



Mr. Philip Barlow, Chair  
NAIC Life Risk-Based Capital Working Group  
1100 Walnut Street, Suite 1500  
Kansas City, MO 64106-2197

Re: Exposure #2018-18-L (Changes to the Combined Life/Fraternal RBC Blank and Instructions)

Dear Mr. Barlow:

The American Fraternal Alliance, an industry trade group for fraternal benefit societies, appreciates the opportunity to comment on the Life RBC Working Group exposure dated February 22, 2018, which combines the RBC reporting for life insurance companies and fraternal benefit societies effective with the 2019 year-end report.

This proposal is necessitated by the changes to the statutory statement blanks (e.g. quarterly and annual) that combined the Life blank (i.e. blue blank) and Fraternal blank (i.e. brown blank) effective with the 1Q 2019 quarterly statement.

We offer the following comments on exposure #2018-18-L sorted by document (e.g. Summary of Changes; Changes to the RBC Blank; Changes to the RBC Instructions):

For 'Summary of Changes':

- In the 'Annual Statement references that will be different from what is in the current fraternal RBC formula' section:
  - LR006 should state 'Lines [10](#) thru 12'.
- In the 'Changes needed to the existing life RBC blank' section:
  - We suggest adding the following under 'Jurat': [In section \(E\) the description should read "Contact Person for Life Risk-Based Capital"](#).
  - Add "[LR038 – add 'and Fraternal' to Life in the Source column for lines 1.2, 2.2, 3.2, 4.2, 5.2, 7.2, 9.2, 10.2](#)"

For 'Changes to the RBC Blank':

- LR019 – for lines 34 and 35, modify the Annual Statement Source to show '...Column [10](#)...' to accommodate changes to Exhibit 6 beginning in 2019. To assist in the transition in 2019 for line 35, a note could be added stating that the Column reference in the prior year was Column 3.
- LR024 – to accommodate the changes to Exhibit 6 beginning in 2019, we suggest modifying the page without making structural changes.
- LR026 – to accommodate the changes to Exhibit 6 beginning in 2019, we suggest modifying the page without making structural changes.

For 'Changes to the RBC Instructions':

- We have no comments on the proposed changes to the RBC Instructions.



After reviewing the RBC Instructions that were incorporated as part of the exposure, we determined that additional items may need to change to accommodate Fraternal into the Life RBC Instructions. Below are our comments:

- For the index page i:
  - Line 1. NAIC Life and Fraternal Risk-Based Capital Instructions
  - Line 1.37 Calculation of Tax Effect for Life and Fraternal ~~RRC~~ RBC LR030
- For the paragraph labeled “Applicability of NAIC Life RBC Report”, we suggest the following changes:
  - Applicability of NAIC Life and Fraternal RBC Report

The NAIC Life and Fraternal RBC Report has been developed for U.S. Life and Health insurers and Fraternal Benefit Societies who file the NAIC Life and Accident and Health Companies/Fraternal Benefit Societies annual statement (referred to as the “blue blank” for Life Insurers and the “brown book” for Fraternal). ~~“blue blank.”~~ In some states, U.S. insurers that write only alien business may be excluded from risk-based capital requirements. In addition, states in which Blue Cross and Blue Shield and similar organizations file the blue blank may decide to exempt these companies from filing an RBC report based on the extent to which their operations are different from conventional insurers’ individual and group health insurance operations although this formula is now generally consistent with the NAIC health risk-based capital formula designed for health entities including Blue Cross and Blue Shield plans.

- For page LR020 (Underwriting Risk – Experience Fluctuation Risk), we suggest adding ‘and fraternal’ after Life in the first sentence of the ‘Line (1) through Line (18)’ section.
- For page LR021 (Underwriting Risk – Other), we suggest adding ‘and Fraternal’ after Life in the second sentence of the second paragraph under the ‘Line (4) through Line (6)’ section.
- For page LR030 (Calculation of Tax Effect for Life RRC LR030), we suggest modifying the header to: Calculation of Tax Effect for Life and Fraternal ~~RRC~~ RBC LR030.
- For page LR037 (XXX/AXXX Captive Reinsurance Consolidated Exhibit LR037), we suggest adding ‘and Fraternal’ after Life in the first sentence of the ‘Columns 2 through 9: Pro Rata Portion of Captive Reinsurer’ section.

Best regards,

Joseph J. Annotti  
President and CEO  
American Fraternal Alliance

cc: Dave Fleming, NAIC



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