

**NAIC GOES Field Test #2  
Questions and Answers (Q&A)  
Last Modified: 5/1/24**

**Q1: How should the Average "Factor-Based" C3 Phase I Factor and Amount be determined?**

**A1:** One limitation of the 2022 GOES field test for C3 Phase I was that there was no information collected that would help regulators and interested parties compare the modeled C3 Phase I capital amounts to those determined by the formulaic floor. The "Factor-Based" capital amount and factor metric are required for the 2024 field test so that this comparison can be better understood.

In section LR027 of the Life RBC Blank (Attachment 1), there are two sections for A) "Reserves that were cash flow tested for asset adequacy" and B) "All Other Reserves". Business in the scope of A) above includes a modeled amount and an amount determined by simple factors applied to statutory reserves or other balance sheet items. On the other hand, business in the scope of B) above only uses the factor-based approach to determine a capital amount. The respective final RBC C3 requirement is the greater of:

[ A) Model-Based Amount + B) Factor-Based Amount ] **or**

$(1/2) * [ A) \text{ Factor-Based Amount} + B) \text{ Factor-Based Amount} ]$

Given that both modeled and non-modeled business is included in the floor for reporting, there is no direct comparison between solely the A) model-based amount and a floor that only applies to that business. However, a reasonable proxy to get the respective formulaic floor would be  $\frac{1}{2} * (\text{Line 16} + \text{Line 17})$ . The Factor-Based C3 Phase I factor would then be the amount described in the previous sentence divided by the respective statutory reserve. There could be some nuance to this if companies are not including all of the business in the field test that they normally would report under lines 16 and 17, so field test participants may need to adjust accordingly. Finally, companies may also wish to include the C3 amounts including the non-modeled business if the proxy-metric described above does not accurately capture their business.

**Q2: How many scenarios should be used for C3 Phase I Testing?**

**A2:** For the participant's baseline run, the company should use existing year-end 2023 reported results which should reflect running 50 or 12 scenarios. For each of the field test runs, participants should use a minimum of 200 scenarios for C3 Phase I. To accommodate producing C3 Phase I results using 200 scenarios, participants should use the same C3 Phase I excel-based results template that was provided for the first field test.

**Q3: In what format should results be shared during the confidential, regulator-only discussions?**

**A3:** Participants can use their judgement to determine the exact medium they would like to use to convey their results in a concise and easy-to-understand fashion. For reference, the public presentations that were delivered as part of the first field test are located on the [GOES SharePoint](#) in the link below. Participants are encouraged to consider what additional information or displays would be helpful in sharing their company-specific results.

[Field Test 1 Public Presentations](#)

