

Draft date: 5/12/25

Virtual Meeting

CAPITAL ADEQUACY (E) TASK FORCE

Thursday, May 15, 2025 12:00 – 1:00 p.m. ET / 11:00 a.m. – 12:00 p.m. CT / 10:00 – 11:00 a.m. MT / 9:00 – 10:00 a.m. PT

ROLL CALL

NAIC Member Representative State/Territory Doug Ommen, Chair Mike Yanacheak, Chair Iowa Judith L. French, Vice Chair Tom Botsko, Vice Chair Ohio Mark Fowler Charles Hale/Richard Russell Alabama Lori K. Wing-Heier Lori K. Wing-Heier Alaska Ricardo Lara Thomas Reedy California Michael Conway Rolf Kaumann Colorado Andrew N. Mais Wanchin Chou Connecticut Karima M. Woods Philip Barlow District of Columbia Michael Yaworsky Jane Nelson Florida Ann Gillespie Matt Cheung Illinois Holly W. Lambert Roy Eft Indiana Vicki Schmidt Tish Becker Kansas Sharon P. Clark **Russell Coy** Kentucky Timothy J. Temple Melissa Gibson Louisiana **Grace Arnold** Fred Andersen Minnesota Angela L. Nelson John Rehagen Missouri Remedio C. Mafnas Remedio C. Mafnas N. Mariana Islands **Eric Dunning Tadd Wegner** Nebraska **Scott Kipper** Hermoliva Abejar Nevada Justin Zimmerman Justin Zimmerman **New Jersey** North Dakota Jon Godfread Matt Fischer Glen Mulready Andy Schallhorn Oklahoma Michael Humphreys Diana Sherman Pennsylvania Elizabeth Kelleher Dwyer **Ted Hurley** Rhode Island South Carolina Michael Wise Ryan Basnett Tennessee Carter Lawrence Trey Hancock Cassie Brown Jamie Walker **Texas** Scott A. White **Doug Stolte** Virginia Patty Kuderer Steve Drutz Washington Nathan Houdek Amy Malm Wisconsin

NAIC Support Staff: Eva Yeung



AGENDA

1.	Consider Adoption of Proposal 2024-21-L MOD (Tax Credit Investments)— <i>Philip Barlow (DC)</i>	Attachment A
2.	Consider Adoption of Proposal 2024-24-L MOD (Principle-Based Bond Project for Life)— <i>Philip Barlow (DC)</i>	Attachment B
3.	Consider Adoption of Proposal 2025-01-L (C-2 Mortality Risk-LR025) —Philip Barlow (DC)	Attachment C
4.	Consider Adoption of Proposal 2025-04-L MOD (Other Long-Term Assets LR008)— <i>Philip Barlow (DC)</i>	Attachment D
5.	Consider Adoption of Proposal 2025-05-L (Asset Concentration LR010) —Philip Barlow (DC)	Attachment E
6.	Consider Adoption of Proposal 2025-06-CR (Disclosure Climate Condition Cat Exposure Instruction)—Wanchin Chou (CT)	Attachment F
7.	Consider Adoption of Proposal 2024-25-CA (Principle-Based Bond Project for P/C and Health)— <i>Mike Yanacheak (IA)</i>	Attachment G
8.	Consider Adoption of Proposal 2024-26-CA (Tax Credit for P/C and Health)— <i>Mike Yanacheak (IA)</i>	Attachment H
9.	Consider Adoption of Proposal 2025-07-CA MOD (Trend Test) —Mike Yanacheak (IA)	Attachment I
10.	Consider Exposure of Proposal 2025-03-CA (Underwriting Risk Investment Income Update)—Steve Drutz (WA)	Attachment J
11.	Consider Exposure of its Revised Procedure Document —Mike Yanacheak (IA)	Attachment K
12.	Consider Exposure of its 2026 Proposed Charges—Mike Yanacheak (IA)	Attachment L
13.	Discuss Comments Received on Proposal 2024-16-CA (Revised Preamble)— <i>Mike Yanacheak (IA)</i> A. <i>Peter Gould (Retiree)</i> B. American Academy of Actuaries (Academy)— <i>Dana Hunt</i> C. American Council of Life Insurers (ACLI)— <i>Colin Masterson</i> D. Center for Insurance Research— <i>Brendon Bridgeland</i>	Attachment M

14. Discuss Any Other Matters Brought Before the Task Force



-Mike Yanacheak (IA)

- A. Bond-like Treatment for Securities Valuation Office (SVO)-Designated Bond Mutual Funds
- B. Risk-Based Capital Model Governance (EX) Task Force

15. Adjournment

Capital Adequacy (E) Task Force RBC Proposal Form

 □ Capital Adequacy (E) Task Ford □ Catastrophe Risk (E) Subgroup □ Variable Annuities Capital. & R (E/A) Subgroup 	☐ P/C RBC (E) Working Gro	up ☐ Longevity Risk (A/E) Subgroup
TELEPHONE: 816-3 EMAIL ADDRESS: koko ON BEHALF OF: Life F NAME: Philip TITLE: Assoc AFFILIATION: Distr ADDRESS: 1050	DATE: 2/06/25 em Okosun 783-8981 sun@naic.org tisk-Based Capital (E) Working Group D Barlow, Chair ciate Commissioner of Insurance ict of Columbia First Street, NE Suite 801 hington, DC 20002	## FOR NAIC USE ONLY Agenda Item # 2024-21-L MOD 2025
Health RBC Blanks	Property/Casualty RBC Blanks Property/Casualty RBC Instructions Property/Casualty RBC Formula	☑ Life and Fraternal RBC Blanks☑ Life and Fraternal RBC Instructions☑ Life and Fraternal RBC Formula

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

This proposal is to update the RBC instructions and blanks for the adopted Statutory Accounting Principles (E) Working Group's conceptual changes to SSAP No. 93 –Investments in Tax Credit Structures and SSAP No. 94R – State and Federal Tax Credits resulting from the New Market Tax Credits project. (SAPWG Ref # 2022-14) and the corresponding changes in annual statement blanks and instructions as per 2024-11BWG MOD adopted by the NAIC Blanks (E) Working Group.

This proposal addresses the structural and instructional changes adopted as per 2024-11BWG and does not address the potential factor change (for both RBC and AVR factors) resulted from the expansion of the scope of accounting guidance in SAPWG Ref # 2022-14 and the expansion of the types of tax credit investments captured in the guidance.

Additional Staff Comments:

This proposal removes or renames the Guaranteed Federal Low-Income Housing Tax Credits, Federal Non-Guaranteed Low Income Housing Tax Credits, State Guaranteed Low-Income Housing Tax Credits, State Non-Guaranteed Low-Income Housing Tax Credits, and All Other Low Income Housing Tax Credits lines (AVR lines 75 through 79) and broadens the scope of remaining tax credit structure lines in AVR in line with SAPWG adoption. These changes will result in corresponding changes in LRBC instructions and/or blanks, namely LR007, LR010, LR030 and LR031.

- 10-23-2024: Proposal was exposed with comments due 01-06-2025 Comments received from ACLI (KO)
- 02-21-2025: Proposal was modified and re-exposed with comments due 03-23-2025 No comment letter received (KO)

** This section must be completed on all forms.

Revised 2-2023

REAL ESTATE

LR007

Basis of Factors

The base factor for equity real estate of 11% was developed by adding a margin for conservatism to the results of an analysis of real estate performance over the period of 1978 – 2020. The analysis was conducted by a group of life insurance company real estate investment professionals coordinated by the ACLI. The data used was a national database of real property owned by investment fiduciaries and supplemented by data on real estate backing mortgage securities. The analysis is documented in a report to the NAIC dated March 29, 2021. In addition to modifying the factor for company owned and investment real estate, this updated factor will also be used for real estate acquired in satisfaction of debt (Foreclosed real estate). Foreclosed real estate is recognized in the statutory statements as having acquisition cost equal to market value at time of foreclosure. For assets with the characteristics of real held estate (partnership or other structure) reported on Schedule BA, a higher factor of 13% is used to account for the lower transparency involved with these structures. Schedule BA real estate was originally given a higher factor under a presumption that it was more highly levered. Analysis has shown these assets to have experience very similar to directly held and will therefore use a modestly higher factor.

While the experience analysis was done based on analysis of fair value impacts, Real Estate is reported at depreciated cost in the Statutory statements. The difference in values impacts the risk to statutory surplus. Therefore, an adjustment is made to the factor based on the difference between fair value and statutory carrying value on a property-by-property basis. The adjustment is defined as

Adj Factor =
$$RE Factor*(1 - [factor] * (MV-BVg)/BVg)$$
}

factor is 0 This zero factor for the fair value adjustment is effective beginning yearend 2021 RBC filings.

The resulting adjusted RBC factor is subject to a minimum of zero. In the RBC calculation, see Figure 7, fair value is taken from Schedule A Column 10 plus encumbrances, or from Schedule BA column 11 plus encumbrances, respectively, while BVg is the net Book Adjusted Carrying Value plus the encumbrance.

Encumbrances have been included in the real estate base since the value of the property is held net of the encumbrance, but the entire value is subject to loss. Encumbrances receive the base real estate factor of 11%, reduced by the average factor for commercial mortgages of 1.75% pre-tax In the past this was computed as a base factor applied to the net real estate value plus a separate factor applied to the amount of the encumbrance. Beginning in 2021, the equivalent result will be obtained by applying a base factor to the gross statutory value of the property, and a credit provided for the amount of the encumbrance.

The final RBC amount is subject to a minimum of the Baa bond factor 1.30% applied to the BACV, and a maximum of 45% of the BACV.

Specific Instructions for Application of the Formula

Column (1)

Calculations are done on an individual property or joint venture basis in the worksheets and then the summary amounts are entered in this column for each class of real estate investment. Refer to the real estate calculation worksheet (Figure 7) for how the individual property or joint venture calculations are completed.

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Line (1) should equal Page 2, Column 3, Line 4.1.
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Line (2) should equal Page 2, inside amount, Line 4.1.

Line (4) should equal AVR Equity Component Column 1 Line 20.

Line (5) should equal AVR Equity Component Column 3 Line 20.

Line (7) should equal AVR Equity Component Column 1 Line 19.

Line (8) should equal AVR Equity Component Column 3 Line 19.

Line (14) should equal Schedule BA, Part 1, Column 12, Line 2199999 plus Line 2299999, in part.

Line (15) should equal Schedule BA, Part 1, Column 12, Line 2199999 plus Line 2299999, in part.

Line (17) should equal AVR Equity Component Column 1 Line 75.

Line (18) should equal AVR Equity Component Column 1 Line 76.

Line (19) should equal AVR Equity Component Column 1 Line 77.

Line (20) should equal AVR Equity Component Column 1 Line 78.

Line (21) should equal AVR Equity Component Column 1 Line 79.

Low-income housing tax credit investments All iInvestments in tax credit structures within the scope of SSAP No. 93 – Investments in Tax Credit Structures are to be reported in Column (1)—Low-Income Housing Tax Credit Property Investments.

Column (2)

The average factor column is calculated as Column (3) divided by Column (1).

Column (3)

Summary amounts are entered for Column (3) based on calculations done on an individual property or joint venture basis. Refer to Column (8) of the real estate calculation worksheet (Figure 7).

Line (17)

<u>Yield</u> Guaranteed <u>State Tax Credit federal low-income housing tax credit (LIHTC) I</u> investments are to be included in Line (17). <u>There must be an all-inclusive guarantee from a CRP-rated entity that guarantees the yield on the investment. This reporting line is only allowed for tax credit investments which issue state tax credits.</u>

Line (18)

Qualifying Federal Tax Credit Investments are to be included in Line (18). Refer to the Annual Statement Schedule BA Instructions for risk mitigating factors these investments must possess in order to be qualified for this classification.

Non guaranteed federal LIHTC investments with the following risk mitigation factors are to be included in Line (18):

- a) A level of leverage below 50 percent. For a LIHTC Fund, the level of leverage is measured at the fund level.
- b) There is a tax credit guarantee agreement from general partner or managing member. This agreement requires the general partner or managing member to reimburse investors for any shortfalls in tax credits due to errors of compliance, for the life of the partnership. For an LIHTC fund, a tax credit guarantee is required from the developers of the lower-tier LIHTC properties to the upper-tier partnership.

Line (19)

State LIHTC investments that at a minimum meet the federal requirements for guaranteed LIHTC investments Qualifying State Tax Credit Investments are to be included in Line (19). Refer to the Annual Statement Schedule BA Instructions for risk mitigating factors these investments must possess in order to be qualified for this classification.

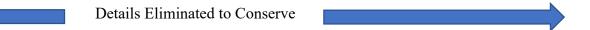
Line (20)

State LIHTC investments that at a minimum meet the federal requirements for non-guaranteed LIHTC investments Other Tax Credit Investments are to be included in line (20). Any tax credit investment which cannot be reported as either yield guaranteed State Tax Credit or Investments or qualifying Federal or State Tax Credit Investments are included here.

Federal tax credit investments with all-inclusive yield guarantees which would have previously been reported under the Guaranteed Federal Tax Credit Investment reporting line and are still within the scope of SSAP No. 93 shall be reported in Other Tax Credit Investments. This Federal Guaranteed reporting line was removed as these types of tax credit investment structure were substantially eliminated by the Historic Boardwalk Hall, LLC v. Commissioner of Internal Revenue court decision in 2012.

Line (21)

State and federal LIHTCTotal Tax Credit investments that do not meet the requirements of sum of lines (17) through (20) would be reported on Line (21).



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REAL ESTATE

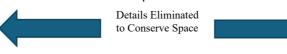
KEA	LESTATE		(1)	(2)	(3)
			Book / Adjuste	Average	RBC
		Annual Statement Source	ying Valu	Factor	Requirement
	Real Estate				
(1)	Company Occupied Real Estate	AVR Equity Component Column 1 Line 18			
(2)	Company Occupied Encumbrances	AVR Equity Component Column 3 Line 18			
(3)	Total Company Occupied Real Estate	Line $(1) + (2)$	X	†	=
(4)	Foreclosed Real Estate	AVR Equity Component Column 1 Line 20			
(5)	Foreclosed Encumbrances	AVR Equity Component Column 3 Line 20			
(6)	Total Foreclosed Real Estate	Line $(4) + (5)$	X	†	=
(7)	Investment Real Estate	AVR Equity Component Column 1 Line 19			·
(8)	Investment Encumbrances	AVR Equity Component Column 3 Line 19			
(9)	Total Investment Real Estate	Line $(7) + (8)$	X	†	=
(10)	Total Real Estate	Lines $(3) + (6) + (9)$			
	(pre-MODCO/Funds Withheld)				
(11)	Reduction in RBC for MODCO/Funds Withheld				
	Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)			
(12)	Increase in RBC for MODCO/Funds Withheld				
	Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)			
(13)	Total Real Estate				
	(including MODCO/Funds Withheld)	Lines (10) - (11) + (12)			
	Schedule BA Real Estate				
(14)	Schedule BA Real Estate	Schedule BA Part 1 Column 12 Line 2199999			
		+ Line 2299999, in part			
(15)	Schedule BA Real Estate Encumbrances	Schedule BA Part 1 Column 12 Line 2199999			
		+ Line 2299999, in part			
(16)	Total Schedule BA Real Estate Excluding Low 'Income Housing Tax Credits Investments Included Below	Line (14) + (15)	X	†	=
(17)	Yield Guaranteed State Tax Credit Investments Federal Guaranteed Low Income Housing Tax Credits	AVR Equity Component Column 1 Line 75	X	0.0014	=
(18)	Qualifying Federal Tax Credit Investments Federal Non-Guaranteed Low Income Housing Tax Credits	AVR Equity Component Column 1 Line 76	X	0.0260	=
				0.0260	
(19)	Qualifying State Tax CreditInvestments State Guaranteed Low Income Housing Tax Credits	AVR Equity Component Column 1 Line 77	X	0.0014 0.1500	=
(20)	Other Tax Credit Investments State Non-Guaranteed Low Income Housing Tax Credits	AVR Equity Component Column 1 Line 78	X	0.1300 0.0260	=
(20)		Lines $(17) + (18) + (19) + (20)$ AVR Equity			
(21)	Total Tax Credit Investments All Other Low Income Housing Tax Credits	Component Column 1 Line 79	X	0.1500	=
(22)	Total Schedule BA Real Estate	Lines $(16) + \frac{(17) + (18) + (19) + (20) + (21)}{(21)}$			
	(pre-MODCO/Funds Withheld)				
(23)	Reduction in RBC for MODCO/Funds Withheld				
	Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)			
(24)	Increase in RBC for MODCO/Funds Withheld				
	Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)			
(25)	Total Schedule BA Real Estate				
	(including MODCO/Funds Withheld)	Lines (22) - (23) + (24)			
†	Column (2) is calculated as Column (3) divided by Column (1).				

‡ The RBC requirement is calculated for each individual property and then summarized on this page. Refer to the worksheet included in the Real Estate portion of the instructions.

Details Eliminated to Conserve Space

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NAIC Company Code



	(1)	(2)	(3)	(4)	(5)	(6)
		Book / Adjusted		Additional	Adjustment/	RBC
	<u>Asset Type</u>	Carrying Value	Factor	RBC	Subsidiary RBC	Requirement
(31)	Farm Mortgages - 90 Days Overdue					
(32)	Farm Mortgages - 90 Days Overdue - Cumulative Writedowns	X	‡	=		
(33)	Residential Mortgages - 90 Days Overdue					
(34)	Residential Mortgages - 90 Days Overdue - Cumulative Writedowns	X	‡	=		
(35)	Commercial Mortgages - 90 Days Overdue					
(36)	Commercial Mortgages - 90 Days Overdue - Cumulative Writedowns	X	‡	=		
(37)	Farm Mortgages in Foreclosure					
(38)	Farm Mortgages in Foreclosure - Cumulative Writedowns	X	‡	=		
(39)	Residential Mortgages in Foreclosure					
(40)	Residential Mortgages in Foreclosure - Cumulative Writedowns	X	‡	=		
(41)	Commercial Mortgages in Foreclosure					
(42)	Commercial Mortgages in Foreclosure - Cumulative Writedowns	X	‡	=		
(43)	Unaffiliated Mortgages with Covenants	X	‡	=		
(44)	Unaffiliated Mortgages - Defeased with Government Securities	X	0.0090	=		
(45)	Unaffiliated Mortgages - Primarily Senior	X	0.0175	=		
(46)	Unaffiliated Mortgages - All Other	X	0.0300	=		
(47)	Affiliated Mortgages - Category CM2	X	0.0175	=		
(48)	Affiliated Mortgages - Category CM3	X	0.0300	=		
(49)	Affiliated Mortgages - Category CM4	X	0.0500	=		
(50)	Affiliated Mortgages - Category CM5	X	0.0750	=		
(51)	Schedule BA Mortgages 90 Days Overdue					
(52)	Schedule BA Mortgages 90 Days Overdue - Cumulative Writedowns	X	‡	=		
(53)	Schedule BA Mortgages in Process of Foreclosure					
(54)	Schedule BA Mortgages Foreclosed - Cumulative Writedowns	X	‡	=		
(55)	Yield Guaranteed State Tax Credit Investments Federal Guaranteed Low Income Housing Tax Credits	Х	0.0014	=		
(56)	Qualifying Federal Tax Credit Investments Federal Non-Guaranteed Low Income Housing Tax Credits	X	0.0260	=		
			0.0260			
(57)	Qualifying State Tax CreditInvestments State Guaranteed Low Income Housing Tax Credits	X	0.0014	=		
			0.1500			
(58)	Other Tax Credit Investments State Non-Guaranteed Low Income Housing Tax Credits	X	0.0260	=		
(59)	All Other Low Income Housing Tax Credits-	X	0.1500	=		
	NAIC 02 Working Capital Finance Notes	X	0.0163	=		
	Other Schedule BA Assets	X	0.1500	=		
(61) (62	Total of Issuer = Sum of Lines (1) through (60) (61)					
•						

NOTE: Ten issuer sections and a grand total page will be available on the filing software. The grand total page is calculated as the sum of issuers 1-10 by asset type.



Company Name

CALCULATION OF TAX EFFECT FOR LIFE AND FRATERNAL RISK-BASED CAPITAL

- (042) Unaffiliated Preferred Stock NAIC 5 (043) Unaffiliated Preferred Stock NAIC 6 (044) Preferred Stock Reduction-Reinsurance (045)Preferred Stock Increase-Reinsurance Separate Accounts (046) Guaranteed Index (047)Nonindex-Book Reserve (048) Separate Accounts Nonindex-Market Reserve Separate Accounts Reduction-Reinsurance (050) Separate Accounts Increase-Reinsurance (051) Synthetic GICs (052)Separate Account Surplus Real Estate (053) Company Occupied Real Estate (054)Foreclosed Real Estate (055) Investment Real Estate Real Estate Reduction - Reinsurance (057) Real Estate Increase - Reinsurance Schedule BA Sch BA Real Estate Excluding Low Income (058) Housing Tax Credits Investments (059) (060)rranteed and All Other Low Income Housing Tax Credits Investments Qualifying and Other Tax Credit Investments (061) Sch BA Real Estate Reduction - Reinsurance
 - Denotes lines that are deducted from the total rather than added.

Sch BA Real Estate Increase - Reinsurance

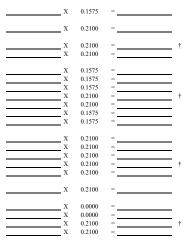
(062)

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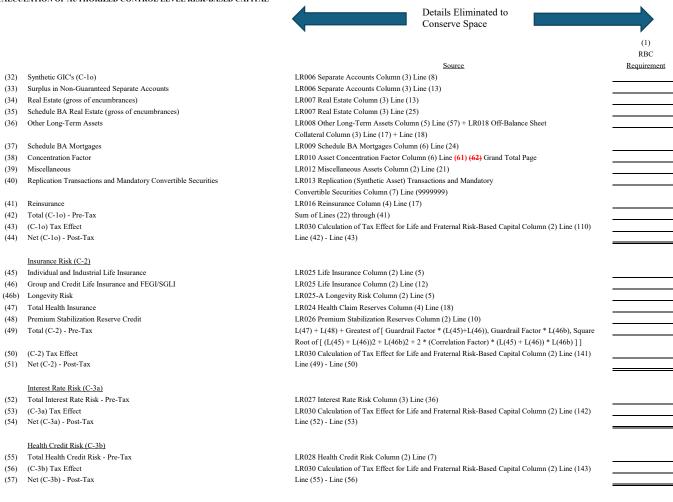


LR005 Unaffiliated Preferred and Common Stock Column (5) Line (5) + LR018 Off-Balance Sheet Collateral Column (3) Line (13) LR005 Unaffiliated Preferred and Common Stock Column (5) Line (6) + LR018 Off-Balance Sheet Collateral Column (3) Line (14) LR005 Unaffiliated Preferred and Common Stock Column (5) Line (8) LR005 Unaffiliated Preferred and Common Stock Column (5) Line (9) LR006 Separate Accounts Column (3) Line (1) LR006 Separate Accounts Column (3) Line (2) LR006 Separate Accounts Column (3) Line (3) LR006 Separate Accounts Column (3) Line (5) LR006 Separate Accounts Column (3) Line (6) LR006 Separate Accounts Column (3) Line (8) LR006 Separate Accounts Column (3) Line (13) LR007 Real Estate Column (3) Line (3) LR007 Real Estate Column (3) Line (6) LR007 Real Estate Column (3) Line (9) LR007 Real Estate Column (3) Line (11) LR007 Real Estate Column (3) Line (12) LR007 Real Estate Column (3) Line (16) LR007 Real Estate Column (3) Line (17) + Line (19) LR007 Real Estate Column (3) Line (18) + Line (19) + Line (20) + Line (21) LR007 Real Estate Column (3) Line (23) LR007 Real Estate Column (3) Line (24) Details Eliminated to Conserve Space

Attachment A NAIC Company Code



CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL





Capital Adequacy (E) Task Force RBC Proposal Form

□ Capital Adequacy (E) Ta□ Catastrophe Risk (E) Su□ Variable Annuities Capi (E/A) Subgroup	ıbgroup \square P/C RBC (E) Workin	g Group
CONTACT PERSON: TELEPHONE: EMAIL ADDRESS: ON BEHALF OF: NAME: TITLE: AFFILIATION: ADDRESS:	DATE: 10/7/2024 Maggie Chang 816-783-8976 mchang@naic.org Life Risk-Based Capital (E) Working Gr Philip Barlow, Chair Associate Commissioner of Insurance District of Columbia 1050 First Street, NE Suite 801 Washington, DC 20002	FOR NAIC USE ONLY
☐ Health RBC Blanks☐ Health RBC Instruction☐ Health RBC Formula	☐ Property/Casualty RBC Formula	 ☑ Life and Fraternal RBC Blanks ions ☑ Life and Fraternal RBC Instructions ☐ Life and Fraternal RBC Formula
07BWG MOD, and #2023-2 Statutory Accounting Princi In addition, certain editoria	12BWG MOD. These changes are resulted ples (E) Working Group. all changes are proposed herein to provide ying edits are not necessarily related to the second processarily related to the second provide processarily related to the second processarily related to	Working Group, namely #2023-06BWG MOD, #2023-ed from adoption of principle-based bond definition by the clarifying edits to Life and Fraternal RBC instructions the principle-based bond definition project. All changes

Rationale for the <u>key</u> proposed clarifying edits are as follows:

LR002 – With effect from 2005 RBC filing, Cash Equivalent Bonds are subtracted from LR012 Miscellaneous Asset page and are instructed to be reported on LR002. Proposed clarifying edits in Annual Statement Source column are deemed necessary

Additional Staff Comments:

as the current AVR references do not contemplate Cash Equivalent Bonds. Additionally, The proposed presentation aligns with RBC treatment of Cash Equivalent Bonds in Health and P/C formulas.

