated Common Stock Private					0.0000		0.1600-1945		0.1600-1945	
14		Real Estate					(b)		(b)		(b)	
15		Affiliated-Certain Other (See SVO Purposes & Procedures Manual)		XXX	XXX		0.0000		0.1300-1580		0.1300-1580	
16		Affiliated - All Other		XXX	XXX		0.0000		0.1600-1945		0.1600-1945	
17		Total Common Stock (Sum of Lines 1 through 16)					XXX		XXX		XXX	
REAL ESTATE												
18		Home Office Property (General Account only)					0.0000		0.0750-0912		0.0750-0912	
19		Investment Properties					0.0000		0.0750-0912		0.0750-0912	
20		Properties Acquired in Satisfaction of Debt					0.0000		0.1100-1337		0.1100-1337	
21		Total Real Estate (Sum of Lines 18 through 20)					XXX		XXX		XXX	
OTHER INVESTED ASSETS												
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF BONDS												
22		Exempt Obligations		XXX	XXX		0.0000		0.0000		0.0000	
23	1	Highest Quality		XXX	XXX		0.0004-0005		0.0023-0016		0.0030-0033	
24	2	High Quality		XXX	XXX		0.0019-0021		0.0058-0064		0.0090-0106	
25	3	Medium Quality		XXX	XXX		0.0093-0099		0.0230-0263		0.0340-0376	
26	4	Low Quality		XXX	XXX		0.0213-0245		0.0530-0572		0.0750-0817	
27	5	Lower Quality		XXX	XXX		0.0432-0630		0.1100-1128		0.1700-1880	
28	6	In or Near Default		XXX	XXX		0.0000		0.2000-2370		0.2000-2370	
29		Total with Bond Characteristics (Sum of Lines 22 through 28)		XXX	XXX		XXX		XXX		XXX	

ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET COMPONENT

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols.4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols.4x9)
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF PREFERRED STOCKS												
30	1	Highest Quality.....		XXX	XXX		0.0004_0005		0.0023_0016		0.0030_0033	
31	2	High Quality.....		XXX	XXX		0.0019_0021		0.0058_0064		0.0090_0106	
32	3	Medium Quality.....		XXX	XXX		0.0093_0099		0.0230_0263		0.0340_0376	
33	4	Low Quality.....		XXX	XXX		0.0213_0245		0.0530_0572		0.0750_0817	
34	5	Lower Quality.....		XXX	XXX		0.0432_0630		0.1400_1128		0.1700_1880	
35	6	In or Near Default.....		XXX	XXX		0.0000		0.2000_2370		0.2000_2370	
36		Affiliated Life with AVR		XXX	XXX		0.0000		0.0000		0.0000	
37		Total with Preferred Stock Characteristics (Sum of Lines 30 through 36)		XXX	XXX		XXX		XXX		XXX	
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF MORTGAGE LOANS												
In Good Standing Affiliated:												
38		Mortgages – CM1 – Highest Quality			XXX		0.0040_0011		0.0050_0057		0.0065_0074	
39		Mortgages – CM2 – High Quality			XXX		0.0035_0040		0.0100_0114		0.0130_0149	
40		Mortgages – CM3 – Medium Quality.....			XXX		0.0060_0069		0.0175_0200		0.0225_0257	
41		Mortgages – CM4 – Low Medium Quality.....			XXX		0.0405_0120		0.0300_0343		0.0375_0428	
42		Mortgages – CM5 – Low Quality			XXX		0.0460_0183		0.0425_0486		0.0550_0628	
43		Residential Mortgages – Insured or Guaranteed			XXX		0.0003		0.0006_0007		0.0040_0011	
44		Residential Mortgages – All Other		XXX	XXX		0.0043_0015		0.0030_0034		0.0040_0046	
45		Commercial Mortgages – Insured or Guaranteed			XXX		0.0003		0.0006_0007		0.0040_0011	
Overdue, Not in Process Affiliated:												
46		Farm Mortgages			XXX		0.0420_0480		0.0760_0868		0.1200_1371	
47		Residential Mortgages – Insured or Guaranteed			XXX		0.0005_0006		0.0012_0014		0.0020_0023	
48		Residential Mortgages – All Other			XXX		0.0025_0029		0.0058_0066		0.0090_0103	
49		Commercial Mortgages – Insured or Guaranteed			XXX		0.0005_0006		0.0012_0014		0.0020_0023	
50		Commercial Mortgages – All Other			XXX		0.0420_0480		0.0760_0868		0.1200_1371	
In Process of Foreclosure Affiliated:												
51		Farm Mortgages			XXX		0.0000		0.1700_1942		0.1700_1942	
52		Residential Mortgages – Insured or Guaranteed			XXX		0.0000		0.0040_0046		0.0040_0046	
53		Residential Mortgages – All Other			XXX		0.0000		0.0130_0149		0.0130_0149	
54		Commercial Mortgages – Insured or Guaranteed			XXX		0.0000		0.0040_0046		0.0040_0046	
55		Commercial Mortgages – All Other.....			XXX		0.0000		0.1700_1942		0.1700_1942	
56		Total Affiliated (Sum of Lines 38 through 55)			XXX		XXX		XXX		XXX	
57		Unaffiliated – In Good Standing With Covenants			XXX		(c)		(c)		(c)	
58		Unaffiliated – In Good Standing Defeased With Government Securities..										
59		Unaffiliated – In Good Standing Primarily Senior.....			XXX		0.0040_0011		0.0050_0057		0.0065_0074	
60		Unaffiliated – In Good Standing All Other			XXX		0.0035_0040		0.0100_0114		0.0130_0149	
61		Unaffiliated – Overdue, Not in Process			XXX		0.0060_0069		0.0175_0200		0.0225_0257	
62		Unaffiliated – In Process of Foreclosure			XXX		0.0420_0480		0.0760_0868		0.1200_1371	
63		Total Unaffiliated (Sum of Lines 57 through 62).....			XXX		XXX		XXX		XXX	
64		Total with Mortgage Loan Characteristics (Lines 56 + 63)			XXX		XXX		XXX		XXX	