# Attachment 1

|  |   |   |                    |                     |                    |
|--|---|---|--------------------|---------------------|--------------------|
| (1.1) Did the Company Submit an Unqualified Actuarial Opinion Based on Asset Adequacy Testing or One Qualified Due Solely to the Direction Provided in Actuarial Guideline XLVIII? |   | ["Yes" or "No" in Column (1)]   | (1)                |                     |                    |
| (1.2) C-3 RBC Cash Flow Testing on Certain Products? (See the instructions for specific details)   |   | ["Yes" or "No" in Column (1)]   |                    |                     |                    |
| (1.3) If Line (1.2) is "Yes", is the Appointed Actuary C-3 Assumption Statement Attached?  |   | ["Yes" or "No" in Column (1)]   |                    |                     |                    |
| (1.4) If applicable, have the appropriate certifications been attached?  |   | ["Yes" or "No" or "N/A" in Column (1)]  |                    |                     |                    |
| RESERVES THAT WERE CASH FLOW TESTED FOR ASSET ADEQUACY<br>(See Appendix 1 of the instructions for more details.)   |   |   | (2)                | (3)                 |                    |
|  |   | <u>Annual Statement Source</u>  | Statement<br>Value | Factor              | RBC<br>Requirement |
| <u>Low Risk Category</u>   |   |   |                    |                     |                    |
| (2)  | Annuity Reserve with Fair Value Adjustment (excluding unitized separate accounts)*                              | Notes to Financial Statements Item 32 Line A1, in part‡                       |                    | X 0.0095 or 0.0063† | =                  |
| (3)  | Annuity Reserve not Withdrawable (excluding structured settlements)*  | Notes to Financial Statements Item 32 Line B, in part‡                        |                    | X 0.0095 or 0.0063† | =                  |
| (4)  | Guaranteed Investment Contract (GIC) Reserve within 1 Year of Maturity£   | Notes to Financial Statements Item 32 Various Lines, in part‡                 |                    | X 0.0095 or 0.0063† | =                  |
| (5.1)  | Single Premium Life Insurance Reserves Net of Reinsurance   | Exhibit 5 Column 2 Line 0199999, in part                                      |                    |                     |                    |
| (5.2)  | Less Single Premium Life Insurance Reserves Policy Loans  | Page 2 Line 6, in part  |                    |                     |                    |
| (5.3)  | Plus Modified Coinsurance Assumed Single Premium Life Reserves net of Modified Coinsurance Assumed Policy Loans | Schedule S Part 1 Section 1 Column 12, in part‡                               |                    |                     |                    |
| (5.4)  | Less Modified Coinsurance Ceded Single Premium Life Reserves net of Modified Coinsurance Ceded Policy Loans     | Schedule S Part 3 Section 1 Column 14, in part‡                               |                    |                     |                    |
| (5.5)  | Single Premium Life Insurance Reserves  | Line (5.1) - (5.2) + (5.3) - (5.4)  |                    | X 0.0095 or 0.0063† | =                  |
| (6)  | Total Low Risk  | Lines (2) + (3) + (4) + (5.5)   |                    |                     |                    |
| <u>Medium Risk Category</u>  |   |   |                    |                     |                    |
| (7)  | Annuity Reserve at Book Value Less Surrender Charge of 5 Percent or More*                                       | Notes to Financial Statements Item 32 Line A2, in part‡                       |                    | X 0.0190 or 0.0127† | =                  |
| (8)  | Exhibit 7 Reserve not Included Elsewhere §  | Exhibit 7 Line 14 amounts not included elsewhere in Interest Rate Risk (C-3)‡ |                    | X 0.0190 or 0.0127† | =                  |
| (9)  | Structured Settlements  | Notes to Financial Statements Item 32 Line B, in part‡                        |                    | X 0.0190 or 0.0127† | =                  |
| (10)   | Additional Actuarial Reserves for Annuities and Single Premium Life - Asset/Liability Analysis                  | Exhibit 5 Column 2 Line 0799997, in part                                      |                    | X 0.0190 or 0.0127† | =                  |
| (11)   | Total Medium Risk   | Sum of Lines (7) through (10)   |                    |                     |                    |

† The factors are decreased by one-third if the company submits an unqualified actuarial opinion based on asset adequacy testing or one qualified due solely to the direction provided in Actuarial Guideline XLVIII. The RBC software automatically recalculates the factor, depending on the answer to Line (1.1).

‡ Net of reinsurance, less policy loans, plus modified coinsurance assumed reserves, less modified coinsurance ceded reserves.

§ Excluding any non-policyholder reserves (e.g., reserves that are not related to specific policies).

\* Excluding GICs within 1 year of maturity.

£ Includes GICs within 1 year of maturity subtracted elsewhere.

Denotes items that must be manually entered on the filing software.