LR012 – Line (2.2) "Less Cash Equivalent Bonds Already Included with Page LR002 Bonds" no longer requires sourcing data "in part" as Schedule E Part 2 has dedicated line for Cash Equivalent Bonds, which are all supposed to have NAIC Designation Categories and are aggregated by NAIC Designation Categories in footnote to Schedule E, Part 2. Refer to Annual Statement instructions for details.

LR047 & LR048 – Diversity in practice was observed as to how filers interpret the instruction: *The "total" should equal the total amount of the Reduction/ Increase of C-0, C-1o And C-1cs RBC attributable to all assets except bonds for MODCO and funds withheld agreements.* As such, clarifying edits are proposed to give explicit instructions.

Item#	Commenter	Comments	NAIC's response
1	ACLI	LR008 (Other Long-Term Assets) blanks: The surplus notes and capital notes lines reference Schedule BA, should they be referencing the newly adopted lines in the AVR now?	The newly adopted lines in AVR for capital and surplus notes are added to LR008 page, Line (53.1)
2	ACLI	LR008 (Other Long-Term Assets) instruction: Line (49.2) – Is the first sentence still needed now that we are speaking about 2025 RBC filing? Should this just state "Include AVR Equity component, Column 1, Line 93 within line (49.2)?	Agreed. Deleted Line (49.2) instruction altogether as it is a pull from line (49.1).
3	ACLI	LR009 (Schedule BA Mortgages) instruction: Basis of factors – the spacing in subsections 1 and 4 should be corrected.	Agreed. Formatting corrected.
4	ACLI	Changes to scheduled LR009 were introduced in the 2024 RBC instructions to include an explicit line and charge for Schedule BA Mortgages in good standing for "(2) Affiliated Mortgages – Residential – All Other" with a charge of 0.0068 to align with charges on residential mortgage loans held directly. However, a similar line was not added for Unaffiliated Residential Mortgages in Good Standing. This leads to Unaffiliated Residential Mortgages in good standing getting included in either "Unaffiliated Mortgages - Primarily Senior" which has a charge of 0.0175 or "(6) Unaffiliated Mortgages – All Other" which has a charge of 0.0300. Should an additional line be added for "Unaffiliated Mortgages – Residential – All Other" with a proposed charge of 0.0068?	The current structure incorporated ACLI comment letter dated 2/26/2024. RBC is driven by AVR presentation. There is not a designated line for "Sch. BA - <u>Unaffiliated</u> Residential Mortgages in Good Standing." in AVR Equity Component Table. NAIC staff plan to capture this topic in a dedicated RBC proposal for Working Group discussion in the future.
5	ACLI	LR009 (Schedule BA Mortgages) blanks: ACLI would also recommend addressing the fact that BA Farm Loans 90 days overdue and in foreclosures are not mapped into LR009 from the AVR page. This can be seen as there are missing AVR lines (#46 and #51) on the LR009 source column.	Agreed. Added to the modified proposal. This conforms with adopted Proposal 2023-07-L.
6	ACLI	LR010 (Asset Concentration Factor) instruction:	Comments taken, see edits proposed to LR010 instruction.

		Specific instructions for application of the formula – does "short-term investments" need to include cash equivalents now that they are part of LR002?	Attaciiii
7	ACLI	LR047 - Reinsurance Ceded – All Other Assets C-0, C-10 and C-1cs LR047 (ModCo or Funds Withheld Reinsurance Agreements) instruction:	Agreed, corrected.
		Column 4 – LR002 Column (2) Line (19) should not be included as LR002 Bonds have their own page only for bonds (LR045) which is shown above with the same reference.	
8	ACLI	LR048- Reinsurance Assumed – All Other Assets C-0, C-1o And C-1cs LR048 (ModCo or Funds Withheld Reinsurance Agreements):	Agreed, corrected.
		Column 4 – LR002 Column (2) Line (20) should not be included as LR002 Bonds have their own page only for bonds (LR046) which is shown above with the same reference.	
9	ACLI	Line 22 – Now that cash equivalents are to be added here, could there be a need to add a reference for the inclusion of cash equivalents (line 0299999) on this line too? Currently the line only includes LT Bonds and ST Bonds but not Cash Equivalents.	Agreed. Cash Equivalent reference added to LR002 Line (22).
10	ACLI	LR017 blanks: Off to the side of the Derivative Instruments lines, there is a block of text in the margins that should be removed.	Agreed, text removed.
11	Pacific Life	LR009 (Schedule BA Mortgages) Instructions and Blanks	Comments that are not addressed within this modified proposal will be addressed in a dedicated RBC proposal for Working Group discussion in the future. See # 4 above.
12	ACLI	Asset Concentration Factor LR010 for non-bond debt securities reported on Schedule BA.	Refer to Proposal 2025-05-L

MKC 2/14/2025 – This modified proposal incorporated changes in response to interested parties' comments as detailed above. Given certain investment-related agendas at Statutory Accounting Principles (E) Working Group and Proposal #2024-19BWG have not been fully adopted at NAIC Blanks (E) Working Group at the time of this draft, proposed edits are subject to changes based on corresponding adoption(s)/action(s) at SAPWG and Blanks WG. Proposed edits that are new in this modified proposal are highlighted in YELLOW.

- 10-23-2024: Proposal was exposed with comments due 01-06-2025 Comments received from ACLI (KO)
- 02-21-2025: Proposal was modified and re-exposed with comments due 03-23-2025 No comment letter received (KO)
- 05-1-2025: Proposal was modified to incorporate changes resulted from deferral of Blank proposal 2024-19BWG to 2026. Changes highlighted in Green (KO)

^{**} This section must be completed on all forms.

BONDS LR002

Basis of Factors

The bond factors are based on cash flow modeling using historically adjusted default rates for each bond category. For each of 2,000 trials, annual economic conditions were generated for the 10-year modeling period. Each bond of a 400-bond portfolio was annually tested for default (based on a "roll of the dice") where the default probability varies by designation category and that year's economic environment. When a default takes place, the actual loss considers the expected principal loss by category, the time until the sale actually occurs and the assumed tax consequences.

Actual surplus needs are reduced by incorporating anticipated annual contributions to the asset valuation reserve (AVR) as offsetting cash flow. Required surplus for a given trial is calculated as the amount of initial surplus funds needed so that the accumulation with interest of this initial amount and subsequent cash flows will not become negative at any point throughout the modeling period. The factors chosen for the proposed formula produce a level of surplus at least as much as needed in 92% of the trials by category and a 96% level for the entire bond portfolio.

The factor for NAIC 6 bonds recognizes that the book/adjusted carrying value of these bonds reflects a loss of value upon default by being marked to market.

Specific Instructions for Application of the Formula

Lines (1) through (7)

The book/adjusted carrying value of all bonds and related fixed-income investments should be reported in Column (1). The bonds are split into seven different risk classifications. For long-term bonds, these classifications are found on Lines 1 through 7 of the Asset Valuation Reserve Default Component, Page 30 of the annual statement.

<u>Line (8)</u>

The total should equal long-term bonds and other fixed-income instruments reported on Page 2, Column 3, Line 1 plus Schedule DL Part 1, Column 6, Line 2009999999 2509999999 of the annual statement.

Lines (9) through (15)

The book/adjusted carrying value of all bonds and related fixed-income investments should be reported in Column (1). The bonds are split into seven different risk classifications. For short-term bonds, these classifications are found on Lines 18 through 24 of the Asset Valuation Reserve Default Component, Page 30 of the annual statement.

Line (16)

The total should equal short-term bonds reported on Schedule DA, Part 1, Column 6 Line 0509999999 2509999999 plus Schedule DL Part 1, Column 6, Line 9509999999 plus Schedule E, Part 2, Column 7, Line 0509999999 LR012 Miscellaneous Assets Column (1) Line (2,2).

Line (22)

Class 1 bonds (highest quality) issued by a U.S. government agency that are not backed by the full faith and credit of the U.S. government should be reported on this line. The loan-backed securities of the Federal National Mortgage Association (FNMA) and the Federal Home Loan Mortgage Corporation (FHLMC) would be examples of the securities reported on this line. Line (22) should not be larger than the sum of Lines (2) and (10). Exempt obligations should not be included on this line.

Line (24)

Bonds should be aggregated by issuer (the first six digits of the CUSIP number can be used). Exempt U.S. government bonds and bonds reported on Line (22) are not counted in determining the size factor. The RBC for those bonds will not be included in the base to which the size factor is applied. If this field is left blank, the maximum size factor adjustment of 2.40 will be used.

Line (25)

The size factor reflects the higher risk of a bond portfolio that contains relatively fewer bonds. The overall factor decreases as the portfolio size increases. Portfolios with more than 1,300 issuers will receive a discount. The size factor is based on the weighted number of issuers. (The calculation shown below will not appear on the RBC filing software but will be calculated automatically.)

		(a)				(b)
<u>Line (25)</u>	<u>Source</u>	Number of Issuers				Weighted Issuers
First 50	Company Records		X	2.40	=	
Next 50	Company Records		X	1.53	=	
Next 100	Company Records		X	0.85	=	
Next 300	Company Records		X	0.85	=	
Over 500	Company Records		X	0.82	=	
Total Number of Issuers from Line (23)	•					
Total Weighted Issuers						
Size Factor = Total Weighted Issuers Divided by	Total Number of Issuers					

Detail Eliminated to Conserve Space

UNAFFILIATED PREFERRED AND COMMON STOCK

LR005

Basis of Factors

Unaffiliated Preferred Stock

Starting with year-end 2004 RBC, the preferred stock factors were changed to be the same as for bonds.

Unaffiliated Common Stock

Non-government money market mutual funds are more like cash than common stock; therefore, it is appropriate to use the same factor as for cash.

Federal Home Loan Bank Stock has characteristics more like a fixed-income instrument rather than common stock. A 1.1% pre-tax factor was chosen. The factor for other unaffiliated common stock is based on studies conducted at two large life insurance companies. Both of these studies focused on well-diversified portfolios with characteristics similar to the Standard and Poor's 500 and indicate that a 30% pre-tax factor is needed to provide capital to cover approximately 95% of the greatest losses in common stock value over a two-year future period. This factor assumes capital losses are unrealized and not subject to favorable tax treatment at the time loss in fair value occurs.

Two adjustments are made to the 30% pre-tax factor to account for differences between the insurer's portfolio and the Standard and Poor's 500: first, the factor for publicly traded unaffiliated common stock is adjusted up or down by the weighted average beta of the insurer's portfolio subject to a maximum of 45% and a minimum of 22.5%; and second, a common stock concentration component is calculated, adding an additional requirement equal to 50% of the beta adjusted basic requirement for the five largest holdings of common stock in the insurer's portfolio.

Specific Instructions for Application of the Formula

Lines (1) through (6)

Column (1) amounts are from the Asset Valuation Reserve Default Component, Page 30, Column 1, Lines 10 through 15 of the annual statement. Since affiliated amounts are included for affiliated companies without an AVR in the Asset Valuation Reserve Default Component, Lines 10 through 15, these affiliated amounts should be deducted in Column (2). Affiliated companies with an AVR are reported on the Asset Valuation Reserve Default Component, Line 16 and should not be included in Column (2).

<u>Line (7)</u>

Column (1) should equal Annual Statement Assets, Page 2, Column 3, Line 2.1 less Asset Valuation Reserve Default Component, Column 1, Line 16. Column (2) should equal Schedule D Summary by Country, Column 1, Line 22 18 less Asset Valuation Reserve Default Component, Column 1, Line 16.

Line (13)

Amount should reflect any non-admitted unaffiliated common stock that was included in the book/adjusted carrying value of Schedule D Summary by Country, Line 25, Column 1-(Line (11) of this page).

<u>Line (14)</u>

Federal Home Loan Bank common stock reported on Schedule D, Part 2, Section 2 of the annual statement should be reflected on this line.

Line (16)

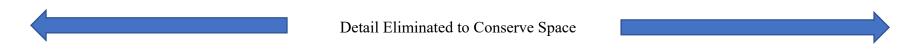
The pre-tax factor for other unaffiliated common stock should be equal to 30% adjusted in the case of publicly traded stock by the weighted average beta for the insurer's portfolio of common stock, subject to a minimum factor of 22.5% and a maximum factor of 45%. The calculation of the beta adjustment should follow the procedures laid out for the similar adjustment in the asset valuation reserve calculation. Insurers that choose not to calculate a beta for their portfolio should use the maximum factor of 45%.

Line (17)

Column (1) should equal Annual Statement Schedule D Summary by Country, Column 1, Line 29 25 less Schedule D Summary by Country, Column 1, Line 28 24 less line (13).

Lines (19) and (20)

To the extent that a mode or funds withheld transaction is backed by common stock included in Line (17) of the ceding company's RBC calculation, the ceding company's credit and assuming reinsurer's charge should include a beta adjustment that is calculated in a manner consistent with the Line (17) calculation of the ceding insurer.



OTHER LONG-TERM ASSETS

LR008

Basis of Factors

Recognizing the diverse nature of Schedule BA assets, the RBC is calculated by assigning different risk factors according to the different type of assets. Assets with underlying characteristics of bonds and preferred stocks designated by the NAIC Capital Markets and Investment Analysis Office have different factors according to the NAIC assigned classification. Unrated fixed-income securities will be treated the same as Other Schedule BA Assets and assessed a 30% pre-tax charge. Rated surplus and capital notes have the same factors applied as Schedule BA assets with the characteristics of preferred stock. Where it is not possible to determine the RBC classification of an asset, a 30% pre-tax factor is applied.

Specific Instructions for Application of the Formula

Line (49.1)

Schedule BA affiliated common stock – all others should be included in C-1cs. Specifically this means that all subs with an affiliate code 9 13 in the current life-based framework and "holding company in excess of indirect subsidiaries" or subsidiaries with affiliate code 3 7 are to be included in C-1cs.

Line (49.2)

New lines were added for yearend 2022 reporting to Schedule BA and the AVR Equity Component to capture amounts related to residual tranches or interest. For yearend 2022 life RBC reporting, AVR Equity Component, Column 1, Line 93 will be included in Line (49.2).

<u>Line (50)</u>

Exclude: any collateral loan amounts which have been included elsewhere in the RBC formula, e.g., BA mortgages.

Line (58)

Total Schedule BA assets [LR008 Other Long-Term Assets Column (1) Line (58) plus LR007 Real Estate Column (1) Line (14) plus Lines (17) through Line (21) plus LR009 Schedule BA Mortgages Column (1) Line (21)] should equal the total Schedule BA assets reported in the Annual Statement Page 2, Column 3, Line 8.

SCHEDULE BA MORTGAGES

LR009

Basis of Factors

For Affiliated Mortgages, Line 1299999 and 2499999, the factors used are the same as for commercial mortgages and are defined in Figure 9. Risk categories and factors are determined using a company generated worksheet (Figure 10).

For Unaffiliated Mortgages, Line 119999 and 2399999, the factors used are the same as for commercial mortgages and are defined in Figure 9. Risk categories and factors are determined as follows:

- 1) For Investments that contain covenants whereby factors of maximum LTV and minimum DSC, or equivalent thresholds must be complied with and it can be determined that the Investments are in compliance, these investments would use the process for directly held mortgages using the maximum LTV and minimum DSC using the company generated worksheet and transferred to LR009 line (3) (2) for mortgages with covenants that are in compliance.
- 2) Investments that are defeased with government securities will be assigned to CM1 and transferred to LR009, line (4).
- 3) Other investments comprised primarily of senior debt will be assigned to CM2 and transferred to LR009, line (5).
- 4) All other investments in this category will be assigned CM3 and transferred to LR009, line (6). This would include assets such as a mortgage fund that invests in mezzanine or sub debt, or investments that cannot be determined to be in compliance with the covenants.

Specific Instructions for Application of the Formula

Column (1)

Except for Line (1), (2), (13) (12), and (17) (16), calculations are done on an individual mortgage basis and then the summary amounts are entered in this column for each class of mortgage investment. Refer to the Schedule BA mortgage calculation worksheet (Figure 10) for how the individual mortgage calculations are completed. Line (21) should equal Schedule BA Part 1, Column 12, Lines 1199999, 1299999, 2399999 and 2499999, and collateral loans backed by mortgages, as reported in Notes to Financials 5S, Column 1, line 7a and 7b.

Column (2)

Companies are permitted to reduce the book/adjusted carrying value of mortgage loans reported in Schedule BA by any involuntary reserves. Involuntary reserves are equivalent to valuation allowances specified in the codification of statutory accounting principles. They are non-AVR reserves reported on Annual Statement Page 3, Line 25. These reserves are held as an offset for a particular troubled Schedule BA mortgage loan that would be required to be written down if the impairment was permanent.

Column (3)

Column (3) is calculated as the net of Column (1) less Column (2).

Column (4)

No longer used. Place "XXX" in any blanks for this column.

Column (5)

For Line (1), the pre-tax factor is 0.0014.

For Line (2), the pre-tax factor is 0.0068.

For Line (3), the average factor column is calculated as Column (6) divided by Column (3).

For Line (4), the pre-tax factor is 0.0090.

For Line (5), the pre-tax factor is 0.0175.

For Line (6), the pre-tax factor is 0.0300.

For Line (7), the pre-tax factor is 0.0090.

For Line (8), the pre-tax factor is 0.0175.

For Line (9), the pre-tax factor is 0.0300.

For Line (10), the pre-tax factor is 0.0500.

For Line (11), the pre-tax factor is 0.0750.

For Line (13), the pre-tax factor is 0.0027.

For Lines (14) through (15), the pre-tax factor is 0.1100.

For Line (17), the pre-tax factor is 0.0054.

For Lines (18) through (19), the pre-tax factor is 0.1300.

Column (6)

For Lines (1) and (2), (4) through (11), (13) through (15) and (17) through (19), the RBC subtotal in Column (3) is multiplied by the average factor to calculate Column (6). The categories and subtotals will be determined in the company developed worksheet Figure (10).

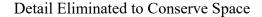
For Line (3), summary amounts are entered for Column (6) based on calculations done on an individual mortgage basis as determined in the company developed worksheet Figure (10).

(Figure 9)

The mortgage factors are used in conjunction with the mortgage worksheet (Figure 10) to calculate the RBC Requirement for each individual mortgage in an affiliated structure and in an unaffiliated structure where there are covenants. Residential Mortgages and Commercial Mortgages Insured or Guaranteed are included in Line (1), (13), or (17) as appropriate elassified as Category CMI. The following factors are used for each category of mortgages:

	Schedule BA Mortgage Factors	
LR009		
Line		
Number		Factor
(4)	Unaffiliated – defeased with government securities	0.0090
(5)	Unaffiliated investments comprised primarily of	0.0175
	Senior Debt	
(6)	Unaffiliated – all other unaffiliated mortgages	0.0300
(7)	Affiliated Mortgages and Unaffiliated Mortgages	0.0090
	with Covenants – Category CM1	
(8)	Affiliated Mortgages and Unaffiliated Mortgages	0.0175
	with Covenants – Category CM2	
(9)	Affiliated Mortgages and Unaffiliated Mortgages	0.0300
	with Covenants – Category CM3	
(10)	Affiliated Mortgages and Unaffiliated Mortgages	0.0500
	with Covenants – Category CM4	
(11)	Affiliated Mortgages and Unaffiliated Mortgages	0.0750
	with Covenants – Category CM5	
(13)	90 Days Past Due - Insured or Guaranteed	0.0027
(14)	90 Days Past Due (CM6) - Unaffiliated with	0.1100
	Covenants	
(15)	90 Days Past Due (CM6) – Affiliated	0.1100

(17)	In Process of Foreclosure - Insured or Guaranteed	0.0054
(18)	In Process of Foreclosure (CM7) - Unaffiliated with	0.1300
	Covenants	
(19)	In Process of Foreclosure (CM7) – Affiliated	0.1300



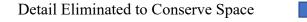
Note 1: Net Operating Income (NOI): The majority of commercial mortgage loans require the borrower to provide the lender with at least annual financial statements. The NOI would be determined at the RBC calculation date based on the most recent annual period from financial statements provided by the borrower and analyzed based on accepted industry standards. The most recent annual period is determined as follows:

- If the borrower reports on a calendar year basis, the statements for the calendar year ending December 31 of the year prior to the RBC calculation date will be used. For example, if the RBC calculation date is 12/31/2012, the most recent annual period is the calendar year that ends 12/31/2011.
- If the borrower reports on a fiscal year basis, the statements for the fiscal year that ends after June 30 of the prior calendar year and no later than June 30 of the year of the RBC calculation date will be used. For example, if the RBC calculation date is 12/31/2012, the most recent annual period is the fiscal year that ends after 6/30/2011 and no later than 6/30/2012.
- The foregoing time periods are used to provide sufficient time for the borrower to prepare the financial statements and provide them to the lender, and for the lender to calculate the NOI.

The accepted industry standards for determining NOI were developed by the Commercial Mortgage Standards Association now known as CRE Financial Council (CREFC). The company must develop the NOI using the standards provided by the CREFC Methodology for Analyzing and Reporting Property Income Statements (www.crefc.org/irp). These standards are part of the CREFC Investor Reporting Package (CREFC IRP Section VII.) developed to support consistent reporting for commercial real estate loans owned by third party investors. This guidance is a standardized basis for determining NOI for RBC.

The NOI will be adjusted to use a 3-year rolling average for the DSC calculation. For 2013, a single year of NOI will be used. For 2014, 2 years will be used, weighted 65% most recent year and 35% prior year. Thereafter, 3 years will be used weighted 50% most recent year, 30% prior year, and 20% 2nd prior year. This will apply when there is a history of NOI values. For new originations, including refinancing, the above schedule would apply by duration from origination. For the special circumstances listed below, the specific instructions below will produce the NOI to be used, without further averaging.

For purposes of the NOI inputs at (14), (15), (16), and the computation of a Rolling Average NOI at (43), an insurer may report 2020 NOI (i.e., NOI for any 12-month fiscal period ending after June 30, 2020 but not later than June 30, 2021) as the greater of: (1) actual NOI as determined under the CREF-C IRP Standards or (2) 85% of NOI determined for the immediate preceding fiscal year's annual report. This guidance with respect to 2020 NOI applies to the application of the 2020 NOI in risk-based capital reporting for 2021, 2022, and 2023. In cases where an insurer reports 85% of 2019 NOI as the 2020 NOI input, the insurer should retain information about actual 2020 NOI in its workpapers so that the information can be readily available to regulators.