ASSET VALUATION RESERVE (Continued)
BASIC CONTRIBUTION, RESERVE OBJECTIVE AND MAXIMUM RESERVE CALCULATIONS
EQUITY AND OTHER INVESTED ASSET COMPONENT

Line Number	NAIC Designation	Description	1 Book/ Adjusted Carrying Value	2 Reclassify Related Party Encumbrances	3 Add Third Party Encumbrances	4 Balance for AVR Reserve Calculations (Cols. 1+2+3)	Basic Contribution		Reserve Objective		Maximum Reserve	
							5 Factor	6 Amount (Cols. 4x5)	7 Factor	8 Amount (Cols. 4x7)	9 Factor	10 Amount (Cols. 4x9)
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF COMMON STOCK												
65		Unaffiliated Public		XXX	XXX		0.0000		0.1300_1580(a)		0.1300_1580(a)	
66		Unaffiliated Private		XXX	XXX		0.0000		0.1600_1945		0.1600_1945	
67		Affiliated Life with AVR		XXX	XXX		0.0000		0.0000		0.0000	
68		Affiliated Certain Other (See SVO Purposes & Procedures Manual)		XXX	XXX		0.0000		0.1300_1580		0.1300_1580	
69		Affiliated Other - All Other		XXX	XXX		0.0000		0.1600_1945		0.1600_1945	
70		Total with Common Stock Characteristics (Sum of Lines 65 through 69)		XXX	XXX		XXX		XXX		XXX	
INVESTMENTS WITH THE UNDERLYING CHARACTERISTICS OF REAL ESTATE												
71		Home Office Property (General Account only)					0.0000		0.0750_0912		0.0750_0912	
72		Investment Properties					0.0000		0.0750_0912		0.0750_0912	
73		Properties Acquired in Satisfaction of Debt					0.0000		0.1100_1337		0.1100_1337	
74		Total with Real Estate Characteristics (Sum of Lines 71 through 73)					XXX		XXX		XXX	
LOW INCOME HOUSING TAX CREDIT INVESTMENTS												
75		Guaranteed Federal Low Income Housing Tax Credit					0.0003		0.0006		0.0010	
76		Non-guaranteed Federal Low Income Housing Tax Credit					0.0063		0.0120		0.0190	
77		Guaranteed State Low Income Housing Tax Credit					0.0003		0.0006		0.0010	
78		Non-guaranteed State Low Income Housing Tax Credit					0.0063		0.0120		0.0190	
79		All Other Low Income Housing Tax Credit					0.0273		0.0600		0.0975	
80		Total LIHTC (Sum of Lines 75 through 79)					XXX		XXX		XXX	
ALL OTHER INVESTMENTS												
81		NAIC 1 Working Capital Finance Investments		XXX			0.0000		0.0037_0042		0.0037_0042	
82		NAIC 2 Working Capital Finance Investments		XXX			0.0000		0.0120_0137		0.0120_0137	
83		Other Invested Assets - Schedule BA		XXX			0.0000		0.1300_1580		0.1300_1580	
84		Other Short-Term Invested Assets - Schedule DA		XXX			0.0000		0.1300_1580		0.1300_1580	
85		Total All Other (Sum of Lines 81, 82, 83 and 84)		XXX			XXX		XXX		XXX	
86		Total Other Invested Assets - Schedules BA & DA (Sum of Lines 29, 37, 64, 70, 74, 80 and 85)					XXX		XXX		XXX	

- (a) Times the company's weighted average portfolio beta (Minimum .10,1215, Maximum .20,2431).
- (b) Determined using same factors and breakdowns used for directly owned real estate.
- (c) This will be the factor associated with the risk category determined in the company generated worksheet.

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