Company Name

Confidential when Completed

NAIC Company Code

INTEREST RATE RISK AND MARKET RISK (CONTINUED)

|   | Annual Statement Source                                       | (2)<br>Statement<br>Value |   | Factor            | (3)<br>RBC<br>Requirement |
|---|---|---------------------------|---|-------------------|---------------------------|
| <u>High Risk Category</u>   |   |                           |   |                   |                           |
| (12) Annuity Reserve at Book Value Without Adjustment (minimal or no charge or adjustment)*   | Notes to Financial Statements Item 32 Line A5, in part‡       |                           | X | 0.0380 or 0.0253† | =                         |
| (13) Debt with GIC-like Characteristics (see Appendix 1 & 1b instructions)  | Company records (enter a pre-tax amount)                      |                           |   |                   |                           |
| (14) Total High Risk  | Line (12) + (13)  |                           |   |                   |                           |
| <u>Synthetic GIC's</u>  |   |                           |   |                   |                           |
| (15) Synthetic GIC's C-3 Requirement  | Company records (enter a pre-tax amount)                      |                           |   |                   |                           |
| <u>Callable/Pre-Payable Assets</u>  |   |                           |   |                   |                           |
| (16) Callable/Pre-Payable Assets Assigned to Products Categorized Above   | Company records (enter a pre-tax amount)                      |                           |   |                   |                           |
| (17) Subtotal of Factor Based RBC For Products Categorized Above  | Lines (6) + (11) + (14) + (15)                                |                           |   |                   |                           |
| ALL OTHER RESERVES (exclude statement amounts included in Lines (2) to (17) above)  |   |                           |   |                   |                           |
| <u>Low Risk Category</u>  |   |                           |   |                   |                           |
| (18) Annuity Reserve with Fair Value Adjustment (excluding unitized separate accounts and eligible experience rated pension and separate accounts with guarantees)* | Notes to Financial Statements Item 32 Line A1, in part‡       |                           | X | 0.0095 or 0.0063† | =                         |
| (19) Annuity Reserve not Withdrawable (excluding structured settlements and eligible experience rated pension and separate accounts with guarantees)*               | Notes to Financial Statements Item 32 Line B, in part‡        |                           | X | 0.0095 or 0.0063† | =                         |
| (20) Guaranteed Investment Contract (GIC) Reserve within 1 Year of Maturity£  | Notes to Financial Statements Item 32 Various Lines, in part‡ |                           | X | 0.0095 or 0.0063† | =                         |
| (21.1) Life Insurance Reserves Net of Reinsurance   | Exhibit 5 Column 2 Line 0199999, in part                      |                           |   |                   |                           |
| (21.2) Less Life Insurance Reserves Policy Loans  | Page 2 Line 6, in part  |                           |   |                   |                           |
| (21.3) Plus Modified Coinsurance Assumed Reserves net of Modified Coinsurance Assumed Policy Loans  | Schedule S Part 1 Section 1 Column 12, in part‡               |                           |   |                   |                           |
| (21.4) Less Modified Coinsurance Ceded Reserves net of Modified Coinsurance Ceded Policy Loans  | Schedule S Part 3 Section 1 Column 14, in part‡               |                           |   |                   |                           |
| (21.5) Life Insurance Reserves  | Line (21.1) - (21.2) + (21.3) - (21.4)                        |                           | X | 0.0095 or 0.0063† | =                         |
| (22) Total Low Risk   | Lines (18) + (19) + (20) + (21.5)                             |                           |   |                   |                           |

† The factors are decreased by one-third if the company submits an unqualified actuarial opinion based on asset adequacy testing or one qualified due solely to the direction provided in Actuarial Guideline XLVIII. The RBC software automatically recalculates the factor, depending on the answer to Line (1.1).

‡ Net of reinsurance, less policy loans, plus modified coinsurance assumed reserves, less modified coinsurance ceded reserves.

§ Excluding any non-policyholder reserves (e.g., reserves that are not related to specific policies).

\* Excluding GICs within 1 year of maturity.

£ Includes GICs within 1 year of maturity subtracted elsewhere.

Denotes items that must be manually entered on the filing software.