ASSET CONCENTRATION FACTOR

LR010

Basis of Factors

The purpose of the concentration factor is to reflect the additional risk of high concentrations in single exposures (represented by an individual issuer of a security or a holder of a mortgage, etc.) The concentration factor doubles the risk-based capital pre-tax factor (with a maximum of 45% pre-tax) of the 10 largest asset exposures excluding various low-risk categories or categories that already have a maximum factor. Since the risk-based capital of the assets included in the concentration factor has already been counted once in the basic formula, the asset concentration factor only serves to add in the additional risk-based capital required. The calculation is completed on a consolidated basis; however, the concentration factor is reduced by amounts already included in the concentration factors of subsidiaries to avoid double-counting.

Specific Instructions for Application of the Formula

The 10 largest asset exposures should be developed by consolidating the assets of the parent with the assets of the company's insurance and investment subsidiaries. The concentration factor component on any asset already reflected in the subsidiary's RBC for the concentration factor should be deducted from Column (4). This consolidation process affects higher tiered companies only. Companies on the lowest tier of the organizational chart will prepare the asset concentration on a "stand alone" basis.

The 10 largest exposures should exclude the following: affiliated and non-affiliated common stock, affiliated preferred stock, home office properties, policy loans, bonds for which AVR and RBC are zero, NAIC 1 bonds, NAIC 1 unaffiliated preferred stock, NAIC 1 Hybrids, CM 1 Commercial and Farm Mortgages and any other asset categories with RBC factors less than 0.8% post-tax (this includes residential mortgages in good standing, insured or guaranteed mortgages, and cash equivalents and short-term investments).

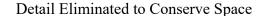
In determining the assets subject to the concentration factor for both C-10 and C-1cs, the ceding company should exclude any asset whose performance inures primarily (>50%) to one reinsurer under modified coinsurance or funds withheld arrangements. The reinsurer should include 100% of such asset. Any asset where no one reinsurer receives more than 50% of its performance should remain with the ceding company.

Assets should be aggregated by issuer before determining the 10 largest exposures. Aggregations should be done separately for bonds and preferred stock (the first six digits of the CUSIP number can be used as a starting point) (please note that the same issuer may have more than one unique series of the first six digits of the CUSIP), mortgages and real estate. Securities held within Schedule BA partnerships should be aggregated by issuer as if the securities are held directly. Likewise, where joint venture real estate is mortgaged by the insurer, both the mortgage and the joint venture real estate should be considered as part of a single exposure. Tenant exposure is not included. For bonds and unaffiliated preferred stock, aggregations should be done first for classes 2 through 6. After the 10 largest issuer exposures are chosen, any NAIC 1 bonds, NAIC 1 unaffiliated preferred stock, NAIC 1 Hybrids, from any of these issuers should be included before doubling the risk-based capital. For some companies, following the above steps may generate less than 10 "issuer" exposures. These companies should list all available exposures.

Replicated assets other than synthetically created indices should be included in the asset concentration calculation in the same manner as other assets.

The book/adjusted carrying value of each asset is listed in Column (2).

The RBC factor will correspond to the risk-based capital category of the asset reported previously in the formula before application of the size factor for bonds. The RBC filing software automatically allows for an overall 45% RBC cap.



COMMON STOCK CONCENTRATION FACTOR LR011

Basis of Factors

The purpose of the common stock concentration factor is to reflect the additional risk of high concentrations in a single exposure of common stock. The common stock concentration factor increases by 50% the risk-based capital factor for the five largest common stock exposures. The 50% increase was chosen by comparing the total variance of particular holdings of common stock to the portion of the variance that can be explained by movements of the overall stock market. The risk-based capital of the assets included in the unaffiliated common stock concentration factor has already been counted once in the basic formula; the common stock concentration factor only serves to add in the additional risk-based capital required. The calculation is completed on a consolidated basis; however, the common stock concentration factor is reduced by amounts already included in the concentration factors of subsidiaries to avoid double-counting.

Specific Instructions for Application of the Formula

The five largest common stock exposures should be developed by consolidating the assets of the parent with the assets of the company's insurance and investment subsidiaries. The concentration factor component on any asset already reflected in the subsidiary's RBC for the concentration factor should be deducted from Column (4). This consolidation process affects higher tiered companies only. Companies on the lowest tier of the organizational chart will prepare the asset concentration on a "stand alone" basis.

The five largest holdings should exclude common stock in the FHLB, investment companies (mutual funds) and common trust funds, that are diversified with the meaning of the Investment Company Act, and affiliated investments other than investments in non-insurance subsidiaries. For non-insurance subsidiaries, i.e., those with affiliate code 3 7 on LR044 LR042 (the portion of holding companies in excess of indirect subsidiaries) and those with affiliate code 9 13 (other subsidiaries), the total stock investment including both preferred and common stock should be used.

Replicated assets in the nature of common stock other than synthetically created indices should be included in the common stock concentration calculation in the same manner as other investments in common stock.

Assets should be aggregated by issuer before determining the five largest exposures.

The book/adjusted carrying value of each asset is listed in Column (2).

MISCELLANEOUS ASSETS

LR012

Basis of Factors

Lines (1) through (3.3)

The pre-tax factor for cash is 0.39%. It is recognized that there is a small risk related to possible insolvency of the bank where cash deposits are held. The 0.39% pre-tax factor, equivalent to a NAIC 1 bond, reflects the short-term nature of this risk.

With effect from 2005, Line (2.2) was added to LR012 Miscellaneous Assets to subtract cash equivalents bonds from cash equivalents. This change was made due to a change in the Annual Statement instructions indicating that cash equivalent bonds should be included as bonds in Schedule D, Part 1A.

The short-term investments to be included here are those not reflected elsewhere in the formula. Commercial paper, repurchase agreements, collateralized mortgage obligations (CMOs), mortgage participation certificates (MPCs), interest-only and principal-only certificates (IOs and POs), and equipment trust certificates should be included in appropriate bond classifications (NAIC 1 through NAIC 6) on LR002 Bonds and should be excluded from short-term investments.

Line (3.1) should include all short-term investments reported on Schedule DA as permitted under SSAP No. 2R Cash, Cash Equivalents, Drafts, and Short-Term Investments. Line (3.2) should reflect issuer credit obligations pursuant to SSAP No. 26—Bonds that qualify as short-term investments under SSAP No. 2R Cash, Cash Equivalents, Drafts, and Short-Term Investments. Bonds reported as asset-backed securities are not permitted to be reported as short-term investments and shall not be captured in line (3.1) or (3.2). The 0.39% pre-tax factor is equal to the factor for cash.

Lines (4) through (7)

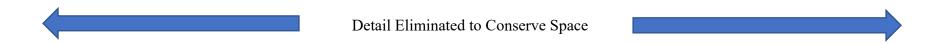
Premium notes, receivables for securities and write-ins for invested assets are generally a small proportion of total portfolio value. A pre-tax factor of 6.8% is consistent with other risk-based capital formulas studied by the working group. The total amount of derivatives cash collateral receivable (pledged to counterparty and/or central clearinghouse) included in Line (6.1) (from Page 2, Line 11, page 2) should be included on Line (6.2) resulting in Line (6.3) including no derivative collateral receivable amounts. Pledged collateral is reported in LR017, Off-Balance Sheet and Other Items.

Receivables for securities are subject to factors periodically updated by the NAIC, based on a weighted average calculation of bonds, common and preferred stock receivables.

Lines (8) through (16)

Derivative instrument book/adjusted carrying value exposure net of collateral held on the balance sheet from Schedule DB Part D Section 1 Column 8 7 Line 0999999999, for each NAIC designation, is subject to the bond RBC factor for that category to reflect the amount held on the balance sheet exposed to loss upon default of the Over the Counter (OTC-bilateral) counterparty, central clearinghouse or exchange. Starting For 2015, derivative balances subject to central clearing are to be included in Line (10) regardless of the category they are included in for the AVR. Acceptable collateral is subject to an RBC charge at the same level as NAIC 1 Bonds. The collateral from Schedule DB Part D Section 1 Column 4 Line 0999999 should be reported in Lines (8) and (9). The split between Lines (8) and (9) will be that Line (8) will include collateral not on the balance sheet and will be subject to an RBC charge of 0.4%, while Line (9) will include collateral held on the balance sheet and subject to an RBC charge as an admitted asset. Amounts reported in line 9 will be assessed RBC based on their

characteristics as an asset elsewhere in the RBC instructions. "Acceptable collateral" means cash, cash equivalents, securities issued or guaranteed by the United States or Canadian governments or their government-sponsored enterprises, publicly traded obligations designated 1 by the NAIC, government money market mutual funds, and such other items as may be defined as acceptable collateral in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office*.



OFF-BALANCE SHEET AND OTHER ITEMS

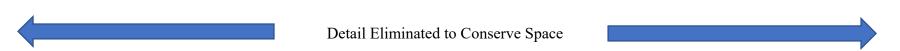
LR017

Line (2)

Collateral from all other securities lending programs should be reported General Interrogatories, Part 1, Line 25.05 and included in Line (2).

Lines (3) through (14)

<u>Lines (16) through (23)</u>



CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

LR031

Basis of Factors

The purpose of the formula is to estimate the risk-based capital levels required to manage losses that can be caused by a series of catastrophic financial events. However, it is remote that all such losses will occur simultaneously. The covariance adjustment states that the combined effect of the C-10, C-1cs, C-2 and C-3 and a portion of the C-4 risks are not equal to their sum but are equal to the square root calculation described below. It is statistically assumed that the C-10 risk and a portion of the C-3 risk are correlated, while the C-1cs risk, the C-2 risk, the balance of the C-3 risk and a portion of the C-4 risks allows for general consistency with the health RBC formula. This assumption provides a reasonable approximation of the capital requirements needed at any particular level of losses.

The covariance formula is applied on Line (69) on LR031 before adding operational risk and Primary Security Shortfall Calculated in Accordance With Actuarial Guideline XLVIII:

RBC after Covariance Before Operational Risk = $C0 + C4a + Square Root of [(C1o + C3a)^2 + (C-1cs + C-3c)^2 + (C2)^2 + (C3b)^2 + C4b)^2]$

Operational Risk:

Operational risk is defined as the risk of financial loss resulting from operational events, such as the inadequacy or failure of internal systems, personnel, procedures or controls, as well as external events. Operational risk includes legal risk but excludes reputational risk and risk arising from strategic decisions. Operational risk has been identified as a risk that should be explicitly addressed in the RBC formulas. The Operational Risk charge is intended to account for operational risks that are not already reflected in existing risk categories.

A Gross Operational Risk charge will be reported on Line (70) 68-using a percentage of RBC or "add-on" approach that will apply a risk factor of 3.00% to the amount reported in Line (69) – Total RBC after Covariance Before Operational Risk reported on page LR031. The result will represent an initial value of operational risk. Because the current C-4a risk charge is assumed to include some operational risk, a company's C-4a – Post Tax reported on Line (65) is offset against operational risk. A further reduction to the operational risk charge equal to the sum of the C-4a offset amounts reported by direct life RBC filing insurance subsidiaries (Page LR031, Lines (65 + 71)), adjusted for the percentage of ownership in the direct life insurance subsidiary, will be reported on Page LR031 in Line (71).

Detail Eliminated to Conserve Space

CALCULATION OF TOTAL ADJUSTED CAPITAL

(Including Total Adjusted Capital Tax Sensitivity Test) LR033

The following instructions for the Calculation of Total Adjusted Capital will remain effective independent of the status of the sunset provision, Section 8, of AG 48 in a particular state or jurisdiction. This instruction will be considered for change once the amendment referenced in AG 48, Section 8, regarding credit for reinsurance, is adopted by the NAIC.

Basis of Factors

In determining the C-1 risk factors, availability of the AVR and voluntary investment reserves to absorb specific losses was not assumed. Therefore, the AVR is counted as capital for the purposes of the formula although it represents a liability and is not usable against general contingencies. The portion of the AVR that can be counted as capital is limited to the amount not utilized in asset adequacy testing in support of the Actuarial Opinion for reserves. Voluntary investment reserves were eliminated from Total Adjusted Capital for the 1997 risk-based capital formula.

The annual statement provision for future dividends can provide a general cushion against potentially adverse future experience. As a reflection of this possible cushion, 50% of the annual statement dividend liability is included. However, when a block is reinsured, such credit to Total Adjusted Capital will not be allowed to either company unless the company has total control over the dividend decision and the full benefit of a change in the dividend scale flows to the company. A factor of 25% of the dividend liability is used in sensitivity testing.

Subsidiary amounts other than the carrying value of Alien Insurance Subsidiaries – Other, are included as appropriate recognizing that this surplus is included within the surplus of the parent. The carrying value of Alien Insurance Subsidiaries – Other should be excluded from the surplus of the parent for purposes of computing Total Adjusted Capital. Property and casualty subsidiaries should subtract all non-tabular discounts from surplus to arrive at the adjusted surplus figure. This adjustment to surplus was phased in over a five-year period by subtracting 20% of the non-tabular discount the first year and an additional 20% each year thereafter. Beginning with the 1998 risk-based capital formula, the adjustment to surplus is 100%. The same adjustment is made to the surplus of a life company having ownership of a property and casualty subsidiary.

The laws of certain states allow insurers to issue a form of capital instrument called a "capital note." A credit is allowed to Total Adjusted Capital for a capital note that satisfies all of the following conditions:

- 1. In a liquidation, the capital note ranks with surplus notes and is subordinate to the claims of policyholders, claimants and general creditors.
- 2. The form and content of the capital note was approved by the commissioner of the insurer's state of domicile.
- 3. At the time of issuance of the capital note, the aggregate principal amount did not exceed 25% of the Total Adjusted Capital (including the aggregate principal amount of outstanding capital and surplus notes) as of the end of the immediately preceding calendar year less the aggregate principal amount of outstanding capital and surplus notes.
- 4. The term of the capital note is not less than five years.
- 5. At the time of issuance of the capital note:
 - a) The total principal amount of capital notes maturing in any one year did not exceed 5% of Total Adjusted Capital (measured at the time of issuance); and
 - b) The total principal amount of capital notes maturing in any three-year period did not exceed 12% of Total Adjusted Capital (measured at the time of issuance).
- 6. Payment of interest, dividend or principal of the capital note is deferred if it would have caused:
 - a) The insurer's Total Adjusted Capital to drop below its Company Action Level Risk-Based Capital; or
 - b) The insurer's Total Adjusted Capital to drop below 125% of its Company Action Level Risk-Based Capital, and there is a negative trend on the Trend Test.

However, upon request by the insurer, the commissioner of the insurer's state of domicile may approve such payment if, in the commissioner's judgment, the financial condition of the insurer warrants it.

7. The commissioner of the insurer's state of domicile may halt all payments on the capital note if the insurer's Total Adjusted Capital drops below three times

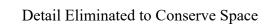
- the principal amount of the capital and surplus notes the insurer has outstanding.
- 8. The capital note is treated as a liability in the computation of statutory surplus.
- 9. The insurer issuing the capital note is obligated to supply to the commissioner of the insurer's state of domicile an informational filing in a manner approved by the commissioner at the same time the insurer files its annual statement, and at such other times as the commissioner determines necessary. The filing shall include and be based on the following guidelines:
 - a) The filing shall display the financial results of the criteria used to determine whether payments on the insurer's capital notes need be approved by the commissioner or may be halted by the commissioner. Further, it shall specifically identify those results that either necessitate commissioner approval of the payment or give the commissioner the option to halt payment.
 - b) The insurer shall notify the Commissioner for informational purposes of each forthcoming payment under a capital note not less than ten business days prior to the date of payment, nor more than 30 business days prior to the date of payment.
 - c) Whenever an insurer declares its intention to exercise the option to call or redeem a capital note prior to the scheduled maturity, the Commissioner shall be notified within five business days following the declaration, and not less than 10 business days prior to the declared redemption date. The 10-day period should be measured from the date of the commissioner's receipt of the notice.

The credit for a capital note is reduced as the note approaches maturity (as calculated on LR032 Capital Notes before Limitation). The aggregate credit for capital notes is limited so that the total amount of capital and surplus notes included in Total Adjusted Capital is not more than one-third of Total Adjusted Capital.

Total Adjusted Capital is to be reduced by the amount of all XXX/AXXX reinsurance RBC shortfalls.

Specific Instructions for Application of the Formula

Lines 11.1 10.1-11.4 10.4, 14 13, 15 14 and 19 18 are not applicable to Fraternal Benefit Societies.



AFFILIATED/SUBSIDIARY STOCKS

LR042, LR043 and LR044

Basis of Factors

There are ten categories of affiliated/subsidiary investments that are subject to Risk-Based Capital requirements for common stock and preferred stock holdings. Those ten categories are:

- 1. Directly Owned U.S. Insurance Affiliates/Subsidiaries Subject to a Risk-Based Capital (RBC)-Look-Through Calculation
 - a. Health Insurance Company or Health Entity
 - b. Property and Casualty Insurance Company
 - c. Life Insurance Company
- 2. Indirectly Owned U.S. Insurance Affiliates/Subsidiaries Subject to RBC-Look-Through Calculation
 - a. Health Insurance Company or Health Entity
 - b. Property and Casualty Insurance Company
 - c. Life Insurance Company
- 3. Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries
- 4. Investment Subsidiaries
- 5. Directly Owned Alien Insurance Affiliates/Subsidiaries
 - a. Health Insurance Company or Health Entity
 - b. Property and Casualty Insurance Company
 - c. Life Insurance Company
- 6. Indirectly Owned Alien Insurance Affiliates/Subsidiaries
 - a. Health Insurance Company or Health Entity
 - b. Property and Casualty Insurance Company
 - c. Life Insurance Company
- 7. Investments in Upstream Affiliate (Parent)
- 8. Directly Owned U.S. Insurance Affiliates/Subsidiaries Not Subject to RBC
 - a. Health Insurance Companies and Health Entities Not Subject to RBC
 - b. Property and Casualty Insurance Companies Not Subject to RBC
 - c. Life Insurance Companies Not Subject to RBC
- 9. Non-Insurance Affiliates/Subsidiaries Not Subject to RBC
 - a. Entities with a capital requirement imposed by a regulatory body
 - b. Other Financial Entities without regulatory capital requirements
 - c. Non-financial entities
- 10. Publicly Traded Insurance Affiliates/Subsidiaries Held at Market Value

Enter applicable items for each affiliate/subsidiary in the Details for Affiliated/Subsidiary Stocks worksheet. The program will automatically calculate the risk-based capital charge for each affiliate/subsidiary. When the data is uploaded to the NAIC database, it will be cross-checked and the company will be required to correct any discrepancies and refile a corrected version with the NAIC and/or any state that requires the company to file RBC with its department. The RBC report will display the number of affiliates/subsidiaries. These numbers should be reviewed to ensure that all affiliates/subsidiaries are appropriately reported.

The total of all reported affiliate/subsidiary stock should equal the amounts reported on Schedule D, Part 2, Section 1, Line 4409999999 plus Schedule D, Part 2, Section 2, Line 5979999999 and should also equal Schedule D, Part 6, Section 1, Line 0999999 plus Line 18999999.

Affiliated/Subsidiary investments fall into two broad categories: (A) Insurance Affiliates/Subsidiaries that are Subject to risk-based capital; and (B) Affiliates/Subsidiaries that are Not Subject to risk-based capital. The risk-based capital for these two broad groups differs. Investment subsidiaries are a subset of category A in that they are subject to a risk-based capital charge that includes the life RBC risk factors applied only to the investments held by the investment subsidiary for its parent insurer. Publicly traded insurance affiliates/subsidiaries held at market value have characteristics of both broader categories. As a result, there is a two-part RBC calculation. The general treatment for each is explained below.

Directly owned insurance and health entity affiliates/subsidiaries are affiliates/subsidiaries in which the reporting company owns the stock of the affiliate/subsidiary. Indirectly owned insurance affiliates/subsidiaries and health entities are those where the reporting company owns stock in a holding company, which in turn owns the stock of the insurance affiliate/subsidiary or health entity. Note that there could be multiple holding companies that control the downstream insurance company.

Enter the book/adjusted carrying value of: the common stock in Column (5), the preferred stock in Column (7), the total outstanding common stock in Column (6) and the total outstanding preferred stock of that affiliate/subsidiary in Column (8) of the appropriate worksheet. The percentage of ownership is calculated by summing the book/adjusted carrying values of the owned preferred stock and common stock and dividing that amount by the sum of all outstanding preferred and common stock.

Insurance Affiliate/Subsidiaries that are Subject to RBC

1. <u>Directly Owned U.S. Affiliates/Subsidiaries:</u>

The risk-based capital requirement for the reporting company for those insurance affiliates/subsidiaries that are subject to a risk-based capital requirement is based on the Total Risk-Based Capital After Covariance of the affiliate/subsidiary, prorated for the percent of ownership of that affiliate/subsidiary. For purposes of Subsidiary Risk all references to Total Risk-Based Capital After Covariance of the affiliate/subsidiary means:

- a. For a Health affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (XR024, Line (41));
- b. For a P/C affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (PR032, Line (60)); and
- c. For a Life affiliate/subsidiary RBC filing, the sum of
 - (a) Total Risk-Based Capital After Covariance before Basic Operational Risk (LR031, Line (69); and
 - (b) Primary Security shortfalls for all cessions covered by Actuarial Guideline XLVIII (AG 48) multiplied by two (LR031, Line (73)).

For RBC purposes, the reporting insurer must determine the carrying value and the RBC requirement of directly owned RBC filing affiliate/subsidiary company, even if the RBC filing affiliate/subsidiary is non-admitted. The value reported in annual statement Schedule D, Part 6, Section 1 should be used for RBC purposes. In addition to RBC, the carrying value of the RBC filer must be reported in total adjusted carrying value for RBC purposes, in order to appropriately balance the numerator with the addition of the denominator value. Enter the carrying value of the insurer as an additional amount in line (8) (6) of the Calculation of Total Adjusted Capital page to satisfy these instructions.

Equity method Insurance Affiliates/Subsidiaries: Equity method is defined in SSAP No. 97—Investments in Subsidiary, Controlled and Affiliated Entities, paragraph 8.b. as the underlying audited statutory equity of the respective entity's financial statements, adjusted for any unamortized goodwill as provided for in SSAP No. 68—Business Combinations and Goodwill. For those insurance Affiliates/Subsidiaries of the reporting company that are reported under the equity method, the C₀ charge of the ownership of the common and preferred stock in these Affiliates/Subsidiaries is limited to the lesser of:

- (a) the Total RBC After Covariance of the affiliate/subsidiary times the percentage of ownership, which is the total of common stock and preferred stock; or
- (b) the common and preferred stock book/adjusted carrying value at which the affiliate/subsidiary is carried.

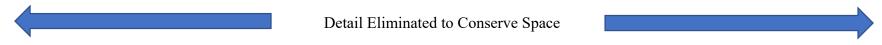
Market Value (including discounted market value) Insurance Affiliates/Subsidiaries (See SSAP No. 97, paragraph 8.a.): See 10 below.

2. Indirectly Owned U.S. Insurance Affiliates/Subsidiaries

For Indirectly Owned U.S. Insurance Affiliates/Subsidiaries, the carrying value and RBC is calculated in the same manner as for directly owned U.S. Insurance Affiliates/Subsidiaries. The RBC for the indirect affiliates/subsidiaries must be calculated prior to completing this RBC report.

SSAP No. 97 provides guidance for the reporting and admittance requirements of SCAs. Accordingly, there may be cases where an indirectly owned RBC filer may not be separately reported in the statutory financial statements (e.g., they are captured within the carrying value of an intermediate holding company). The SSAP No. 97 guidance permits reporting SCAs at the directly owned holding company level or via look-through to the downstream entity (including where the downstream entity is an RBC filer), but an audit of the entity is required for admittance (i.e. if reporting is at the directly owned holding company level, the holding company must be audited, if the reporting is on a look-through basis then the downstream entity must be audited). Regardless of whether there is a look-through applied pursuant to Statutory Accounting Principles (SAP) for annual financial statement reporting, for RBC purposes the reporting insurer must "look-through" all intermediate holding and subsidiary companies to determine the carrying value and the RBC requirement of indirectly owned RBC filing affiliate/subsidiary company. This involves drilling down to the first RBC filing insurance affiliate/subsidiary and adjusting for percentage ownership of the intermediate entity directly owning the RBC filing affiliate/subsidiary. Both RBC and carrying value of the RBC filer must be reported for RBC purposes, in order to appropriately balance the numerator with the addition to the denominator value. Enter the carrying value of the insurer on Line (8) XXX of the Calculation of Total Adjusted Capital page to satisfy these instructions.

The carrying value for each indirect insurance affiliate/subsidiary is established based on company records using the statutory value of the insurer as reported in the NAIC annual financial statement blank submitted by the affiliate/subsidiary or market value when applicable, and the RBC requirement as determined in its RBC Report adjusted for the ownership percentages (both the percentage of the indirectly owned RBC filing affiliate/subsidiary that is owned by the directly held downstream holding company and the reporting insurer's ownership percentage in that downstream entity). The value reported by the downstream holding company for the U.S. RBC filing insurer is the same as the statutory value established for the insurer on a look-through basis.



10. Publicly Traded Insurance Affiliates/Subsidiaries Held at Market Value

The risk-based capital for a publicly traded insurance affiliate/subsidiary held at market value after any "discount," is calculated in two parts. First, calculate and report the risk-based capital of the affiliate/subsidiary according to the relevant instructions above for Insurance Affiliates/Subsidiaries that are Subject to a RBC-look-through Calculation. Second, calculate the additional risk-based capital charge as 34.6% pre-tax of any excess of the market (statement) value over the book value of the affiliate/subsidiary. The result of the second calculation will be added to the C-1o component.

APPENDIX A 3— EXAMPLE USED FOR AFFILIATED/SUBSIDIARY STOCKS

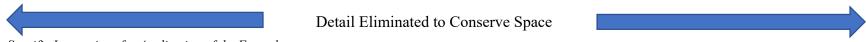
To determine the value of total outstanding common stock or total outstanding preferred stock, divide the book/adjusted carrying value of the investment (found in Schedule D - Part 6 Section 1, Column 6 9) by the percentage of ownership (found in Schedule D - Part 6 - Section 1, Column 10 12). For example:

Subsidiary Insurance Company	Owner's Book / Adjusted Carrying Value	Percentage Ownership	Total Stock Outstanding
Subsidiary #1	\$1,000,000	100%	\$1,000,000
Subsidiary #2	\$1,000,000	<mark>7</mark> 5%	\$1,333,333
Subsidiary #3	\$1,000,000	50%	\$2,000,000
Subsidiary #4	\$1,000,000	25%	\$4,000,000
Subsidiary #5	\$1,000,000	10%	\$10,000,000

Detail Eliminated to Conserve Space

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS

LR045, LR046, LR047 and LR048



Specific Instructions for Application of the Formula

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS

Reinsurance Ceded - Bonds C-10 LR045

Column 4

Enter by reinsurer, the amount of C-10 RBC the insurance company has ceded that is attributable to bonds. The "total" should equal the total amount of the reduction in C-10 RBC shown on Line (19) of page LR002 Bonds.

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS

Reinsurance Assumed - Bonds C-1o LR046

Column 4

Enter by ceding company, the amount of C-10 RBC the insurance company has assumed that is attributable to bonds. The "total" should equal the total amount of the increase in C-10 RBC shown on Line (20) of page LR002 Bonds.

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS

Reinsurance Ceded – All Other Assets C-0, C-1o And C-1cs LR047

Column 4

Enter by reinsurer, the amount of C-0, C-10 And C-1cs RBC the company has ceded that is attributable to all assets except bonds. The "total" should equal the total amount of the reduction of C-0, C-1o And C-1cs RBC attributable to all assets except bonds for MODCO and funds withheld agreements. Specifically, LR047 Column (4), Line (9999999) should equal the sum of LR002 Column (2) Line (19), LR004 Column (6) Line (29), LR005 Column (5) Line (8) and (19), LR006 Column (3) Line (5), LR007 Column (3) Line (11) and (23), LR008 Column (5) Line (9), Line (19), Line (29), Line (39), Line (45) and Line (55), LR009 Column (6) Line (22), LR012 Column (2) Line (19) and LR017 Column (5) Line (28).

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS

Reinsurance Assumed – All Other Assets C-0, C-1o And C-1cs LR048

Column 4

Enter by ceding company, the amount of C-0, C-10 And C-1cs RBC the insurance company has assumed that is attributable to all assets except bonds. The "total" should equal the total amount of the increase in C-0, C-10 And C-1cs RBC attributable to all assets except bonds for MODCO and funds withheld agreements. Specifically, LR048 Column (4), Line (9999999) should equal the sum of LR002 Column (2) Line (20), LR004 Column (6) Line (30), LR005 Column (5) Line (9) and (20), LR006 Column (3) Line (6), LR007 Column (3) Line (12) and (24), LR008 Column (5) Line (10), Line (20), Line (30), Line (40), Line (46) and Line (56), LR009 Column (6) Line (23), LR012 Column (2) Line (20) and LR017 Column (5) Line (29).

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Attachment B NAIC Company Code

BONDS

	SVO Bond		(1) Book / Adjusted	(2) RBC
	Designation Category	Annual Statement Source	Carrying Value Factor	Requirement
	Long Term Bonds		<u></u>	
(1)	Exempt Obligations	AVR Default Component Column 1 Line 1	X 0.0000	=
(2.1)	NAIC Designation Category 1.A	AVR Default Component Column 1 Line 2.1	X 0.00158	=
(2.2)	NAIC Designation Category 1.B	AVR Default Component Column 1 Line 2.2	X 0.00271	=
(2.3)	NAIC Designation Category 1.C	AVR Default Component Column 1 Line 2.3	X 0.00419	=
(2.4)	NAIC Designation Category 1.D	AVR Default Component Column 1 Line 2.4	X 0.00523	=
(2.5)	NAIC Designation Category 1.E	AVR Default Component Column 1 Line 2.5	X 0.00657	=
(2.6)	NAIC Designation Category 1.F	AVR Default Component Column 1 Line 2.6	X 0.00816	=
(2.7)	NAIC Designation Category 1.G	AVR Default Component Column 1 Line 2.7	X 0.01016	=
(2.8)	Subtotal NAIC 1	Sum of Lines (2.1) through (2.7)		
(3.1)	NAIC Designation Category 2.A	AVR Default Component Column 1 Line 3.1	X 0.01261	=
(3.2)	NAIC Designation Category 2.B	AVR Default Component Column 1 Line 3.2	X 0.01523	=
(3.3)	NAIC Designation Category 2.C	AVR Default Component Column 1 Line 3.3	X 0.02168	=
(3.4)	Subtotal NAIC 2	Sum of Lines (3.1) through (3.3)	·	
(4.1)	NAIC Designation Category 3.A	AVR Default Component Column 1 Line 4.1	X 0.03151	=
(4.2)	NAIC Designation Category 3.B	AVR Default Component Column 1 Line 4.2	X 0.04537	=
(4.3)	NAIC Designation Category 3.C	AVR Default Component Column 1 Line 4.3	X 0.06017	=
(4.4)	Subtotal NAIC 3	Sum of Lines (4.1) through (4.3)	·	
(5.1)	NAIC Designation Category 4.A	AVR Default Component Column 1 Line 5.1	X 0.07386	=
(5.2)	NAIC Designation Category 4.B	AVR Default Component Column 1 Line 5.2	X 0.09535	=
(5.3)	NAIC Designation Category 4.C	AVR Default Component Column 1 Line 5.3	X 0.12428	=
(5.4)	Subtotal NAIC 4	Sum of Lines (5.1) through (5.3)	<u> </u>	
(6.1)	NAIC Designation Category 5.A	AVR Default Component Column 1 Line 6.1	X 0.16942	=
(6.2)	NAIC Designation Category 5.B	AVR Default Component Column 1 Line 6.2	X 0.23798	=
(6.3)	NAIC Designation Category 5.C	AVR Default Component Column 1 Line 6.3	X 0.30000	=
(6.4)	Subtotal NAIC 5	Sum of Lines (6.1) through (6.3)	<u> </u>	
(7)	NAIC 6	AVR Default Component Column 1 Line 7	X 0.30000	=
(8)	Total Long-Term Bonds	Sum of Lines (1) + (2.8) + (3.4) + (4.4) + (5.4) + (6.4) + (7)		
	(Column (1) should equal Page 2 Column	3 Line 1 + Schedule DL Part 1 Column 6 Line 2009999999 2509999999)		

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I	Short Term and Cash Equivalent Bonds				
(9)	Exempt Obligations	AVR Default Component Column 1 Line 18 + Schedule E, Part 2, Column 7, Line 001999999	х	0.00000	=
(-)					
		AVR Default Component Column 1 Line 19.1 +			
(10.1)	NAIC Designation Category 1.A	Schedule E, Part 2, Footnote L000001A, Amount 1 - Schedule E, Part 2, Column 7, Line 001999999	Х	0.00158	_
,		AVR Default Component Column 1 Line 19.2 +			
(10.2)	NAIC Designation Category 1.B	Schedule E, Part 2, Footnote L000001A, Amount 2 AVR Default Component Column 1 Line 19.3 +	_ X	0.00271	=
(10.3)	NAIC Designation Category 1.C	Schedule E, Part 2, Footnote L000001A, Amount 3	X	0.00419	=
(10.4)	NAIC Designation Category 1.D	AVR Default Component Column 1 Line 19.4 + Schedule E, Part 2, Footnote L000001A, Amount 4	х	0.00523	=
, ,	0 0,	AVR Default Component Column 1 Line 19.5 +	_		
(10.5)	NAIC Designation Category 1.E	Schedule E, Part 2, Footnote L000001A, Amount 5 AVR Default Component Column 1 Line 19.6 +	_ x	0.00657	=
(10.6)	NAIC Designation Category 1.F	Schedule E, Part 2, Footnote L000001A, Amount 6	X	0.00816	=
(10.7)	NAIC Designation Category 1.G	AVR Default Component Column 1 Line 19.7 + Schedule E, Part 2, Footnote L000001A, Amount 7	X	0.01016	=
(10.8)	Subtotal NAIC 1	Sum of Lines (10.1) through (10.7)			
(11.1)	NAIC Designation Cotagona 2 A	AVR Default Component Column 1 Line 20.1 + Schedule E, Part 2, Footnote L000001B, Amount 1	= v	0.01261	
(11.1)	NAIC Designation Category 2.A	AVR Default Component Column 1 Line 20.2 +	_ X	0.01261	=
(11.2)	NAIC Designation Category 2.B	Schedule E, Part 2, Footnote L000001B, Amount 2 AVR Default Component Column 1 Line 20.3 +	_ X	0.01523	=
(11.3)	NAIC Designation Category 2.C	Schedule E, Part 2, Footnote L000001B, Amount 3	_ X	0.02168	=
(11.4)	Subtotal NAIC 2	Sum of Lines (11.1) through (11.3)	_		
(12.1)	NAIC Designation Category 3.A	AVR Default Component Column 1 Line 21.1 + Schedule E, Part 2, Footnote L000001C, Amount 1	X	0.03151	=
,		AVR Default Component Column 1 Line 21.2 +	_		
(12.2)	NAIC Designation Category 3.B	Schedule E, Part 2, Footnote L000001C, Amount 2 AVR Default Component Column 1 Line 21.3 +	_ X	0.04537	=
	NAIC Designation Category 3.C	Schedule E, Part 2, Footnote L000001C, Amount 3	_ X	0.06017	=
(12.4)	Subtotal NAIC 3	Sum of Lines (12.1) through (12.3) AVR Default Component Column 1 Line 22.1 +	_		
(13.1)	NAIC Designation Category 4.A	Schedule E, Part 2, Footnote L000001D, Amount 1	X	0.07386	=
(12.2)	NAIC Designation Category 4.B	AVR Default Component Column 1 Line 22.2 + Schedule E, Part 2, Footnote L000001D, Amount 2	х	0.09535	_
(13.2)	NAIC Designation Category 4.B	AVR Default Component Column 1 Line 22.3 +	_^	0.09333	
(13.3)	NAIC Designation Category 4.C	Schedule E, Part 2, Footnote L000001D, Amount 3	_ X	0.12428	=
(13.4)	Subtotal NAIC 4	Sum of Lines (13.1) through (13.3) AVR Default Component Column 1 Line 23.1 +	-		
(14.1)	NAIC Designation Category 5.A	Schedule E, Part 2, Footnote L000001E, Amount 1	_ X	0.16942	=
(14.2)	NAIC Designation Category 5.B	AVR Default Component Column 1 Line 23.2 + Schedule E, Part 2, Footnote L000001E, Amount 2	X	0.23798	=
(14.3)	NAIC Designation Category 5.C	AVR Default Component Column 1 Line 23.3 + Schedule E, Part 2, Footnote L000001E, Amount 3	_ x	0.30000	_
(14.4)	Subtotal NAIC 5	Sum of Lines (14.1) through (14.3)	_^	0.30000	
		AVR Default Component Column 1 Line 24 +	-		
(15)	NAIC 6	Schedule E, Part 2, Footnote L000001F, Amount 1	_ X	0.30000	=
(16)	Total Short-Term and Cash Equivalent Bonds	Sum of Lines (9) + (10.8) + (11.4) + (12.4) + (13.4) + (14.4) + (15)	_		
	(Column (1) should equal Schedule DA Part 1 C	olumn 6 7 Line 0509999999 <u>2509999999</u> + + Schedule E Part 2 Column 7 Line 0509999999 LR012 Miscellaneous Assets Column (1) Line (2.2))	-		
(17)	Total Long-Term and Short-Term Bonds	+ Schedule E Part 2 Column 7 Line 05099999999 LR012 Miscellaneous Assets Column (1) Line (2.2)) Line (8) + (16)			
	(pre-MODCO/Funds Withheld)		_		
(18)	Credit for Hedging	LR014 Hedged Asset Bond Schedule Column 13 Line (0399999)			
(19)	Reduction in RBC for MODCO/Funds	LR045 Modco or Funds Withheld Reinsurance			
	Withheld Reinsurance Ceded Agreements	Ceded - Bonds C-10 Column (4) Line (9999999)			
(20)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	LR046 Modco or Funds Withheld Reinsurance Assumed - Bonds C-1o Column (4) Line (999999)			
(21)	Total Long-Term and Short-Term Bonds	Assumed - Bonds C-10 Column (4) Line (9999999) Lines (17) - (18) - (19) + (20)			
	(including MODCO/FundsWithheld and Credit				
(22)	Non-exempt U.S. Government Agency Bonds	Schedule D Part 1 Section 1 and Section 2 , and Schedule DA Part 1 and Schedule E Part 2, in part†	X	0.00158	=
(23)	Bonds Subject to Size Factor	Line (21) - Line (9) - Line (22)	_		
(24)	Number of Issuers	Company Records			
(25)	Size Factor for Bonds Bonds Subject to Size Factor after the Size	Line (23) x Line (25)			
(20)	Factor is Applied				
(200		Line (22) + Line (26)			
(27)	Total Bonds	Line (22) + Line (26)			

Attachment B NAIC Company Code

- † Only investments in-U.S. Government agency bonds previously reported in Lines (2.8) and (10.8), net of those included on Line (19), plus the portion of Line (20) attributable to ceding companies' Lines (2.8) and (10.8) should be included on Line (22). No other bonds should be included on this line. Exempt U.S. Government bonds shown on Lines (1) and (9) should not be included on Line (22). Refer to the bond section of the risk-based capital instructions for more clarification.
- Denotes items that must be manually entered on the filing software.

UNAFFILIATED PREFERRED AND COMMON STOCK

UNAI	FILIATED I REFERRED AND COMMON STOCK		245		(2)		(-)
			(1)	(2)	(3)	(4)	(5)
			D - 1 / A P - 4 - 1	Less Affiliated Preferred Stock			RBC
		A 1 G	Book / Adjusted		DDG C Level	E	
	II. CCT and December 1 Care 1	Annual Statement Source	Carrying Value	Without AVR	RBC Subtotal	Factor	Requirement
(1)	Unaffiliated Preferred Stock	AVD D. C. Iv C				W 0.0020	
(1)	Preferred Stock Asset NAIC 1	AVR Default Component Column 1 Line 10				X 0.0039 = X 0.0126 =	
(2)	Preferred Stock Asset NAIC 2	AVR Default Component Column 1 Line 11				_	
(3)	Preferred Stock Asset NAIC 3	AVR Default Component Column 1 Line 12				_ X 0.0446 =	
(4)	Preferred Stock Asset NAIC 4	AVR Default Component Column 1 Line 13				_ X 0.0970 =	
(5)	Preferred Stock Asset NAIC 5	AVR Default Component Column 1 Line 14				X 0.2231 =	
(6)	Preferred Stock Asset NAIC 6 Total Unaffiliated Preferred Stock	AVR Default Component Column 1 Line 15				_ X 0.300 =	
(7)		Sum of Lines (1) through (6)			-	=	
ı	(pre-MODCO/Funds Withheld)		4.43				
	(Column (1) should equal Page 2 Column 3 Line 2.1 less A			(T' 16)			
	(Column (2) should equal Schedule D Summary by Count	ry Column 1 Line 22 18 less Asset Valuation Reserve Defa	ult Component Column	Line 16.)			
(0)	D. L. S. C. DDGG MODGOT L. WYH. H.						
(8)	Reduction in RBC for MODCO/Funds Withheld						
(0)	Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(9)	Increase in RBC for MODCO/Funds Withheld						
	Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
(10)	T-4-1 11f51:-4-1 Df1 C41-	Lines (7) (8) + (0)					
(10)	Total Unaffiliated Preferred Stock	Lines (7) - (8) + (9)					
	(including MODCO/Funds Withheld.)						
	II CCI I I C						
(11)	<u>Unaffiliated Common Stock</u> Total Common Stock	Schedule D Summary Column 1 Line 29 25					
(11)		Schedule D Summary Column 1 Line 29 24 Schedule D Summary Column 1 Line 28 24					
(12)	Less Affiliated Common Stock Less Non-Admitted Unaffiliated Common Stock	•					
(13)	included in Line (11)	Company Records					
(1.4)		AVD Family Comment Column 1 Line 2				X 0.011 =	
(14)	Less Federal Home Loan Bank Common Stock Less Unaffiliated Private Common Stock	AVR Equity Component Column 1 Line 3				X 0.011 = X 0.300 =	
(15)		AVR Equity Component Column 1 Line 2				_	
(16) (17)	Net Other Unaffiliated Public Common Stock Total Admitted Unaffiliated Common Stock	Lines (11) - (12) - (13) - (14) - (15) Lines (14) + (15) + (16)				X †	
(17)		Lines (14) + (15) + (10)				=	
ı	(pre-MODCO/Funds Withheld)	C-lum 1 Lin 20 25 lan Lin 29 24 lan Lin (12)					
(10)	(Column 1 should equal Schedule D Summary by Country						
(18)	Credit for Hedging	LR015 Hedged Asset Common Stock Schedule					
(19)	Reduction in RBC for MODCO/Funds Withheld	Column 10 Line (0299999)					
(19)	Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(20)	<u> </u>						
,	Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
(21)	Total Admitted Unaffiliated Common Stock	Lines (17) - (18) - (19) + (20)					
	(including MODCO/Funds Withheld and Credit for Hedgir	ng.)					

[†] The factor for publicly traded common stock should equal 30 percent adjusted up or down by the weighted average beta for the publicly traded common stock portfolio subject to a minimum of 22.5 percent and a maximum of 45 percent in the same manner that the similar 13 percent factor for publicly traded common stock in the Asset Valuation Reserve (AVR) calculation is adjusted up or down. The rules for calculating the beta adjustment are set forth in the AVR section of the annual statement instructions.

OTHER LONG-TERM ASSETS

JIII	LER LONG-TERM ASSETS		(1)	(2)	(2)	740	(5)
			(1) Book / Adjusted	(2)	(3)	(4)	(5) RBC
		Annual Statement Source	Carrying Value	Unrated Items ‡	RBC Subtotal †	Factor	Requirement
	Schedule BA - Fixed Income - Bonds	Annual Statement Source	Carrying value	omated tems +	KBC Subtotal	1 actor	Requirement
(1)	Exempt Obligations	AVR Equity Component Column 1 Line 22				X 0.0000	=
	Asset NAIC 1	AVR Equity Component Column 1 Line 23				X 0.0039	
(3)	Asset NAIC 2	AVR Equity Component Column 1 Line 24				X 0.0126	
(4)	Asset NAIC 3	AVR Equity Component Column 1 Line 25				X 0.0446	
(5)	Asset NAIC 4	AVR Equity Component Column 1 Line 26				X 0.0970	=
(6)	Asset NAIC 5	AVR Equity Component Column 1 Line 27				X 0.2231	=
(7)	Asset NAIC 6	AVR Equity Component Column 1 Line 28				X 0.3000	=
(8)	Total Schedule BA Bonds	Sum of Lines (1) through (7)					
	(pre-MODCO/Funds Withheld)					•	
(9)	Reduction in RBC for MODCO/Funds Withheld						
	Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(10)	Increase in RBC for MODCO/Funds Withheld						
	Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
(11)	Total Schedule BA Bonds						
	(including MODCO/Funds Withheld.)	Lines $(8) - (9) + (10)$					
1	Schedule BA - Fixed Income - Preferred Stock						
× 1	Asset NAIC 1	AVR Equity Component Column 1 Line 30					
(12.2)	Less Rated/Designated NAIC 1 Surplus Notes and Capital Notes	Column (1) Line (22) + Column (1) Line (32)				ı	
(12)							
(12.3)	Net-Asset NAIC 1	AVR Equity Component Column 1 Line 30 Line (12.1) - (12.2)				X 0.0039	=
(13)	Asset NAIC 2	AVR Equity Component Column 1 Line 31				X 0.0126	=
	Asset NAIC 3	AVR Equity Component Column 1 Line 32				X 0.0446	
(15)	Asset NAIC 4	AVR Equity Component Column 1 Line 33				X 0.0970	=
. ,	Asset NAIC 5	AVR Equity Component Column 1 Line 34				X 0.2231	=
	Asset NAIC 6	AVR Equity Component Column 1 Line 35				X 0.3000	=
(18)	Total Schedule BA Preferred Stock	Sum of Lines (12.3) through (17)				:	
	(pre-MODCO/Funds Withheld)						
(19)	Reduction in RBC for MODCO/Funds Withheld						
	Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(20)	Increase in RBC for MODCO/Funds Withheld	G P 1 ()					
(21)	Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
(21)	Total Schedule BA Preferred Stock (including MODCO/Funds Withheld.)	Lines (18) - (19) + (20)					
	(including MODCO/Funds Withheld.)	Lines (10) - (17) + (20)					

[†] Fixed income instruments and surplus notes designated by the NAIC Capital Markets and Investment Analysis Office or considered exempt from filing as specified in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* should be reported in Column (3).

Column (2) is calculated as Column (1) less Column (3) for Lines (1) through (17). Column (2) equals Column (3) - Column (1) for Line (53.3).