Company Name

Confidential when Completed

NAIC Company Code

INTEREST RATE RISK AND MARKET RISK (CONTINUED)

|   | <u>Annual Statement Source</u>   | (2)<br>Statement<br>Value |   | Factor                          | (3)<br>RBC<br>Requirement |
|---|--|---------------------------|---|---------------------------------|---------------------------|
| <u>Medium Risk Category</u>   |  |                           |   |                                 |                           |
| (23) Annuity Reserve at Book Value Less Surrender Charge of 5 Percent or More*  | Notes to Financial Statements Item 32 Line A2, in part‡  |                           | X | 0.0190 or 0.0127†               | =                         |
| (24) Exhibit 7 Reserve not Included Elsewhere §   | Exhibit 7 Line 14 amounts not included elsewhere in Interest Rate Risk (C-3)‡  |                           | X | 0.0190 or 0.0127†               | =                         |
| (25) Structured Settlements   | Notes to Financial Statements Item 32 Line B, in part‡   |                           | X | 0.0190 or 0.0127†               | =                         |
| (26) Additional Actuarial Reserves - Asset/Liability Analysis   | Exhibit 5 Column 2 Line 0799997, in part   |                           | X | 0.0190 or 0.0127†               | =                         |
| (27) Total Medium Risk  | Sum of Lines (23) through (26)   |                           |   |                                 |                           |
| <u>High Risk Category</u>   |  |                           |   |                                 |                           |
| (28) Annuity Reserve at Book Value Without Adjustment (minimal or no charge or adjustment)*                           | Notes to Financial Statements Item 32 Line A5, in part‡  |                           | X | 0.0380 or 0.0253†               | =                         |
| (29) Total High Risk  | Line (28)  |                           |   |                                 |                           |
| <u>Synthetic GIC's</u>  |  |                           |   |                                 |                           |
| (30) Synthetic GIC's C-3 Requirement  | Company records (enter a pre-tax amount)   |                           |   | RBC x 1.000<br>(less "haircut") |                           |
| <u>Callable/Pre-Payable Assets</u>  |  |                           |   |                                 |                           |
| (31) Callable/Pre-Payable Assets Not Allocated to Line (16). Include Callable/Pre-Payable Assets Allocated to Surplus | Company records (enter a pre-tax amount)   |                           |   |                                 |                           |
| (32) Interest Rate Risk Based Completely on Factors   | Lines (16) + (17) + (22) + (27) + (29) + (30) + (31)   |                           |   |                                 |                           |
| (33) C-3 RBC Cash Flow Testing Interest Rate Risk (If Line 1.2 = "Yes")   | Company records (enter a pre-tax amount)   |                           |   | C-3 RBC Cash Flow Testing       |                           |
| (34) Sub-Total Interest Rate Risk   | If Line (33) = 0, then Line (34) = Line (32).<br>Otherwise, Line (34) = Line (32) + (33) - (16) - (17),<br>subject to a minimum of 0.5 times Line (32) |                           |   |                                 |                           |
| (35) Interest Rate Risk Component (See the instructions for specific detail.)   | Company Records (enter the pre-tax amount)   |                           |   |                                 |                           |
| (36) Total Interest Rate Risk   | Lines (34) + (35)  |                           |   |                                 |                           |
| (37) Total Market Risk  | Company Records (enter a pre-tax amount)   |                           |   |                                 |                           |

- † The factors are decreased by one-third if the company submits an unqualified actuarial opinion based on asset adequacy testing or one qualified due solely to the direction provided in Actuarial Guideline XLVIII. The RBC software automatically recalculates the factor, depending on the answer to Line (1.1).
- ‡ Net of reinsurance, less policy loans, plus modified coinsurance assumed reserves, less modified coinsurance ceded reserves.
- § Excluding any non-policyholder reserves (e.g., reserves that are not related to specific policies).
- \* Excluding GICs within 1 year of maturity.
- £ Includes GICs within 1 year of maturity subtracted elsewhere.

Denotes items that must be manually entered on the filing software.