Attachment B NAIC Company Code

OTHER LONG-TERM ASSETS (CONTINUED)

			(1)	(2)	(3)	(4)	(5)
			Book / Adjusted				RBC
		Annual Statement Source	Carrying Value	Unrated Items ‡	RBC Subtotal †	Factor	Requirement
	Rated Surplus Notes Classified by Designation Equivalent						
(22)	Rated NAIC 1 Surplus Notes	Schedule BA Part 1 Column 12 Line 2799999+2899999, in part				X 0.0039	
(23)	Rated NAIC 2 Surplus Notes	Schedule BA Part 1 Column 12 Line 2799999+2899999, in part				X 0.0126	
(24)	Rated NAIC 3 Surplus Notes	Schedule BA Part 1 Column 12 Line 2799999+2899999, in part				X 0.0446	
(25)	Rated NAIC 4 Surplus Notes	Schedule BA Part 1 Column 12 Line 2799999+2899999, in part				X 0.0970	
(26)	Rated NAIC 5 Surplus Notes	Schedule BA Part 1 Column 12 Line 2799999+2899999, in part				X 0.2231	
(27)	Rated NAIC 6 Surplus Notes	Schedule BA Part 1 Column 12 Line 2799999+2899999, in part				X 0.3000	=
(28)	Total Rated Surplus Notes	Sum of Lines (22) through (27)				=	
	(pre-MODCO/Funds Withheld)						
(29)	Reduction in RBC for MODCO/Funds Withheld						
	Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(30)	Increase in RBC for MODCO/Funds Withheld						
	Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
(31)	Total Rated Surplus Notes						
	(including MODCO/Funds Withheld.)	Lines (28) - (29) + (30)					
	Rated Capital Notes Classified by Designation Equivalent						
(32)	Rated NAIC 1 Capital Notes	Schedule BA Part 1 Column 12 Line 2999999+3099999, in part				X 0.0039	=
(33)	Rated NAIC 2 Capital Notes	Schedule BA Part 1 Column 12 Line 2999999+3099999, in part				X 0.0126	=
(34)	Rated NAIC 3 Capital Notes	Schedule BA Part 1 Column 12 Line 2999999+3099999, in part				X 0.0446	=
(35)	Rated NAIC 4 Capital Notes	Schedule BA Part 1 Column 12 Line 2999999+3099999, in part				X 0.0970	 =
(36)	Rated NAIC 5 Capital Notes	Schedule BA Part 1 Column 12 Line 2999999+3099999, in part				X 0.2231	=
(37)	Rated NAIC 6 Capital Notes	Schedule BA Part 1 Column 12 Line 2999999+3099999, in part				X 0.3000	=
(38)		Sum of Lines (32) through (37)				-	
	(pre-MODCO/Funds Withheld)				-	=	
(39)	Reduction in RBC for MODCO/Funds Withheld						
(,	Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(40)	Increase in RBC for MODCO/Funds Withheld	ī 2					
(.5)	Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
(41)	Total Rated Capital Notes	The second secon					
(11)	(including MODCO/Funds Withheld.)	Lines (38) - (39) + (40)					

[†] Fixed income instruments and surplus notes designated by the NAIC Capital Markets and Investment Analysis Office or considered exempt from filing as specified in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* should be reported in Column (3).

Column (2) is calculated as Column (1) less Column (3) for Lines (1) through (17). Column (2) equals Column (3) - Column (1) for Line (53.3).

NAIC Company Code

Confidential when Completed

Company Name

OTHER LONG-TERM ASSETS (CONTINUED)		(1) Book / Adjusted	(2)	(3)	(4)	(5) RBC
	Annual Statement Source	Carrying Value	Unrated Items ‡	RBC Subtotal †	Factor	Requirement
Schedule BA - Unaffiliated Common Stock (42) Schedule BA Unaffiliated Common Stock-Public (43) Schedule BA Unaffiliated Common Stock-Private (44) Total Schedule BA Unaffiliated Common Stock (pre-MODCO/Funds Withheld)	AVR Equity Component Column 1 Line 65 AVR Equity Component Column 1 Line 66 Line (42) + (43)		·		X	<u> </u>
(45) Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements (46) Increase in RBC for MODCO/Funds Withheld	Company Records (enter a pre-tax amount)					
Reinsurance Assumed Agreements (47) Total Schedule BA Unaffiliated Common Stock (including MODCO/Funds Withheld.)	Company Records (enter a pre-tax amount) Lines (44) - (45) + (46)					
Schedule BA - All Other (48.1) BA Affiliated Common Stock - Life with AVR	AVR Equity Component Column 1 Line 67					
(48.2) BA Affiliated Common Stock - Certain Other (48.3) Total Schedule BA Affiliated Common Stock - C-1o (49.1) BA Affiliated Common Stock - All Other	AVR Equity Component Column 1 Line 68 Line (48.1) + (48.2) AVR Equity Component Column 1 Line 69				X 0.3000 =	
 (49.2) Total Sch. BA Affiliated Common Stock - C-1cs (50) Schedule BA Collateral Loans (51) Total Residual Tranches or Interests 	Line (49.1) Schedule BA Part 1 Column 12 Line 3199999 + Line 3299999, in part AVR Equity Component Column 1 Line 92				X 0.3000 = X 0.0680 = X 0.4500 =	=
(52.1) NAIC 01 Working Capital Finance Notes (52.2) NAIC 02 Working Capital Finance Notes (52.3) Total Admitted Working Capital Finance Notes	AVR Equity Component Column 1 Line 100 113 AVR Equity Component Column 1 Line 101 114 Line (52.1) + (52.2)				X 0.0050 = X 0.0163 =	
(53.1) Other Schedule BA Assets, including Surplus Notes and Capital Notes (53.2) Less NAIC 1 2 thru 6 Rated/Designated Surplus Notes and Capital Notes	AVR Equity Component Column 1 Line 99 + 102 115 Column (1) Lines (22) (23) through (27) + Column (1) Lines (32) (33) through (37)					
 (53.3) Net Other Schedule BA Assets (54) Total Schedule BA Assets C-1o (pre-MODCO/Funds Withheld) (55) Reduction in RBC for MODCO/Funds Withheld 	Line (53.1) less (53.2) Lines (11) + (21) + (31) + (41) + (48.3) + (50)+ (52.3) + (53.3)				X 0.3000 =	<u> </u>
Reinsurance Ceded Agreements (56) Increase in RBC for MODCO/Funds Withheld	Company Records (enter a pre-tax amount)					
Reinsurance Assumed Agreements (57) Total Schedule BA Assets C-10 (including MODCO/Funds Withheld.)	Company Records (enter a pre-tax amount) Lines (54) - (55) + (56)					
(58) Total Schedule BA Assets Excluding Mortgages and Real Estate	Line (47) + (49.2) + (51) + (57)					

[†] Fixed income instruments and surplus notes designated by the NAIC Capital Markets and Investment Analysis Office or considered exempt from filing as specified in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* should be reported in Column (3).

Column (2) is calculated as Column (1) less Column (3) for Lines (1) through (17). Column (2) equals Column (3) - Column (1) for Line (53.3).

[§] The factor for Schedule BA publicly traded common stock should equal 30 percent adjusted up or down by the weighted average beta for the Schedule BA publicly traded common stock portfolio subject to a minimum of 22.5 percent and a maximum of 45 percent in the same manner that the similar 15.8 percent factor for Schedule BA publicly traded common stock in the Asset Valuation Reserve (AVR) calculation is adjusted up or down. The rules for calculating the beta adjustment are set forth in the AVR section of the annual statement instructions.

SCHEDULE BA MORTGAGES

		(1)	(2) Involuntary	(3)	(4)	(5)	(6)
	Annual Statement Source	Book / Adjusted	Reserve Adjustment †	RBC Subtotal	Cumulative Writedowns ‡	Average	RBC
In Good Standing	Annual Statement Source	Carrying Value	Adjustment †	RBC Subtotal	writedowns ‡	Factor	Requirement
							
(1) Insured or Guaranteed	AVR Equity Component Column 1 Line 43 + Line 45					X 0.0014 =	
(2) Affiliated Mortgages - Residential - All Other	AVR Equity Component Column 1 Line 44					X 0.0068 =	
(3) Unaffiliated Mortgages with Covenants	AVR Equity Component Column 1 Line 57					X * =	
(4) Unaffiliated Mortgages - Defeased with Government Securities	AVR Equity Component Column 1 Line 58					X 0.0090 =	
(5) Unaffiliated Mortgages - Primarily Senior	AVR Equity Component Column 1 Line 59					X 0.0175 =	
(6) Unaffiliated Mortgages - All Other	AVR Equity Component Column 1 Line 60					X 0.0300 =	
(7) Affiliated Mortgages - Category CM1(8) Affiliated Mortgages - Category CM2	AVR Equity Component Column 1 Line 38 AVR Equity Component Column 1 Line 39					X 0.0090 = X 0.0175 =	
						X = 0.0175 = X = 0.0300 = 0.0300	
(9) Affiliated Mortgages - Category CM3	AVR Equity Component Column 1 Line 40					X 0.0500 = X 0.0500 =	
(10) Affiliated Mortgages - Category CM4(11) Affiliated Mortgages - Category CM5	AVR Equity Component Column 1 Line 41 AVR Equity Component Column 1 Line 42					X 0.0500 = X 0.0750 =	
(11) Affiliated Mortgages - Category CM5	AVR Equity Component Column 1 Line 42					X 0.0750 =	
(12) Total In Good Standing	Sum of Lines (1) through (11)						
90 Days Overdue, Not in Process of Foreclosure							
(13) Insured or Guaranteed 90 Days Overdue	AVR Equity Component Column 1 Line 47 + Line 49				XXX	X 0.0027 =	
(14) All Other 90 Days Overdue - Unaffiliated	AVR Equity Component Column 1 Line 61					X 0.1100 =	
(15) All Other 90 Days Overdue - Affiliated	AVR Equity Component Column 1 Line 46 + Line 48 + Line 50				XXX	X 0.1100 =	
ļ		•					
(16) Total 90 Days Overdue, Not in Process of Foreclosure	Lines $(13) + (14) + (15)$						
In Process of Foreclosure							
(17) Insured or Guaranteed in Process of Foreclosure	AVR Equity Component Column 1 Line 52 + Line 54				XXX	X 0.0054 =	
(18) All Other in Process of Foreclosure - Unaffiliated	AVR Equity Component Column 1 Line 62				XXX	X 0.1300 =	
(19) All Other in Process of Foreclosure - Affiliated	AVR Equity Component Column 1 Line 51 + Line 53 + Line 55				XXX	X 0.1300 =	
(20) Total In Process of Foreclosure	Lines (17) + (18) + (19)						
(21) Total Schedule BA Mortgages	Lines (12) + (16) + (20)						
(pre-MODCO/Funds Withheld)							
(22) Reduction in RBC for MODCO/Funds Withheld							
Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)						
(23) Increase in RBC for MODCO/Funds Withheld							
Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)						
(24) Total Schedule BA Mortgages	**						
(including MODCO/Funds Withheld.)	Lines (21) - (22) + (23)						

[†] Involuntary reserves are reserves that are held as an offset to a particular asset that is clearly a troubled asset and are included on Page 3 Line 25 of the Annual Statement.

Cumulative writedowns include the total amount of writedowns, non-admissions, and involuntary reserves that have been taken or established with respect to a particular mortgage.

This will be calculated as Column (6) divided by Column (3).

(2)

(1)

MISCELLANEOUS ASSETS

		Book / Adjusted		RBC
	A1 Ctatarrant Carran		Enstan	
Missellensons	Annual Statement Source	Carrying Value	Factor	Requirement
Miscellaneous (1) G. I.	D 01' 5' 'I 11		T. 0.0020	
(1) Cash	Page 2 Line 5, inside amount 1		X 0.0039 =	
(2.1) Cash Equivalents	Page 2 Line 5, inside amount 2		_	
(2.2) Less Cash Equivalent Bonds Already	Schedule E Part 2 Column 7 Line 05099999999, in part		=	
Included with Page LR002 Bonds				
(2.3) Less Exempt Money Market Mutual Funds	Sch E, Part 2, Column 7, L8209999999		_	
(2.4) Net Cash Equivalents	Line (2.1) - Line (2.2) - Line (2.3)		X 0.0039 =	
(3.1) Short-Term Investments	Page 2 Line 5, inside amount 3		_	
(3.2) Less Short-Term Bonds	Schedule DA Part 1 Column 6-7 Line 0509999999 25099999999		_	
(3.3) Net Short-Term Investments	Lines (3.1) - (3.2)		X 0.0039 =	
(4) Premium Notes	Page 2 Line 6 first inside amount		$X \ 0.068 =$	
(5) Receivable for Securities	Page 2 Column 3 Line 9		X 0.016 =	
(6.1) Aggregate Write-ins for Invested Assets	Page 2 Column 3 Line 11		-	
(6.2) Less Derivative Collateral Receivable	Page 2 Column 3 Line 11, Derivatives Collateral Receivable reported as part of total			
(6.3) Net Write-ins for Invested Assets	Line (6.1) - Line (6.2)		X 0.068 =	
			-	
(7) Total Miscellaneous Excluding Derivative	Lines $(1) + (2.4) + (3.3) + (4) + (5) + (6.3)$			
Instruments			= :	
Derivative Instruments				
(8) Collateral – Off Balance Sheet	Schedule DB Part D Section 1 Column 4 Line 0999999999, in part		X 0.0039 =	
(9) Collateral – On Balance Sheet	Schedule DB Part D Section 1 Column 4 Line 099999999, in part		X = 0.0009 = 0.0000 = 0.0000	
(10) Exchange Traded and Centrally Cleared	Asset Valuation Reserve Default Component Column 1 Line 33, in part		X 0.0039 =	
(11) Over the Counter NAIC 1	Asset Valuation Reserve Default Component Column 1 Line 33, in part		X 0.0039 =	
(12) Over the Counter NAIC 2	Asset Valuation Reserve Default Component Column 1 Line 33, in part		X 0.0126 =	
(13) Over the Counter NAIC 3	Asset Valuation Reserve Default Component Column 1 Line 33, in part		X 0.0446 =	
(14) Over the Counter NAIC 4	Asset Valuation Reserve Default Component Column 1 Line 33, in part		X 0.0970 =	
(15) Over the Counter NAIC 5	Asset Valuation Reserve Default Component Column 1 Line 33, in part		X = 0.0370	
(16) Over the Counter NAIC 6	Asset Valuation Reserve Default Component Column 1 Line 33, in part		X 0.3000 =	
(10) Over the Counter NAIC 0	Asset Valuation Reserve Default Component Column 1 Line 55, in part		X 0.3000 =	
(17) Total Derivative Instruments	Sum of Lines (8) through (16)			
(17) Total Derivative histitulients	Sum of Lines (6) unough (10)		= :	
(18) Total Miscellaneous Assets	Lines (7) + (17)			
	Lines $(7) + (17)$		•	
(pre-MODCO/Funds Withheld) (19) Reduction in RBC for MODCO/Funds Withheld				
Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)			
(20) Increase in RBC for MODCO/Funds Withheld	company records (enter a pro-tan amount)			
Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)			
(21) Total Miscellaneous Assets	1 ,			
(including MODCO/Funds Withheld.)	Lines (18) - (19) + (20)		_	

OFF-BALANCE SHEET AND OTHER ITEMS

			(1)	(2) Less Noncontrolled Assets Funding Guaranteed Separate Accounts,	(3)	(4)	(5)	(6)
				Synthetic GIC's and			RBC	Yes/No
		Annual Statement Source	Statement Value	Certain FHLB Liabilities	Subtotal	Factor	Requirement	Response
	Noncontrolled Assets							
(1)	Loaned to Others - Conforming Securities	General Interrogatories Part 1 Line 25.04				X 0.0020 =		
	Lending Program	G 11						
(2)	Loaned to Others - Securities Lending	General Interrogatories Part 1 Line 25.05				X 0.0126 =		
(3)	Programs - Other Subject to Repurchase Agreements	General Interrogatories Part 1 Line 26.21				X 0.0126 =		
	Subject to Reverse Repurchase Agreements	General Interrogatories Part 1 Line 26.22				X 0.0126 =		
	Subject to Dollar Repurchase Agreements	General Interrogatories Part 1 Line 26.23				X 0.0126 =		
	Subject to Reverse Dollar Repurchase	General Interrogatories Part 1 Line 26.24				X 0.0126 =	-	
	Agreements					-		
	Placed Under Option Agreements	General Interrogatories Part 1 Line 26.25				X 0.0126 =		
	Letter Stock or Other Securities Restricted as to sale - excluding FHLB Capital Stock	General Interrogatories Part 1 Line 26.26				X 0.0126 =		
	FHLB Capital Stock	General Interrogatories Part 1 Line 26.27				X 0.0126 =		
	On Deposit with States	General Interrogatories Part 1 Line 26.28				X 0.0126 =		
	On Deposit with Other Regulatory Bodies) Pledged as Collateral - excluding Collateral Pledged to an FHLB	General Interrogatories Part 1 Line 26.29 General Interrogatories Part 1 Line 26.30				X 0.0126 =		
) Less Derivative Collateral Pledged	Schedule DB Part D Section 2 Column 7, Line 0199999999				X 0.0039 =		
) Pledged as Collateral - excluding Collateral Pledged to an FHLB Less Derivatives Collateral Pledged	Line (12.1) - (12.2)				X 0.0126 =		
	Pledged as Collateral to FHLB - including Assets Backing Funding Agreements	General Interrogatories Part 1 Line 26.31		†		X # =		
	Other	General Interrogatories Part 1 Line 26.32				X 0.0126 =		
(15)	Total Noncontrolled Assets	Sum of Lines (1) through (11) Plus Lines (12.2) through (14)						
	Derivative Instruments	G				17 0 0000		
	Exchange Traded and Centrally Cleared Off-Balance Sheet Exposure NAIC 1	Schedule DB Part D Section 1 Column 13-12, Line 0999999999, in part Schedule DB Part D Section 1 Column 13-12, Line 0999999999, in part			-	X 0.0039 = X 0.0039 =		
	Off-Balance Sheet Exposure NAIC 2	Schedule DB Part D Section 1 Column 13 12, Line 0999999999, in part				X 0.0039 =		
	Off-Balance Sheet Exposure NAIC 3	Schedule DB Part D Section 1 Column 13 12, Line 0999999999, in part				X 0.0446 =		
	Off-Balance Sheet Exposure NAIC 4	Schedule DB Part D Section 1 Column 13 12, Line 0999999999, in part				X 0.0970 =		
(21)	Off-Balance Sheet Exposure NAIC 5	Schedule DB Part D Section 1 Column 13 12, Line 0999999999, in part				X 0.2231 =		
	Off-Balance Sheet Exposure NAIC 6	Schedule DB Part D Section 1 Column 13 12, Line 0999999999, in part				X 0.3000 =		
(23)	Total Derivative Instruments Off-Balance							
	Sheet Exposure	Sum of Lines (16) through (22)						
(24)	Guarantees for Affiliates	Notes to Financial Statements Number 14A3c1				X 0.0126 =		
(25)	Contingent Liabilities	Notes to Financial Statements Number 14A1				X 0.0126 =		
(26)	Long Term Leases	Notes to Financial Statements Number 15A2a1				X 0.0000 =		
(27)	Total Off-Balance Sheet Items	Lines (15) + (23) + (24) + (25) + (26)						
(21)	(pre-MODCO/Funds Withheld)	Lanes (13) + (23) + (24) + (25) + (20)						
(28)	Reduction in RBC for MODCO/Funds Withheld							
(==)	Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)						
(29)	Increase in RBC for MODCO/Funds Withheld					•		
	Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)						
(30)	Total Off-Balance Sheet Items							
	(including MODCO/Funds Withheld.)	Lines (27) - (28) + (29)						
	Other Items							
(31)	Is the entity responsible for filing the U.S.	"Yes", "No" or "N/A" in Column (6)						
()	Federal income tax return for the reporting							
	insurer a regulated insurance company?							
(32)	SSAP No. 101 Paragraph 11a Deferred Tax Assets	Notes to Financial Statements Item 9A2(a)				X		
(33)	SSAP No. 101 Paragraph 11b Deferred Tax Assets	Notes to Financial Statements Item 9A2(b)				X 0.0100 =		
(2/)	Total Off-Balance Sheet and Other Items	Line (30) + Line (32) + Line (33)						
(34)	Total Ort-Datance Succe and Other Reins	Lane (30) + Lane (32) + Line (33)				= :		

Ť

For Column (2) Line (13), include assets pledged as collateral other than assets related to the Federal Reserve's Term Asset Loan Facility (TALF). For Column (2) include excess assets held by a FHLB but not associated with a FHLB advance (i.e. assets above the required collateral amount and therefore available to be recalled by the insurer). For Column (2) also include an amount equal to the lessor of Statement Value of FHLB liabilities subject to C3P1 Cash Flow Testing or 5% of total net admitted assets.

If Line (31) Column (6) is "Yes", then the factor is 0.005. If Line (31) Column (6) is "No", then the factor is 0.010. If Line (31) Column (6) is "N/A", then the factor is 0.000.

In most instances, apply a factor based on the NAIC ratings category equivalent to an unsecured debt obligation of the FHLB. A higher factor applies if FHLB funded advance liabilities associated with spread-lending activities exceed 5% of total net admitted assets. This higher factor shall equal the factor for a Baa corporate bond asset factor (Line 14 Column 4). If the higher factor is applicable, the blended factor for column 4 shall be prorated based on the collateral in column 3 subject to the typical factor (i.e. liquidity and spread-lending below the limit) and the higher factor (only spread-lending above the limit).

BUSINESS RISK

DUSII	NESS KISK		(1)		(2)
			(1)		(2) RBC
		Annual Statement Source	Statement Value	Factor	Requirement
	Life Insurance Premiums	Timual Statement Source	Statement varue	ructor	requirement
(1)	Total Life Premiums	Schedule T Column 2 Line 59			
(2)	Less American Samoa Life Premiums	Schedule T Column 2 Line 52			
(3)	Less Guam Life Premiums	Schedule T Column 2 Line 53			
(4)	Less Puerto Rico Life Premiums	Schedule T Column 2 Line 54			
(5)	Less U.S. Virgin Islands Life Premiums	Schedule T Column 2 Line 55			
(6)	Less Northern Mariana Islands Life Premiums	Schedule T Column 2 Line 56			
(7)	Less Canada Life Premiums	Schedule T Column 2 Line 57			
(8)	Less Other Alien Life Premiums	Schedule T Column 2 Line 58			
(9)	Subtotal Net Life Premiums	Line (1) less the Sum of Lines (2) through (8)			
(10)	Plus Foreign Variable and Other Life Premiums	See Instructions†			
(11)	Less Total Variable and Other Life Premiums	See Instructions†			
(12)	Net Life Premiums	Line (9) plus Line (10) less Line (11)		X 0.0253 =	
(12)	Total Fremums	Ellie (7) plus Ellie (10) less Ellie (11)		71 0.0255 =	
	Annuity Considerations				
(13)	Total Annuity Considerations	Schedule T Column 3 Line 59			
(14)	Less American Samoa Annuity Considerations	Schedule T Column 3 Line 52			
(15)	Less Guam Annuity Considerations	Schedule T Column 3 Line 53			
(16)	Less Puerto Rico Annuity Considerations	Schedule T Column 3 Line 54			
(17)	Less U.S. Virgin Islands Annuity Considerations	Schedule T Column 3 Line 55			
(18)	Less Northern Mariana Islands Annuity Considerations	Schedule T Column 3 Line 56			
(19)	Less Canada Annuity Considerations	Schedule T Column 3 Line 57			
(20)	Less Other Alien Annuity Considerations	Schedule T Column 3 Line 58			
(21)	Subtotal Net Annuity Considerations	Line (13) less the Sum of Lines (14) through (20)			
(22)	Plus Foreign Variable and Other Annuity Considerations	See Instructions†			
(23)	Less Total Variable and Other Annuity Considerations	See Instructions†			
	Net Annuity Considerations	Line (21) plus Line (22) less Line (23)		X 0.0253 =	
` ′	•			-	_
	Accident and Health Premiums				
(25)	Total Accident and Health Premiums	Schedule T Column 4 Line 59			
(26)	Less American Samoa Accident and Health Premiums	Schedule T Column 4 Line 52			
(27)	Less Guam Accident and Health Premiums	Schedule T Column 4 Line 53			
(28)	Less Puerto Rico Accident and Health Premiums	Schedule T Column 4 Line 54			
(29)	Less U.S. Virgin Islands Accident and Health Premiums	Schedule T Column 4 Line 55			
(30)	Less Northern Mariana Islands Accident and Health Premiums	Schedule T Column 4 Line 56			
(31)	Less Canada Accident and Health Premiums	Schedule T Column 4 Line 57			
(32)	Less Other Alien Accident and Health Premiums	Schedule T Column 4 Line 58			
(33)	Subtotal Net Accident and Health Premiums	Line (25) less the Sum of Lines (26) through (32)			
(34)	Plus Foreign Variable and Other A&H Premiums	See Instructions†			
(35)	Less Total Variable and Other A&H Premiums	See Instructions†			
(36)	Net Accident and Health Premiums	Line (33) plus Line (34) less Line (35)		X 0.0063 =	
				-	

[†] Enter amounts only if included in Schedule T Column 2 (life), Column 3 (annuity) or Column 4 (accident and health).

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

BUSINESS RISK (CONTINUED)

2001	(200 1101 (201111.222)		(1)		(2) RBC
		Annual Statement Source	Statement Value	<u>Factor</u>	Requirement
	Separate Account Liabilities				
(37)	Total Liabilities from Separate Accounts Statement	Page 3 Column 1 Line 27			
(38)	Transfers to Separate Accounts Due or Accrued	Page 3 Column 1 Line 13			
(39)	Total Separate Account Liabilities	Line (37) plus Line (38)		X 0.0006 =	
(40)	Business Risk (C-4a)	Lines $(12) + (24) + (36) + (39)$:	
	Administrative Expenses for Certain A&H Coverages				
(41)		LR019 Health Premiums Column (1) Line (33)			
(42)	9	LR020 Underwriting Risk Column (5) Line (1.3)			
(43)		Line (42) / Line (41)			
(44)	1	Exhibit 2 Column 2 + Column 3 Line 10			
(45)	*	Exhibit 3 Column 2 Line 7			
(46)	r				
	Contracts (ASC)	Included in Exhibit 2 Col. 2 + Col. 3 and Exhibit 3 Col. 2			
(47)					
(40)	Only (ASO) Business	Included in Exhibit 2 Col. 2 + Col. 3 and Exhibit 3 Col. 2			
(48)	1				
	Premium Taxes	Included in Exhibit 2 Col. 2 + Col. 3 and Exhibit 3 Col. 2			
(49)	Net Administrative Expenses	Lines (44) + (45) - (46) - (47) - (48)			
(50)	C ' H M Al ' ' C E B' LE C	(7% of Line (42) up to \$25 million + 4% of any in excess of			
(50)	•	\$25 million)/Line (42)			
(51)	Administrative Expense Component for Health	Line (49) x factor Line (43) x factor Line (50)			
	Health ASO/ASC				
(52)	Administrative Expenses for ASC Business	Company Records§		X 0.0200 =	
(53)	Administrative Expenses for ASO Business	Company Records§		X = 0.0200 =	
(54)	ASC Claims Reported as Incurred Claims	Company Records		X 0.0100 =	
(55)		Company Records		X 0.0100 =	
(56)	Fee-for-Service Received from Health Entities	Company Records		X 0.0100 =	
(57)	Business Risk (C-4b)	Column (2) Lines (51) + (52) + (53) + (54) + (55) + (56)			

[§] Line (52) should be greater than or equal to Line (46). Line (53) should be greater than or equal to Line (47).

Attachment B NAIC Company Code

(2)

(1)

CALCULATION OF TOTAL ADJUSTED CAPITAL

(Including Total Adjusted Capital Tax Sensitivity Test)

		Annual Statement Source	Statement Value	Facto	<u>r</u>	Adjusted Capital
	Company Amounts					
	Capital and Surplus	Page 3 Column 1 Line 38		1.000	_	
	Asset Valuation Reserve	Page 3 Column 1 Line 24.01 §		1.000	_	
(3)	Dividends Apportioned for Payment	Page 3 Column 1 Line 6.1, in part		0.500	_	
(4)	Dividends Not Yet Apportioned	Page 3 Column 1 Line 6.2, in part		0.500	_	
(5)	Hedging Fair Value Adjustment	Company Records		-1.000	0 = _	
	Life Subsidiary Company Amounts†					
(6)	Asset Valuation Reserve	Subsidiaries' Annual Statement Page 3 Column 1 Line 24.01‡ §		1.000) =	
(7)	Dividend Liability	Subsidiaries' Annual Statement Page 3 Column 1 Line 6.1 + Line 6.2‡		(0.500	_	_
. ,	Carrying Value of Non-Admitted Insurance Affiliates	Included in LR044 Columns (5) and (7)		1.000	_	
(-)	,				-	
i	Property and Casualty and Other Non-U.S. Affiliated Amounts					
(9)	Non-Tabular discount and/or Alien Insurance Subsidiaries: Other	Included in Subsidiaries' Annual Statement Page 3 Column 1 Line 1 + 3‡		1.000) = _	
		and/or Schedule D Part 6, Section 1 Column 6 7-8 Line 0599999 and	l			
		Line 1499999, in part				
(10)	Total Adjusted Capital Before Capital Notes	Sum of Lines (1) through (8) less Line (9)				
					_	
	Credit for Capital Notes					
	Surplus Notes	Page 3 Column 1 Line 32				
	Limitation on Capital Notes	0.5 x [Line (10) - Line (11.1)] - Line (11.1), but not less than 0				
	Capital Notes Before Limitation	LR032 Capital Notes Before Limitation Column (4) Line (18)				
(11.4)	Credit for Capital Notes	Lesser of Column (1) Line (11.2) or Line (11.3)			_	
(12)	XXX/AXXX Reinsurance RBC Shortfall	LR037 XXX/AXXX Captive Reinsurance Consolidated Exhibit Column (10) Line (10)			_	
(13)	Total Adjusted Capital	Line (10) + Line (11.4) - Line (12)			-	
	Tax Sensitivity Test					
	Company Amounts					
(14)	Deferred Tax Asset (DTA) Value	Page 2 Column 3 Line 18.2	,	· -1.000	0 =	
. ,	Deferred Tax Liability (DTL) Value	Page 3 Column 1 Line 15.2		1.000	_	
					_	
	<u>Subsidiary Amounts</u>					
. ,	Deferred Tax Asset (DTA) Value	Company Records		-1.000	_	
(17)	Deferred Tax Liability (DTL) Value	Company Records		1.000) =_	
(18)	Tax Sensitivity Test: Total Adjusted Capital	Line (13)+(14)+(15)+(16)+(17)			=	
	Ex DTA ACL RBC Ratio Sensitivity Test					
(19)	Deferred Tax Asset-Company Amounts	Page 2 Column 3 Line 18.2		1.000) =	
	• •				-	
(20)	Total Adjusted Capital Less Deferred Tax Asset Amounts	Line (13) less Line (19)			=	
(21)	Authorized Control Level RBC	LR034 Risk-Based Capital Level of Action Line (4)	2	1.000) =_	
(22)	Ex DTA ACL RBC Ratio	Line (20) / Line (21)				0.000%
					=	

Including subsidiaries owned by holding companies. Multiply statement value by percent of ownership.

The portion of the AVR that can be counted as capital is limited to the amount not utilized in asset adequacy testing in support of the Actuarial Opinion for reserves.

ADDITIONAL INFORMATION REQUIRED

(1)

		<u>Source</u>	Statement Value
(1.2)	Other Affiliates: Subsidiaries	Subsidiaries' Life and Fraternal Risk-Based Capital LR042 Summary for Affiliated Investments Column (1) Lines (19), (20) and (21);	
		Property and Casualty Risk-Based Capital PR005 Summary For Subsidiary, Controlled and Affiliated Investments for Cross-Checking	
		Statement Values Column (1) Line (8) and Line (17)	
(2.2)	Noncontrolled Assets: Subsidiaries	Subsidiaries' Life and Fraternal Risk-Based Capital LR017 Off-Balance Sheet and Other Items Column (1) Line (15); Property and	
		Casualty PR014 Miscellaneous Off-Balance Sheet Items Column (1) Line (15)	
(3.2)	Guarantees for Affiliates: Subsidiaries	Subsidiaries' Life Notes to Financial Statements #14A3c1; Property and Casualty Notes to Financial Statements #14A3c1	
(4.2)	Contingent Liabilities: Subsidiaries	Subsidiaries' Life Notes to Financial Statements #14A1; Property and Casualty Notes to Financial Statements #14A1	
(5.2)	Long Term Leases: Subsidiaries	Subsidiaries' Life Notes to Financial Statements #15A2a1; Property and Casualty Notes to Financial Statements #15A2a1	
(7.11)	Total Affiliated Investments: Company	Company's Annual Statement Five-Year Historical Data Column 1 Line 50	
(7.12)	Less Affiliated Common Stock:	Company's Annual Statement Five-Year Historical Data Column 1 Line 46	
	Company		
(7.13)	Less Affiliated Preferred Stock:	Company's Annual Statement Five-Year Historical Data Column 1 Line 45	
	Company		
(7.14)	Net Affiliated Investments: Company	Lines (7.11) - (7.12) - (7.13)	
(7.2)	Affiliated Investments: Subsidiaries	Subsidiaries' Life Annual Statement Five-Year Historical Data Column 1 Line 50 Less Lines 45 and 46; Property	
		and Casualty Annual Statement Five-Year Historical Data Column 1 Line 48 Less Lines 43 and 44	
(9.1)	Surplus Notes: Company	Company's Annual Statement Page 3 Column 1 Line 32	
(9.2)	Surplus Notes: Subsidiaries	Subsidiaries' Life Annual Statement Page 3 Column 1 Line 32; Property and Casualty Annual Statement Page 3 Column 1	
		Line 33	
(10.11)	Capital Paid In: Company	Company's Annual Statement Page 4 Column 1 Line 50.1	
(10.12)	Surplus Paid In: Company	Company's Annual Statement Page 4 Column 1 Line 51.1	
(10.13)	Total Current Year's Capital		
	Contributions: Company	Line (10.11) + Line (10.12)	
(10.2)	Current Year's Capital Contributions:	Subsidiaries' Life Annual Statement Page 4 Column 1 Lines 50.1 + 51.1; Property and Casualty Annual Statement Page 4	
1	Subsidiaries	Column 1 Lines 32.1 + 33.1	
(11.1)	Total Residual Tranches or Interests	Company's Annual Statement Asset Valuation Reserve, Equity and Other Invested Asset Component, Column 1, Line 92 93	

CROSSCHECKING FOR AFFILIATED/SUBSIDIARY STOCKS

Affiliated Preferred Stock

			(1)	(2)	(3)
				Total from	
		Annual Statement	Annual Statement	Life and Fraternal Risk-Based	
	Schedule D Part 6 Section 1 Type	Line Number	Total Preferred Stock†	Capital Report‡	Difference
(1)	Parent	0199999			
(2)	U.S. Property and Casualty Insurer	0299999			
(3)	U.S. Life Insurer	0399999			
(4)	U.S. Health Entity	0499999			
(5)	Alien Insurer	0599999			
(6)	Non-Insurer Which Controls Insurer	0699999			
(7)	Investment Subsidiary	0799999			
(8)	Other Affiliates	0899999			
(9)	Total (Sum of Lines (1) through (8))				

Affiliated Common Stock

_			(1)	(2)	(3)
				Total from	
		Annual Statement	Annual Statement	Life and Fraternal Risk-Based	
	Schedule D Part 6 Section 1 Type	Line Number	Total Common Stock†	Capital Report§	Difference
(10)	Parent	1099999			
(11)	U.S. Property and Casualty Insurer	1199999			
(12)	U.S. Life Insurer	1299999			
(13)	U.S. Health Entity	1399999			
(14)	Alien Insurer	1499999			
(15)	Non-Insurer Which Controls Insurer	1599999			
(16)	Investment Subsidiary	1699999			
(17)	Other Affiliates	1799999			
(18)	Total (Sum of Lines (10) through (17))			_	

[†] Column (1) Lines (1) through (8) and (10) through (17) come from Schedule D Part 6 Section 1 Column 6 7 of the annual statement.

[‡] Column (2) Lines (1) through (8) come from LR044 Details for Affiliated Investments Column (7).

[§] Column (2) Lines (10) through (17) come from LR044 Details for Affiliated Investments Column (5).

Revised 2-2023

Capital Adequacy (E) Task Force RBC Proposal Form

□ Capital Adequacy (E) To□ Catastrophe Risk (E) Su□ Variable Annuities Capite (E/A) Subgroup	ubgroup \square P/C RBC (E) Working Gro	oup				
CONTACT PERSON: TELEPHONE: EMAIL ADDRESS: ON BEHALF OF: NAME: TITLE: AFFILIATION: ADDRESS:	Paul Navratil PNavratil64@massmutual.com Life Risk-Based Capital (E) Working Group Philip Barlow, Chair Associate Commissioner of Insurance District of Columbia 1050 First Street, NE Suite 801 Washington, DC 20002	Agenda Item # 2025-01-L Year 2025 DISPOSITION ADOPTED: TASK FORCE (TF) WORKING GROUP (WG) 05-01-2025				
IDENTIFICATION OF SOURCE AND FORM(s)/INSTRUCTIONS TO BE CHANGED ☐ Health RBC Blanks ☐ Property/Casualty RBC Blanks ☐ Life and Fraternal RBC Blanks ☐ Health RBC Instructions ☐ Property/Casualty RBC Instructions ☐ Life and Fraternal RBC Instructions ☐ Health RBC Formula ☐ Property/Casualty RBC Formula ☐ Life and Fraternal RBC Formula ☐ OTHER						
to provide needed informa This proposal is to update	tion for completing LR025 (Life Insurance pag	g Group in 2024. It added a new general interrogatory e). For direct pulls of information between the annual				
• 02-21-2025: Propo	Additional Staff Corosal was exposed with comments due 03-23-2					

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** This section must be completed on all forms.

LIFE INSURANCE

Basis of Factors

The factors developed represent surplus needed to provide for life insurance mortality risk, which is defined as adverse variance in life insurance deaths (i.e., insureds dying sooner than expected) over the remaining lifetime of a block of business while appropriately reflecting the pricing flexibility to adjust current mortality rates for emerging experience. The mortality risks included in the development of the factors were volatility, level, trend, and catastrophe. The factors were developed by stochastically simulating the run-off of in force life insurance blocks typical of U.S. life insurers.

The capital need, expressed as a dollar amount, is determined as the greatest present value of accumulated deficiencies at the 95th percentile of the stochastic distribution of scenarios over the remaining lifetime of a block of business while appropriately reflecting the pricing flexibility to adjust current mortality rates. Statutory losses are defined as the after-tax quantification of gross death benefits minus reserves released in excess of the mortality cost expected under the moderately adverse scenario. The after-tax statutory losses are discounted to the present by using 20-year averages for U.S. swap rates. By selecting the largest present value accumulated loss across all projection years, the solved for capital ensures non-negative capital at all projection periods. Earlier period losses are not allowed to be offset by later period gains to reduce capital. The 95th percentile is the commonly accepted statistical safety level used for Life RBC C-2 mortality risk to identify weakly capitalized companies. The after-tax capital needs are translated to a factor expressed as a percentage of the net amount at risk (NAR). The pre-tax factor is determined by taking the after-tax factor divided by (1 minus the tax rate).

The factors are differentiated between individual & industrial life and group & credit life, and by in force block size. Within individual & industrial life, the factors are differentiated into categories by contract type depending on the degree of pricing flexibility. Within group & credit life, the factors are differentiated into categories by the remaining length of the premium rate term by group contract. There are distinct factors for contracts that have remaining premium rate terms 36 months and under and for contracts that have remaining premium rate terms over 36 months. The Federal Employees' Group Life Insurance (FEGLI) and Servicemembers' Group Life Insurance (SGLI) receive a separate factor applied to the amounts in force.

Specific Instructions for Application of the Formula

Lines 6-11 are not applicable to Fraternal Benefit Societies.

The NAR in total and for each of the factor categories is derived using annual statement sources including appropriate General Interrogatories starting yearend 2025 and are net of reinsurance throughout.

The NAR size bands apply to the total amounts for individual & industrial life and group & credit life. The size bands are allocated proportionately to the NAR for each of the factor categories. Size band 1 is for NAR amounts up to \$500 million. Size band 2 is for NAR amounts greater than \$500 million and up to \$25 billion. Size band 3 is for NAR amounts greater than \$25 billion.

Pricing Flexibility for Individual & Industrial Life Insurance and Group & Credit Life Permanent Life Insurance is defined as the ability to materially adjust rates on in force contracts through changing premiums and/or non-guaranteed elements as of the valuation date and within the next 5 policy years and reflecting typical business practices. For the purposes of assessing whether business is categorized as having "Pricing Flexibility", grouping of gross amounts may be done at either the contract level or at a cohort level consistent with grouping for pricing purposes. The categorization of ceded amounts for direct insurers should be based on the

† The tiered calculation is illustrated in the Life Insurance section of the risk-based capital instructions.

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

LIFE INSURANCE

Confidential when Completed

Attachment C **NAIC Company Code**

			(1)		(2) RBC
		Annual Statement Source	Statement Value	Factor	Requirement
(1)	Individual & Industrial Life Net Amount at Risk Total Individual & Industrial Life Net Amount at Risk	Company Records (Exhibit of Life Insurance Sum of Columns 2 and 4, Line 23 x 1000) - [(Exhibit 5 Sum of Columns 3 and 4, Line 0199999) +(Separate Accounts Exhibit 3 Column 3 Line 0199999) + (General Interrogatories Part 2, Column 1, Line 10.01) - (General Interrogatories Part 2, Column 1, Line 10.02)]			
(2)	Total Individual & Industrial Life Policies with Pricing Flexibility Net Amount at Risk	Company Records General Interrogatories Part 2, Column 1, Line 10.08	x	†	=
	Total Individual & Industrial Term Life Policies without Pricing Flexibility Net Amount at Risk	Company Records General Interrogatories Part 2, Column 1, Line 10.14	X	†	=
(4)	Total Individual & Industrial Permanent Life Policies without Pricing Flexibility Net Amount at Risk	Lines (1) - (2) - (3)	X	†	=
(5)	Total Individual & Industrial Life	Lines $(2) + (3) + (4)$			
(6)	Group & Credit Life Total Group & Credit Life Excluding FEGLI/SGLI Net Amount at Risk	Company-Records- (Exhibit of Life Insurance Sum of Columns 6 and 9, Line 23 x 1000) - (Exhibit of Life Insurance Sum of Columns 2 and 4, Line 43 and 44 x 1000) - [(Exhibit 5 Sum of Columns 5 and 6, Line 0199999) + Separate Accounts Exhibit 3 Column 4 Line 0199999) + (General Interrogatories Part 2, Column 1, Line 10.15) - (General Interrogatories Part 2, Column 1, Line 10.16)]			
	Group & Credit Term Life with Remaining Rate Terms 36 Months and Under Net Amount at Risk Group & Credit Term Life with Remaining Rate Terms Over 36 Months Net Amount at Risk	Company Records General Interrogatories Part 2, Column 1, Line 10.22 Company Records General Interrogatories Part 2, Column 1, Line 10.28	x	† ÷	=
	Group & Credit Permanent Life Policies with Pricing Flexibility Net Amount at Risk	Company Records General Interrogatories Part 2, Column 1, Line 10.34	X	†	_
	Group & Credit Permanent Life Policies without Pricing Flexibility Net Amount at Risk	Lines (6) - (7) - (8) - (9)	X	†	=
(11)	FEGLI/SGLI Life In Force	Exhibit of Life Insurance Sum of Column 2 and 4, Line 43 and 44 x 1000	X	0.0004	=
(12)	Total Group & Credit Life	Lines (7) + (8) + (9) + (10) + (11)			
(13)	Total Life	Lines (5) + (12)			

Capital Adequacy (E) Task Force RBC Proposal Form

☐ Variable Annuities Capi (E/A) Subgroup	tal. & Reserve 🔲 P/C RBC (E) Working Group	D □ RBC Investment Risk & Evaluation (E) Working Group
	DATE: 03-10-2025	FOR NAIC USE ONLY
CONTACT PERSON:	Kazeem Okosun	Agenda Item # <u>2025-04-L MOD</u> Year <u>2025</u>
TELEPHONE:	816-783-8981	DISPOSITION
EMAIL ADDRESS:	kokosun@naic.org	ADOPTED:
	-	☐ TASK FORCE (TF)
ON BEHALF OF:	Life Risk-Based Capital (E) Working Group	☑ WORKING GROUP (WG) 05-01-2025☐ SUBGROUP (SG)
NAME:	Philip Barlow, Chair	EXPOSED:
TITLE:	Associate Commissioner of Insurance	☐ TASK FORCE (TF)
AFFILIATION:	District of Columbia	⊠WORKING GROUP (WG) 3/24/2025_
1		☐ SUBGROUP (SG) REJECTED:
ADDRESS:	1050 First Street, NE Suite 801	☐ TF ☐ WG ☐ SG
	Washington, DC 20002	OTHER:
		□ DEFERRED TO
		☐ REFERRED TO OTHER NAIC GROUP ☐ (SPECIFY)
☐ Health RBC Blanks☐ Health RBC Instructions☐ Health RBC Formula	ATION OF SOURCE AND FORM(S)/INST Property/Casualty RBC Blanks Property/Casualty RBC Instruction Property/Casualty RBC Formu	☑ Life and Fraternal RBC BlanksItions ☑ Life and Fraternal RBC Instructions
	DESCRIPTION/REASON OR JUSTIFICATIO	N OF CHANGE(S)
page to ensure BA assets of		ks to reorganize LR008 – Other Long-Term Assets grouped, so as to facilitate proper MODCO/ Funds
=	for LR008 be adopted, there would be correspes are also incorporated into this proposal.	oonding changes to LR030 and LR031 instructions
	Additional Staff Comment	
Staff Note: The areas highl	ighted in gray within the Blank pages are subj	ect to the adoption of Proposals 2024-21-L MOD

The areas highlighted in yellow within the Blank pages in the modified proposal incorporated changes in response to interested parties' comments

• 03-24-2025: Proposal was exposed with comments due 04-23-2025 – Comments received from ACLI (KO)

and 2024-24-L MOD.

** This section must be completed on all forms.

OTHER LONG-TERM ASSETS

LR008

Basis of Factors

Recognizing the diverse nature of Schedule BA assets, the RBC is calculated by assigning different risk factors according to the different type of assets. Assets with underlying characteristics of bonds and preferred stocks designated by the NAIC Capital Markets and Investment Analysis Office have different factors according to the NAIC assigned classification. Unrated fixed-income securities will be treated the same as Other Schedule BA Assets and assessed a 30% pre-tax charge. Rated surplus and capital notes have the same factors applied as Schedule BA assets with the characteristics of preferred stock. Where it is not possible to determine the RBC classification of an asset, a 30% pre-tax factor is applied.

Specific Instructions for Application of the Formula

Line (44 49.1)

Schedule BA affiliated common stock – all others should be included in C-1cs. Specifically this means that all subs with an affiliate code 9 13 in the current life-based framework and "holding company in excess of indirect subsidiaries" or subsidiaries with affiliate code 3 7. are to be included in C-1cs.

Line (49.2)

New lines were added for yearend 2022 reporting to Schedule BA and the AVR Equity Component to capture amounts related to residual tranches or interest. For yearend 2022 life RBC reporting, AVR Equity Component, Column 1, Line 93 will be included in Line (49.2).

Line (51 50)

Exclude: any collateral loan amounts which have been included elsewhere in the RBC formula, e.g., BA mortgages.

Line (58)

Total Schedule BA assets [LR008 Other Long-Term Assets Column (1) Line (58) plus LR007 Real Estate Column (1) Line (14) plus Lines (17) through Line (20 21) plus LR009 Schedule BA Mortgages Column (1) Line (21)] should equal the total Schedule BA assets reported in the Annual Statement Page 2, Column 3, Line 8.

Attachment D NAIC Company Code

OTHER LONG-TERM ASSETS

OTH	K LONG-TERM ASSETS		(1)	(2)	(2)	(4)	(5)
			(1)	(2)	(3)	(4)	(5)
			Book / Adjusted				RBC
		Annual Statement Source	Carrying Value	Unrated Items ‡	RBC Subtotal †	Factor	Requirement
	Schedule BA - Fixed Income - Bonds						
(1)	Exempt Obligations	AVR Equity Component Column 1 Line 22				X 0.0000 =	
(2)	Asset NAIC 1	AVR Equity Component Column 1 Line 23				X 0.0039 =	
(3)	Asset NAIC 2	AVR Equity Component Column 1 Line 24				X 0.0126 =	
(4)	Asset NAIC 3	AVR Equity Component Column 1 Line 25				X 0.0446 =	
(5)	Asset NAIC 4	AVR Equity Component Column 1 Line 26				X 0.0970 =	<u> </u>
(6)	Asset NAIC 5	AVR Equity Component Column 1 Line 27				X 0.2231 =	<u> </u>
(7)	Asset NAIC 6	AVR Equity Component Column 1 Line 28				X 0.3000 =	=
(8)	Total Schedule BA Bonds	Sum of Lines (1) through (7)					
	(pre-MODCO/Funds Withheld)						
(9)	Reduction in RBC for MODCO/Funds Withheld						
	Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(10)	Increase in RBC for MODCO/Funds Withheld						
	Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
(11)	Total Schedule BA Bonds						
	(including MODCO/Funds Withheld.)	Lines $(8) - (9) + (10)$					
	Schedule BA - Fixed Income - Preferred Stock		_				
, , , ,	Asset NAIC 1	AVR Equity Component Column 1 Line 30					
(12.2)	Less Rated/Designated NAIC 1 Surplus Notes and Capital Notes	Column (1) Line (22) + Column (1) Line (32)					
(12)							
(12.3)	Net Asset NAIC 1	AVR Equity Component Column 1 Line 30 Line (12.1) - (12.2)				X 0.0039 =	<u> </u>
(13)	Asset NAIC 2	AVR Equity Component Column 1 Line 31				X 0.0126 =	<u> </u>
(14)	Asset NAIC 3	AVR Equity Component Column 1 Line 32				X 0.0446 =	
(15)	Asset NAIC 4	AVR Equity Component Column 1 Line 33				X 0.0970 =	
(16)	Asset NAIC 5	AVR Equity Component Column 1 Line 34				X 0.2231 =	<u> </u>
(17)	Asset NAIC 6	AVR Equity Component Column 1 Line 35				X 0.3000 =	<u> </u>
(18)	Total Schedule BA Preferred Stock	Sum of Lines (12.3) through (17)					
	(pre-MODCO/Funds Withheld)						
(19)	Reduction in RBC for MODCO/Funds Withheld						
	Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(20)	Increase in RBC for MODCO/Funds Withheld						
	Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
(21)	Total Schedule BA Preferred Stock						
	(including MODCO/Funds Withheld.)	Lines (18) - (19) + (20)					

[†] Fixed income instruments and surplus notes designated by the NAIC Capital Markets and Investment Analysis Office or considered exempt from filing as specified in the Purposes and Procedures Manual of the NAIC Investment Analysis Office should be reported in Column (3).

Column (2) is calculated as Column (1) less Column (3) for Lines (1) through (17). Column (2) equals Column (3) - Column (1) for Line (53.3).

Attachment D NAIC Company Code

OTHER LONG-TERM ASSETS (CONTINUED)

			(1)	(2)	(3)	(4)	(5)
			Book / Adjusted				RBC
		Annual Statement Source	Carrying Value	Unrated Items ‡	RBC Subtotal †	<u>Factor</u>	Requirement
	Rated Surplus Notes Classified by Designation Equivalent						
(22)	Rated NAIC 1 Surplus Notes	Schedule BA Part 1 Column 12 Line 2799999+2899999, in part				X 0.0039 =	
(23)	1	Schedule BA Part 1 Column 12 Line 2799999+2899999, in part				X 0.0126 =	
(24)	1	Schedule BA Part 1 Column 12 Line 2799999+2899999, in part				X 0.0446 =	
(25)	1	Schedule BA Part 1 Column 12 Line 2799999+2899999, in part				X 0.0970 =	
(26)	•	Schedule BA Part 1 Column 12 Line 2799999+2899999, in part				X 0.2231 =	
(27)	Rated NAIC 6 Surplus Notes	Schedule BA Part 1 Column 12 Line 2799999+2899999, in part				X 0.3000 =	
(28)	Total Rated Surplus Notes	Sum of Lines (22) through (27)				•	
	(pre-MODCO/Funds Withheld)						
(29)	Reduction in RBC for MODCO/Funds Withheld						
	Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(30)	Increase in RBC for MODCO/Funds Withheld						
	Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
(31)	Total Rated Surplus Notes						
	(including MODCO/Funds Withheld.)	Lines (28) - (29) + (30)					
	Rated Capital Notes Classified by Designation Equivalent						
(32)	Rated NAIC 1 Capital Notes	Schedule BA Part 1 Column 12 Line 2999999+3099999, in part				X 0.0039 =	
(33)	Rated NAIC 2 Capital Notes	Schedule BA Part 1 Column 12 Line 2999999+3099999, in part				X 0.0126 =	
(34)	Rated NAIC 3 Capital Notes	Schedule BA Part 1 Column 12 Line 2999999+3099999, in part				X 0.0446 =	
(35)	Rated NAIC 4 Capital Notes	Schedule BA Part 1 Column 12 Line 2999999+3099999, in part				X 0.0970 =	
(36)	Rated NAIC 5 Capital Notes	Schedule BA Part 1 Column 12 Line 2999999+3099999, in part				X 0.2231 =	
(37)	Rated NAIC 6 Capital Notes	Schedule BA Part 1 Column 12 Line 2999999+3099999, in part				X 0.3000 =	
(38)	Total Rated Capital Notes	Sum of Lines (32) through (37)				<u>-</u> "	
	(pre-MODCO/Funds Withheld)						
(39)	Reduction in RBC for MODCO/Funds Withheld						
	Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(40)	5						
(**,	Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
(41)	_	1 7 (
(,	(including MODCO/Funds Withheld.)	Lines (38) - (39) + (40)					
	,						

Fixed income instruments and surplus notes designated by the NAIC Capital Markets and Investment Analysis Office or considered exempt from filing as specified in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* should be reported in Column (3).

Column (2) is calculated as Column (1) less Column (3) for Lines (1) through (17). Column (2) equals Column (3) - Column (1) for Line (53.3).

OTHER LONG-TERM ASSETS (CONTINUED)			(1) Book / Adjusted	(2)	(3)	(4)	(5) RBC	
			Annual Statement Source	Carrying Value	Unrated Items ‡	RBC Subtotal †	Factor	Requirement
1		Schedule BA - Unaffiliated Common Stock/ Equity Interests and Affiliate	d Non-Insurance Stock (C1-cs)					
	(42)	Schedule BA Unaffiliated Common Stock-Public	AVR Equity Component Column 1 Line 65				X § =	
	(43)	Schedule BA Unaffiliated Common Stock-Private	AVR Equity Component Column 1 Line 66				X 0.3000 =	
	(44)	Schedule BA Affiliated Common Stock - All Other	AVR Equity Component Column 1 Line 69				X 0.3000 =	
	(45)	Total Residual Tranches or Interests	AVR Equity Component Column 1 Line 92				X 0.4500 =	
		Total Schedule BA Unaffiliated Common Stock/ Equity Interests and					_	
	(46) (44)	Affiliated Non-Insurance Stock (C1-cs)	Line (42) + (43) + (44) + (45)				_	
		(pre-MODCO/Funds Withheld)					_	
	(47) (45)	Reduction in RBC for MODCO/Funds Withheld						
		Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
	(48) -(46	Increase in RBC for MODCO/Funds Withheld						
		Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
		Total Schedule BA Unaffiliated Common Stock/ Equity Interests and						
	(49) (47	Affiliated Non-Insurance Stock (C1-cs)						
		(including MODCO/Funds Withheld.)	Lines (46) - (47) + (48) (44) - (45) + (46)					
		Schedule BA - All Other (C-10)						
	(50.1)							
	(48.1)	BA Affiliated Common Stock - Life with AVR	AVR Equity Component Column 1 Line 67					
	(50.2)	DA ACCII (1 C) (1 C) (OI	AVDE 's C					
	(48.2) (50.3)	BA Affiliated Common Stock - Certain Other	AVR Equity Component Column 1 Line 68					
		Total Schedule BA Affiliated Common Stock - C-1o	Line (50.1) + (50.2) (48.1) + (48.2)				X 0.3000 =	
	(49.1)	BA Affiliated Common Stock - All Other	AVR Equity Component Column 1 Line 69			-	_	
		Total Sch. BA Affiliated Common Stock - C-1es	Line (49.1)				X 0.3000 =	
		Schedule BA Collateral Loans	Schedule BA Part 1 Column 12 Line 3199999 + Line 3299999, in part				X 0.0680 =	
	(51)	Total Residual Tranches or Interests	AVR Equity Component Column 1 Line 92				X 0.4500 =	
	(52.1)	NAIC 01 Working Capital Finance Notes	AVR Equity Component Column 1 Line 100 1113				X 0.0050 =	
	(52.2)	NAIC 02 Working Capital Finance Notes	AVR Equity Component Column 1 Line 101 114				X 0.0163 =	
		Total Admitted Working Capital Finance Notes	Line (52.1) + (52.2)				-	
	(53.1)	Other Schedule BA Assets, including Surplus Notes and Capital Notes	AVR Equity Component Column 1 Line 99 + 102 115				_	
	(53.2)	Less NAIC 1 2 thru 6 Rated/Designated Surplus	Column (1) Lines (22) (23) through (27) + Column (1)					
		Notes and Capital Notes	Lines (32) (33) through (37)					
	(53.3)	Net Other Schedule BA Assets	Line (53.1) less (53.2)	'			X 0.3000 =	
	(54)	Total Schedule BA Assets C-1o	Lines $(11) + (21) + (31) + (41) + (50.3) + (51) + (51) + (52.3) + (53.3)$				=	
		(pre-MODCO/Funds Withheld)						
	(55)	Reduction in RBC for MODCO/Funds Withheld						
		Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
	(56)	Increase in RBC for MODCO/Funds Withheld	· · · · · · · · · · · · · · · · · · ·					
		Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
	(57)	Total Schedule BA Assets C-1o						
	` ′	(including MODCO/Funds Withheld.)	Lines (54) - (55) + (56)					
	(58)	Total Schedule BA Assets Excluding Mortgages						
		and Real Estate	Line $(49) \cdot (47) + (49.2) + (51) + (57)$					

Fixed income instruments and surplus notes designated by the NAIC Capital Markets and Investment Analysis Office or considered exempt from filing as specified in the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* should be reported in Column (3).

Column (2) is calculated as Column (1) less Column (3) for Lines (1) through (17). Column (2) equals Column (3) - Column (1) for Line (53.3).

The factor for Schedule BA publicly traded common stock should equal 30 percent adjusted up or down by the weighted average beta for the Schedule BA publicly traded common stock portfolio subject to a minimum of 22.5 percent and a maximum of 45 percent in the same manner that the similar 15.8 percent factor for Schedule BA publicly traded common stock in the Asset Valuation

Company Name

Reserve (AVR) calculation is adjusted up or down. The rules for calculating the beta adjustment are set forth in the AVR section of the annual statement instructions.

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Attachment D NAIC Company Code

CALCULATION OF TAX EFFECT FOR LIFE AND FRATERNAL RISK-BASED CAPITAL

† Denotes lines that are deducted from the total rather than added.

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

	ASSET RISKS	<u>Source</u>	(1) RBC Amount	Tax Factor	(2) RBC Tax Effect
	Bonds				
(001)	Long-term Bonds – NAIC 1	LR002 Bonds Column (2) Line (2.8) + LR018 Off-Balance Sheet Collateral	X	0.1680	=
		Column (3) Line (2.8)			
(002)	Long-term Bonds – NAIC 2	LR002 Bonds Column (2) Line (3.4) + LR018 Off-Balance Sheet Collateral	X	0.1680	=
(/	•	Column (3) Line (3.4)			
(003)	Long-term Bonds – NAIC 3	LR002 Bonds Column (2) Line (4.4) + LR018 Off-Balance Sheet Collateral	X	0.1680	_
(003)	Long-term bonds = NAIC 3		^	0.1000	
		Column (3) Line (4.4)			
(004)	Long-term Bonds – NAIC 4	LR002 Bonds Column (2) Line (5.4) + LR018 Off-Balance Sheet Collateral	X	0.1680	=
		Column (3) Line (5.4)			
(005)	Long-term Bonds – NAIC 5	LR002 Bonds Column (2) Line (6.4) + LR018 Off-Balance Sheet Collateral	X	0.1680	=
()		Column (3) Line (6.4)			
(006)	Long-term Bonds - NAIC 6	LR002 Bonds Column (2) Line (7) + LR018 Off-Balance Sheet Collateral	X	0.2100	_
(006)	Long-term bonds – NAIC 0		^	0.2100	
		Column (3) Line (7)			
(007)	Short-term Bonds – NAIC 1	LR002 Bonds Column (2) Line (10.8)	X	0.1680	=
(008)	Short-term Bonds – NAIC 2	LR002 Bonds Column (2) Line (11.4)	X	0.1680	=
(009)	Short-term Bonds – NAIC 3	LR002 Bonds Column (2) Line (12.4)	X	0.1680	=
(010)	Short-term Bonds – NAIC 4	LR002 Bonds Column (2) Line (13.4)	X	0.1680	
(010)	Short-term Bonds – NAIC 5	LR002 Bonds Column (2) Line (13.4) LR002 Bonds Column (2) Line (14.4)	^	0.1680	<u> </u>
			X		=
(012)	Short-term Bonds – NAIC 6	LR002 Bonds Column (2) Line (15)	X	0.2100	=
(013)	Credit for Hedging - NAIC 1 Through 5 Bonds	LR014 Hedged Asset Bond Schedule Column (13) Line (0199999)	X	0.1680	= †
(014)	Credit for Hedging - NAIC 6 Bonds	LR014 Hedged Asset Bond Schedule Column (13) Line (0299999)	X	0.2100	= †
(015)	Bond Reduction - Reinsurance	LR002 Bonds Column (2) Line (19)	X	0.2100	= +
(016)	Bond Increase - Reinsurance	LR002 Bonds Column (2) Line (20)	X	0.2100	=
(017)	Non-Exempt NAIC 1 U.S. Government Agency	LR002 Bonds Column (2) Line (22)		0.1680	
		LR002 Bonds Column (2) Line (26) - LR002 Bonds Column (2) Line (21)		0.1680	
(018)	Bonds Size Factor	LK002 Bonds Column (2) Line (26) - LK002 Bonds Column (2) Line (21)	x	0.1680	
	Mortgages				
	In Good Standing				
(019)	Residential Mortgages - Insured	LR004 Mortgages Column (6) Line (1)	X	0.1575	=
(020)	Residential Mortgages - Other	LR004 Mortgages Column (6) Line (2)	X	0.1575	=
(021)	Commercial Mortgages - Insured	LR004 Mortgages Column (6) Line (3)	X	0.1575	=
(022)	Total Commercial Mortgages - All Other	LR004 Mortgages Column (6) Line (9)	X	0.1575	=
(023)	Total Farm Mortgages	LRO04 Mortgages Column (6) Line (7) LRO04 Mortgages Column (6) Line (15)		0.1575	
(023)		ER004 Mongages Column (6) Line (15)	^	0.1373	
	90 Days Overdue				
(024)	Farm Mortgages	LR004 Mortgages Column (6) Line (16)	X	0.1575	=
(025)	Residential Mortgages - Insured	LR004 Mortgages Column (6) Line (17)	X	0.1575	=
(026)	Residential Mortgages - Other	LR004 Mortgages Column (6) Line (18)	X	0.1575	=
(027)	Commercial Mortgages - Insured	LR004 Mortgages Column (6) Line (19)		0.1575	=
(027)	Commercial Mortgages - Other	LROO4 MORtgages Column (6) Line (17) LROO4 Mortgages Column (6) Line (20)		0.1575	
(028)		LR004 Mongages Column (6) Line (20)	X	0.13/3	
	In Process of Foreclosure				
(029)	Farm Mortgages	LR004 Mortgages Column (6) Line (21)	X	0.1575	=

LR030

Attachment D NAIC Company Code

CALCULATION OF TAX EFFECT FOR LIFE AND FRATERNAL RISK-BASED CAPITAL (CONTINUED)

			(1)	T F .	(2)	
(030)	Residential Mortgages - Insured	LR004 Mortgages Column (6) Line (22)	RBC Amount X	Tax Factor 0.1575	RBC Tax Effect	
(030)	Residential Mortgages - Other	LR004 Mortgages Column (6) Line (22)	^x	0.1575	_ 	
(031)	Commercial Mortgages - Uner	LR004 Mortgages Column (6) Line (23) LR004 Mortgages Column (6) Line (24)	^^	0.1575		
(032)	Commercial Mortgages - Other	LR004 Mortgages Column (6) Line (24) LR004 Mortgages Column (6) Line (25)	^^	0.1575		
(034)	Due & Unpaid Taxes Mortgages	LR004 Morteages Column (6) Line (26)	^^	0.1575	_ 	
()	Due & Unpaid Taxes - Foreclosures	LR004 Mortgages Column (6) Line (20) LR004 Mortgages Column (6) Line (27)	^X	0.1575		
(035)	Mortgage Reduction - Reinsurance	LR004 Mortgages Column (6) Line (27) LR004 Mortgages Column (6) Line (29)		0.1373		
(036)	Mortgage Increase - Reinsurance	LR004 Mortgages Column (6) Line (29) LR004 Mortgages Column (6) Line (30)		0.2100		. '
(037)		LR004 Mongages Column (6) Line (30)	^	0.2100		
(020)	Preferred Stock	IDROCH STAIDS I IS STAID STAID STAID	v	0.1575		
(038)	Unaffiliated Preferred Stock NAIC 1	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (1)	X	0.1575		
(0.00)	W. W. J. D. G. J. W. L.	+ LR018 Off-Balance Sheet Collateral Column (3) Line (9)	**	0.4555		
(039)	Unaffiliated Preferred Stock NAIC 2	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (2)	X	0.1575	=	
		+ LR018 Off-Balance Sheet Collateral Column (3) Line (10)				
(040)	Unaffiliated Preferred Stock-NAIC 3	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (3)	X	0.1575	=	
		+ LR018 Off-Balance Sheet Collateral Column (3) Line (11)				
(041)	Unaffiliated Preferred Stock NAIC 4	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (4)	X	0.1575	=	
		+ LR018 Off-Balance Sheet Collateral Column (3) Line (12)				
(042)	Unaffiliated Preferred Stock NAIC 5	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (5)	X	0.1575	=	
		+ LR018 Off-Balance Sheet Collateral Column (3) Line (13)				
(043)	Unaffiliated Preferred Stock NAIC 6	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (6)	X	0.2100	=	
		+ LR018 Off-Balance Sheet Collateral Column (3) Line (14)				
(044)	Preferred Stock Reduction-Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (8)	X	0.2100	=	, †
(045)	Preferred Stock Increase-Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (9)	X	0.2100	=	
	Separate Accounts					
(046)	Guaranteed Index	LR006 Separate Accounts Column (3) Line (1)	X	0.1575	=	
(047)	Nonindex-Book Reserve	LR006 Separate Accounts Column (3) Line (2)	X	0.1575	=	_
(048)	Separate Accounts Nonindex-Market Reserve	LR006 Separate Accounts Column (3) Line (3)	X	0.1575	=	
(049)	Separate Accounts Reduction-Reinsurance	LR006 Separate Accounts Column (3) Line (5)	X	0.2100	=	Ť
(050)	Separate Accounts Increase-Reinsurance	LR006 Separate Accounts Column (3) Line (6)	X	0.2100	=	_
(051)	Synthetic GICs	LR006 Separate Accounts Column (3) Line (8)	X	0.1575	=	_
(052)	Separate Account Surplus	LR006 Separate Accounts Column (3) Line (13)	X	0.1575	=	_
	Real Estate				·	
(053)	Company Occupied Real Estate	LR007 Real Estate Column (3) Line (3)	X	0.2100	=	_
(054)	Foreclosed Real Estate	LR007 Real Estate Column (3) Line (6)	X	0.2100	=	_
(055)	Investment Real Estate	LR007 Real Estate Column (3) Line (9)	X	0.2100	=	
(056)	Real Estate Reduction - Reinsurance	LR007 Real Estate Column (3) Line (11)	X	0.2100	=	Ť
(057)	Real Estate Increase - Reinsurance	LR007 Real Estate Column (3) Line (12)	X	0.2100	=	
	Schedule BA					
(058)	Sch BA Real Estate Excluding Low Income	LR007 Real Estate Column (3) Line (16)	X	0.2100	=	
()	Housing Tax Credits Investments					
(059)	Guaranteed Low Income Housing Tax Credits Yield Guaranteed State Tax Credit Investments	LR007 Real Estate Column (3) Line (17) + Line (19)	X	0.0000	=	
(060)	Non-Guaranteed and All Other Low Income Housing Tax Credits Qualifying and Other Tax Credit Investments	LR007 Real Estate Column (3) Line (18) + Line (19) + Line (21)	x	0.0000	=	
(061)	Sch BA Real Estate Reduction - Reinsurance	LR007 Real Estate Column (3) Line (23)	X	0.2100	=	+
(062)	Sch BA Real Estate Increase - Reinsurance	LR007 Real Estate Column (3) Line (24)	X	0.2100	=	
(002)				3.2100		

[†] Denotes lines that are deducted from the total rather than added.

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Attachment D NAIC Company Code

CALCULATION OF TAX EFFECT FOR LIFE AND FRATERNAL RISK-BASED CAPITAL (CONTINUED)

(063) Sch BA Bond NAIC 1 (064) Sch BA Bond NAIC 2 (065) Sch BA Bond NAIC 3 (066) Sch BA Bond NAIC 4 (067) Sch BA Bond NAIC 5 (068) Sch BA Bond NAIC 5 (068) Sch BA Bond NAIC 6 (069) BA Bond Reduction - Reinsurance (070) BA Bond Increase - Reinsurance (0710) BA Preferred Stock NAIC 1 (072) BA Preferred Stock NAIC 2 (073) BA Preferred Stock NAIC 3 (074) BA Preferred Stock NAIC 3 (074) BA Preferred Stock NAIC 3 (075) BA Preferred Stock NAIC 6 (075) BA Preferred Stock NAIC 6 (076) BA Preferred Stock Reduction-Reinsurance (0779) BA Preferred Stock Reduction-Reinsurance (078) BA Preferred Stock Reduction-Reinsurance (078) BA Preferred Stock Reduction-Reinsurance (078) BA Preferred Stock Increase - Reinsurance (079) Rated Surplus Notes (080) Rated Capital Notes (081) BA Common Stock Affiliated (082) BA Collateral Loans (083) Other Schedule BA Assets (084) Other BA Assets Reduction-Reinsurance (085) Other BA Assets Increase - Reinsurance (086) BA Mortgages - 10 Good Standing (087) BA Mortgages - 90 Days Overdue (088) BA Mortgages - 10 Frocess of Foreclosure (089) Reduction - Reinsurance (099) Increase - Reinsurance (099) Increase - Reinsurance (090) Increase - Reinsurance (091) Asset Concentration Factor (092) Miscellaneous Assets (093) Derivatives NAIC 1 (095) Derivatives NAIC 2 (096) Derivatives NAIC 3 (097) Derivatives NAIC 5 (099) Derivatives NAIC 6 (100) Miscellaneous Assets Reduction-Reinsurance				
(065) Sch BA Bond NAIC 3		(063)	Sch BA Bond NAIC 1]
(066) Sch BA Bond NAIC 4 (067) Sch BA Bond NAIC 5 (068) Sch BA Bond NAIC 6 (069) BA Bond Reduction - Reinsurance (070) BA Bond Reduction - Reinsurance (071) BA Proferred Stock NAIC 1 (072) BA Preferred Stock NAIC 2 (073) BA Preferred Stock NAIC 3 (074) BA Preferred Stock NAIC 3 (074) BA Preferred Stock NAIC 3 (075) BA Preferred Stock NAIC 5 (076) BA Preferred Stock NAIC 6 (077) BA Preferred Stock Reduction-Reinsurance (078) BA Preferred Stock Reduction-Reinsurance (079) Rated Supulsa Notes (080) Rated Capital Notes (081) BA Common Stock Affiliated (082) BA Collateral Loans (083) Other Schedule BA Assets (084) Other BA Assets Reduction-Reinsurance (085) Other BA Assets Reduction-Reinsurance (086) BA Mortagges - In Good Standing (087) BA Mortagges - 10 Frocess of Foreclosure (088) BA Mortagges - 10 Process of Foreclosure (089) Reduction - Reinsurance (099) Reduction - Reinsurance (091) Asset Concentration Factor Miscellaneous (091) Derivatives NAIC 2 (092) Miscellaneous Assets (093) Derivatives NAIC 2 (094) Derivatives NAIC 2 (096) Derivatives NAIC 1 (098) BC-rivatives NAIC 6 (100) Miscellaneous Assets Increase-Reinsurance (101) Miscellaneous Assets Increase-Reinsurance		(064)	Sch BA Bond NAIC 2	I
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(073) BA Preferred Stock NAIC 3 (074) BA Preferred Stock NAIC 5 (075) BA Preferred Stock NAIC 6 (077) BA Preferred Stock Reduction-Reinsurance (078) BA Preferred Stock Reduction-Reinsurance (079) BA Preferred Stock Increase - Reinsurance (079) Rated Surplus Notes (080) Rated Capital Notes (081) BA Common Stock Affiliated (082) BA Collateral Loans (083) Other SA Assets Reduction-Reinsurance (084) Other BA Assets Increase - Reinsurance (085) Other BA Assets Increase - Reinsurance (086) BA Mortagges - 10 Days Overdue (088) BA Mortagges - 10 Process of Foreclosure (089) Reduction - Reinsurance (089) Reduction - Reinsurance (091) Asset Concentration Factor (092) Miscellaneous Assets (093) Derivatives NAIC 1 (094) Derivatives NAIC 2 (095) Derivatives NAIC 3 (097) Derivatives NAIC 4 (098)		(071)	BA Preferred Stock NAIC 1]
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(079)		(077)	BA Preferred Stock Reduction-Reinsurance	I
(080) Rated Capital Notes (081) BA Common Stock Affiliated (082) BA Collateral Loans (083) Other Schedule BA Assets (084) Other BA Assets Reduction-Reinsurance (085) Other BA Assets Increase - Reinsurance (086) BA Mortagges - Jo Days Overdue (088) BA Mortagges - Process of Foreclosure (089) Reduction - Reinsurance (090) Increase - Reinsurance (091) Asset Concentration Factor (092) Miscellaneous (093) Derivatives - Collateral and Exchange Traded (094) Derivatives NAIC 1 (095) Derivatives NAIC 2 (096) Derivatives NAIC 3 (097) Derivatives NAIC 4 (098) Derivatives NAIC 6 (100) Miscellaneous Assets Reduction-Reinsurance (101) Miscellaneous Assets Increase-Reinsurance		(078)	BA Preferred Stock Increase - Reinsurance	I
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(082) BA Collateral Loans		(080)	Rated Capital Notes	I
(083) Other Schedule BA Assets				I
(084) Other BA Assets Reduction-Reinsurance (085) Other BA Assets Increase - Reinsurance (086) BA Mortagages - In Good Standing (087) BA Mortagages - Do Days Overdue (088) BA Mortagages - In Process of Foreclosure (089) Reduction - Reinsurance (090) Increase - Reinsurance (1909) Increase - Reinsurance (1909) Miscellaneous (191) Asset Concentration Factor (192) Miscellaneous (193) Derivatives - Collateral and Exchange Traded (194) Derivatives NAIC 1 (1905) Derivatives NAIC 2 (1906) Derivatives NAIC 3 (1907) Derivatives NAIC 3 (1907) Derivatives NAIC 4 (1908) Derivatives NAIC 6 (100) Miscellaneous Assets Reduction-Reinsurance (101) Miscellaneous Assets Increase-Reinsurance	ı			I
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(098) Derivatives NAIC 5 (099) Derivatives NAIC 6 (100) Miscellaneous Assets Reduction-Reinsurance (101) Miscellaneous Assets Increase-Reinsurance				1
(099) Derivatives NAIC 6 (100) Miscellaneous Assets Reduction-Reinsurance (101) Miscellaneous Assets Increase-Reinsurance				1
(100) Miscellaneous Assets Reduction-Reinsurance (101) Miscellaneous Assets Increase-Reinsurance				1
(101) Miscellaneous Assets Increase-Reinsurance				I
				I
† Denotes lines that are deducted from the total rather than added.		(101)	Miscellaneous Assets Increase-Reinsurance	I
		†	Denotes lines that are deducted from the total rather than added.	

	(1)		(2)
<u>Source</u>	RBC Amount	Tax Factor	RBC Tax Effect
LR008 Other Long-Term Assets Column (5) Line (2)	X		=
LR008 Other Long-Term Assets Column (5) Line (3)	X	0.15/5	=
LR008 Other Long-Term Assets Column (5) Line (4)	X	0.1575	=
LR008 Other Long-Term Assets Column (5) Line (5)	X	0.1575	=
LR008 Other Long-Term Assets Column (5) Line (6)	X	0.1575	=
LR008 Other Long-Term Assets Column (5) Line (7)	X	0.2100	=
LR008 Other Long-Term Assets Column (5) Line (9)	X	0.2100	=
LR008 Other Long-Term Assets Column (5) Line (10)	X	0.2100	=
LR008 Other Long-Term Assets Column (5) Line (12 12.3)	X	0.1575	=
LR008 Other Long-Term Assets Column (5) Line (13)	X	0.1575	=
LR008 Other Long-Term Assets Column (5) Line (14)	X	0.1575	=
LR008 Other Long-Term Assets Column (5) Line (15)	X	0.1575	=
LR008 Other Long-Term Assets Column (5) Line (16)	X	0.1575	=
LR008 Other Long-Term Assets Column (5) Line (17)	X	0.2100	=
LR008 Other Long-Term Assets Column (5) Line (19)	X	0.2100	=
LR008 Other Long-Term Assets Column (5) Line (20)	X	0.2100	=
LR008 Other Long-Term Assets Column (5) Line (31)	X	0.1575	=
LR008 Other Long-Term Assets Column (5) Line (41)	X	0.1575	=
LR008 Other Long-Term Assets Column (5) Line (50.3) (48.3)	X	0.2100	=
LR008 Other Long-Term Assets Column (5) Line (51 54)	X	0.1575	=
LR008 Other Long-Term Assets Column (5) Line (53.3) + LR018 Off-Balance	X	0.2100	=
Sheet Collateral Column (3) Line (17) + Line (18)			· ·
LR008 Other Long-Term Assets Column (5) Line (55)	X	0.2100	=
LR008 Other Long-Term Assets Column (5) Line (56)	X	0.2100	=
LR009 Schedule BA Mortgages Column (6) Line (12)	X	0.1575	=
LR009 Schedule BA Mortgages Column (6) Line (16)	X	0.1575	=
LR009 Schedule BA Mortgages Column (6) Line (20)	X	0.1575	=
LR009 Schedule BA Mortgages Column (6) Line (22)	X	0.2100	=
LR009 Schedule BA Mortgages Column (6) Line (23)	X	0.2100	=
LR010 Asset Concentration Factor Column (6) Line (62) Grand Total Page	X	0.1575	=
LR012 Miscellaneous Assets Column (2) Line (7)	X	0.1575	- <u> </u>
LR012 Miscellaneous Assets Column (2) Lines (8) + (9) + (10)	X	0.1575	=
LR012 Miscellaneous Assets Column (2) Line (11)	X	0.1575	=
LR012 Miscellaneous Assets Column (2) Line (12)	X	0.1575	- <u> </u>
LR012 Miscellaneous Assets Column (2) Line (13)	X	0.1575	- <u> </u>
LR012 Miscellaneous Assets Column (2) Line (14)	X	0.1575	=
LR012 Miscellaneous Assets Column (2) Line (15)	X	0.1575	- <u> </u>
LR012 Miscellaneous Assets Column (2) Line (16)	X	0.2100	=
LR012 Miscellaneous Assets Column (2) Line (19)	X	0.2100	=
LR012 Miscellaneous Assets Column (2) Line (20)	X	0.2100	=

Confidential when Completed

Attachment D NAIC Company Code

CALCULATION OF TAX EFFECT FOR LIFE AND FRATERNAL RISK-BASED CAPITAL (CONTINUED)

		Source
(102)	Replications	LR013 Replication (Synthetic Asset) Transactions and Mandatory
		Convertible Securities Column (7) Line (9999999)
(103)	Reinsurance	LR016 Reinsurance Column (4) Line (17)
(104)	Investment Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (8)
(105)	Investment in Upstream Affiliate (Parent)	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (15)
(106)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (16)
(107)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (17)
(108)	Directly Owned Life Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (18)
(109)	Publicly Traded Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (22)
(110)	Subtotal for C-1o Assets	Sum of Lines (001) through (109), Recognizing the Deduction of Lines (013),
		(014), (015), (036), (044), (049), (056), (061), (069), (077), (084), (089) and (100)
	C-0 Affiliated Common Stock	
(111)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (27)
(112)	Off-Balance Sheet Items Reduction - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (28)
(113)	Off-Balance Sheet Items Increase - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (29)
(114)	Directly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (1)
(115)	Directly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (2)
(116)	Directly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (3)
(117)	Indirectly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (4)
(118)	Indirectly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (5)
(119)	Indirectly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (6)
(120)	Affiliated Alien Insurers - Directly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (9) + (10) + (11)
(121)	Affiliated Alien Insurers - Indirectly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (12) + (13) + (14)
(122)	Subtotal for C-0 Affiliated Common Stock	Lines (111)-(112)+(113)+(114)+(115)+(116)+(117)+(118)+(119)+(120)+(121)
	Common Stock	
(123)	Unaffiliated Common Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (17) +
		LR018 Off-Balance Sheet Collateral Column (3) Line (16)
(124)	Credit for Hedging - Common Stock	LR015 Hedged Asset Common Stock Schedule Column (10) Line (0299999)
(125)	Stock Reduction - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (19)
(126)	Stock Increase - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (20)
	Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs), excluding	
(127)	Residual Tranches or Interests BA Common Stock Unaffiliated	LR008 Other Long-Term Assets Column (5) Line (49) (47) - Line (45)
(128)	Total Residual Tranches or Interests Sehedule BA Common Stock Affiliated - C-les	LR008 Other Long-Term Assets Column (5) Lines (49.2) + (51) (45)
(129)	Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)
(130)	NAIC 01 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (52.1)
(131)	NAIC 02 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (52.2)
(132)	Holding Company in Excess of Indirect Subs	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (7)
(133)	Affiliated Non-Insurers	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (19) + (20) + (21)
(134)	Total for C-1cs Assets	Lines (123)-(124)-(125)+(126)+(127)+(128)+(129)+(130)+(131)+(132)+(133)
	Insurance Risk	
(135)	Disability Income Premium	LR019 Health Premiums Column (2) Lines (21) through (27)
	·	

† Denotes lines that are deducted from the total rather than added.

RBC Amount		Tax Factor		RBC Tax Effect	
	X	0.1575	=		
	X	0.2100	=		
	X	0.2100	=		
	X	0.2100	=		
	X	0.2100	=		
	X	0.2100	=		
	Х	0.2100	=_		
	X	0.2100	=		
			_		
	X	0.1575	=		
	X	0.2100	=		Ť
	X	0.2100	=		
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	X	0.2100	=		
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CALCULATION OF TAX EFFECT FOR LIFE AND FRATERNAL RISK-BASED CAPITAL (CONTINUED)

(136) Long-Term Care (137) Individual & Industrial Life Insurance C-2 Risk (138) Group & Credit Life Insurance C-2 Risk (138b) Longevity C-2 Risk (139b) Disability and Long-Term Care Health Claim Reserves (140) Premium Stabilization Credit (141) Total C-2 Risk (142) Interest Rate Risk (143) Health Credit Risk (144) Market Risk (145) Business Risk (146) Health Administrative Expenses (147) Total Tax Effect

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Attachment D NAIC Company Code

	(1)				(2)
Source	RBC Amount		Tax Factor		RBC Tax Effect
LR019 Health Premiums Column (2) Line (28) + LR023 Long-Term Care		X	0.2100	=	
Column (4) Line (7)					
LR025 Life Insurance Column (2) Line (5)		X	0.2100	=	
LR025 Life Insurance Column (2) Line (12)		X	0.2100	=	
LR025-A Longevity Risk Column (2) Line (5)		X	0.2100	= _	
LR024 Health Claim Reserves Column (4) Line (9) + Line (15)		X	0.2100	= _	
LR026 Premium Stabilization Reserves Column (2) Line (10)		X	0.0000	=	
L(135) + L(136) + L(139) + L(140) + Greatest of [Guardrail Factor * (L(137)+L(138)), Guardrail Factor *		_		_	
L(138b), Square Root of [(L(137) + L(138))2 + L(138b)2 + 2 * (Correlation Factor) * (L(137) + L(138))		_		_	
*L(138b)]]					
LR027 Interest Rate Risk Column (3) Line (36)		X	0.2100	=	
LR028 Health Credit Risk Column (2) Line (7)		X	0.0000	=	
LR027 Interest Rate Risk Column (3) Line (37)		X	0.2100	=	
LR029 Business Risk Column (2) Line (40)		X	0.2100	= _	
LR029 Business Risk Column (2) Line (57)		X	0.0000	=	
Lines (110) + (122) + (134) + (141) + (142) + (143) + (144) + (145) + (146)		_			

[†] Denotes lines that are deducted from the total rather than added.

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

Attachment D NAIC Company Code

> (1) RBC

CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

		Source	Requirement
	Insurance Affiliates and Misc. Other Amounts (C-0)		
(1)	Directly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (1)	
(2)	Directly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (2)	
(3)	Directly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (3)	
(4)	Indirectly Owned Health Insurance Companies or Health Entities	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (4)	
(5)	Indirectly Owned Property and Casualty Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (5)	
(6)	Indirectly Owned Life Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (6)	
(7)	Affiliated Alien Insurers - Directly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (9) + (10) + (11)	
(8)	Affiliated Alien Insurers - Indirectly Owned	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (12) + (13) + (14)	
(9)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (34)	
(10)	Total (C-0) - Pre-Tax	Sum of Lines (1) through (9)	
(11)	(C-0) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (122)	
(12)	Net (C-0) - Post-Tax	Line (10) - Line (11)	
		·	
	Asset Risk - Unaffiliated Common Stock and Affiliated Non-Insurance Stock (C-1cs)		
(13)	Schedule D Unaffiliated Common Stock	LR005 Unaffiliated Common Stock Column (5) Line (21) + LR018 Off-Balance Sheet	
		Collateral Column (3) Line (16)	
	Schedule BA Unaffiliated Common Stock/ Equity Interests and Affiliated Non-Insurance Stock (C1-cs), excluding Residual Tranches		
(14)	or Interests Schedule BA Unaffiliated Common Stock	LR008 Other Long-Term Assets Column (5) line (49) (47) - (45)	
(15)	Total Residual Tranches or Interests Sehedule BA Affiliated Common Stock - C-1es	LR008 Other Long-Term Assets Column (5) lines (49.2) + (51) (45)	
(16)	Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)	
(17)	Holding Company in Excess of Indirect Subs	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (7)	
(18)	Affiliated Non-Insurers	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Lines (19) + (20) + (21)	
(19)	Total (C-1cs) - Pre-Tax	Sum of Lines (13) through (18)	
(20)	(C-1cs) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (134)	
. ,	Net (C-1cs) - Post-Tax	Line (19) - Line (20)	
		-	
	Asset Risk - All Other (C-1o)		
(22)	Bonds after Size Factor	LR002 Bonds Column (2) Line (27) + LR018 Off-Balance Sheet Collateral	
		Column (3) Line (8)	
(23)	Mortgages (including past due and unpaid taxes)	LR004 Mortgages Column (6) Line (31)	
(24)	Unaffiliated Preferred Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (10) +	
		LR018 Off-Balance Sheet Collateral Column (3) Line (15)	
(25)	Investment Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (8)	
(26)	Investment in Upstream Affiliate (Parent)	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (15)	
(27)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (16)	
(28)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (17)	
(29)	Directly Owned Life Insurance Companies Not Subject to RBC	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (18)	
(30)	Publicly Traded Insurance Affiliates	LR042 Summary for Affiliated/Subsidiary Stocks Column (4) Line (22)	
	Separate Accounts with Guarantees	LR006 Separate Accounts Column (3) Line (7)	
- /	•	*	

CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL (CONTINUED)

- (32) Synthetic GIC's (C-1o)
- (33) Surplus in Non-Guaranteed Separate Accounts
- (34) Real Estate (gross of encumbrances)
- (35) Schedule BA Real Estate (gross of encumbrances)
- (36) Other Long-Term Assets
- (37) Schedule BA Mortgages
- (38) Concentration Factor
- (39) Miscellaneous
 (40) Replication Transactions and Mandatory Convertible Securities
- (41) Reinsurance
- (42) Total (C-1o) Pre-Tax
- (43) (C-1o) Tax Effect
- (44) Net (C-1o) Post-Tax

Insurance Risk (C-2)

- (45) Individual and Industrial Life Insurance
- (46) Group and Credit Life Insurance and FEGI/SGLI
- (46b) Longevity Risk
- (47) Total Health Insurance
- (48) Premium Stabilization Reserve Credit
- (49) Total (C-2) Pre-Tax
- (50) (C-2) Tax Effect
- (51) Net (C-2) Post-Tax

Interest Rate Risk (C-3a)

- (52) Total Interest Rate Risk Pre-Tax
- (53) (C-3a) Tax Effect
- (54) Net (C-3a) Post-Tax

Health Credit Risk (C-3b)

- (55) Total Health Credit Risk Pre-Tax
- (56) (C-3b) Tax Effect
- (57) Net (C-3b) Post-Tax

Market Risk (C-3c)

- (58) Total Market Risk Pre-Tax
- (59) (C-3c) Tax Effect
- (60) Net (C-3c) Post-Tax

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

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Attachment D NAIC Company Code

(1)

	RBC
Source	Requirement
LR006 Separate Accounts Column (3) Line (8)	requirement
LR006 Separate Accounts Column (3) Line (13)	
LR007 Real Estate Column (3) Line (13)	-
LR007 Real Estate Column (3) Line (15)	-
LR008 Other Long-Term Assets Column (5) Line (57) + LR018 Off-Balance Sheet	-
Collateral Column (3) Line (17) + Line (18)	-
LR009 Schedule BA Mortgages Column (6) Line (24) LR010 Asset Concentration Factor Column (6) Line (61) (62) Grand Total Page	
LR012 Miscellaneous Assets Column (2) Line (21)	
LR013 Replication (Synthetic Asset) Transactions and Mandatory	
Convertible Securities Column (7) Line (999999)	
LR016 Reinsurance Column (4) Line (17)	
Sum of Lines (22) through (41)	
LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (110)	
Line (42) - Line (43)	
Thornia I. G.L. (N.L. (A)	
LR025 Life Insurance Column (2) Line (5)	
LR025 Life Insurance Column (2) Line (12)	
LR025-A Longevity Risk Column (2) Line (5)	
LR024 Health Claim Reserves Column (4) Line (18)	
LR026 Premium Stabilization Reserves Column (2) Line (10)	
L(47) + L(48) + Greatest of [Guardrail Factor * (L(45)+L(46)), Guardrail Factor * L(46b), Square	
Root of $[(L(45) + L(46))^2 + L(46b)^2 + 2 * (Correlation Factor) * (L(45) + L(46)) * L(46b)]$	
LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (141)	
Line (49) - Line (50)	
LR027 Interest Rate Risk Column (3) Line (36)	
LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (142)	
Line (52) - Line (53)	
LR028 Health Credit Risk Column (2) Line (7)	
LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (143)	
Line (55) - Line (56)	
LR027 Interest Rate Risk Column (3) Line (37)	
LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (144)	
Line (58) - Line (59)	

LR031

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Attachment D NAIC Company Code

CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL (CONTINUED)

			(1) RBC
		<u>Source</u>	Requirement
	Business Risk (C-4a)		
(1)	Premium Component	LR029 Business Risk Column (2) Lines (12) + (24) + (36)	
52)	Liability Component	LR029 Business Risk Column (2) Line (39)	
(3)	Subtotal Business Risk (C-4a) - Pre-Tax	Lines (61) + (62)	
(4)	(C-4a) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (145)	
55)	Net (C-4a) - Post-Tax	Line (63) - Line (64)	
	Business Risk (C-4b)		
66)	Health Administrative Expense Component of Business Risk (C-4b) - Pre-Tax	LR029 Business Risk Column (2) Line (57)	
57)	(C-4b) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (146)	
(8)	Net (C-4b) - Post-Tax	Line (66) - Line (67)	
	Total Risk-Based Capital After Covariance Before Basic Operational Risk		
9)	$C-0+C-4a+Square Root of [(C-1o+C-3a)^2+(C-1cs+C-3c)^2+(C-2)^2+(C-3b)^2$	REPORT AMOUNT ON PARENT COMPANY'S RBC IF APPLICABLE	
	$+\left(C-4b\right) ^{2}]$	$L(12)+L(65) + $ Square Root of $[(L(44) + L(54))^2 + (L(21) + L(60))^2 + L(51)^2 + L(57)^2 + L(68)^2]$	
70)	Gross Basic Operational Risk	0.03 x L(69)	
71)	C-4a of U.S. Life Insurance Subsidiaries	Company Records	
72)	Net Basic Operational Risk	Line (70) - (Line (65) + Line (71)) (Not less than zero)	
73)	Primary Security Shortfall Calculated in Accordance With Actuarial Guideline XLVIII Multiplied by 2	LR036 XXX/AXXX Reinsurance Primary Security Shortfall by Cession Column (7) Line (9999999) Multiplied by 2	
4)	Total Risk-Based Capital After Covariance (Including Basic Operational Risk and Primary Security Shortfall multiplied by 2)	Line (69) + Line (72) + Line (73)	
75)	Authorized Control Level Risk-Based Capital (After Covariance Adjustment and Shortfall) Total Risk-Based Capital After Covariance Times Fifty Percent	Line (74) x 0.50	
٠)		Ente (17) A V-20	
	Tax Sensitivity Test		
(6)	Tax Sensitivity Test: Total Risk-Based Capital After Covariance	$L(10)+L(63) + $ Square Root of $[(L(42) + L(52))^2 + (L(19) + L(58))^2 + L(49)^2 + L(55)^2 + L(66)^2]$	

Line (76) x 0.50

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

(77) Tax Sensitivity Test: Authorized Control Level Risk-Based Capital

Capital Adequacy (E) Task Force RBC Proposal Form

□ Capital Adequacy (E) Ta□ Catastrophe Risk (E) Su□ Variable Annuities Capi (E/A) Subgroup	bgroup	☐ P/C RBC	RBC (E) Working (E) Working Gro ic Scenarios (E/ <i>F</i>	oup	☐ Longevity Risk (A/E) Subgroup
CONTACT PERSON: TELEPHONE: EMAIL ADDRESS: ON BEHALF OF: NAME: TITLE: AFFILIATION: ADDRESS:	American Co Colin Master SR. Policy Ar	3 son@acli.com ouncil of Life Ins	surers		FOR NAIC USE ONLY Agenda Item # 2025-05-L Year 2025 DISPOSITION ADOPTED: TASK FORCE (TF) WORKING GROUP (WG) 05-01-2025 SUBGROUP (SG) EXPOSED: TASK FORCE (TF) WORKING GROUP (WG) 02-21-2025 SUBGROUP (SG) REJECTED: TF WG SG OTHER: DEFERRED TO REFERRED TO CHER NAIC GROUP (SPECIFY)
	IDENTIFICATIO	N OF SOURCE	AND FORM(S)/I	NSTR	UCTIONS TO BE CHANGED
☐ Health RBC Blanks☐ Health RBC Instruction☐ Health RBC Formula☐ OTHER	s	erty/Casualty R	BC Instructions BC Formula		Life and Fraternal RBC Blanks Life and Fraternal RBC Instructions Life and Fraternal RBC Formula

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

As a result of the NAIC Principles-Based Bond Project, some assets are moving from Schedule D to Schedule BA. Though there are other implications, ACLI members have identified what seems to be an ambiguous Schedule BA fixed income asset concentration charge. Asset concentration (LR010) generally intends to double the risk-based capital pretax factor of the ten largest asset exposures, excluding lower risk categories. There is a maximum overall (basic formula plus asset concentration) pretax factor of 45%.

An Overview of RBC treatment of fixed income assets can be found below:

RBC Treatment of Fixed Income Assets					
Annual Statement	Schedule D	Schedule BA			
C-1 RBC Section	LR002	LR008			
C-1 Structure	20-classes	6-classes			
C-1 Reflects Bond Size Factor Adjustment	Yes	No			
Asset Concentration Structure	20-classes	<mark>Ambiguous</mark>			

However, we have noticed that LR010 excludes specific blanks for Schedule BA fixed income assets. Under current instructions, potential options for Schedule BA fixed income assets on LR010 include a 20-class Bond Section or Other Schedule BA Assets.

For example, please find below an illustration of a rated 2.A fixed-income asset moving from Schedule D to Schedule BA:

Asset Concentration	(a)	(b)	(c = a + b)	(c / a)
Treatment	Basic Formula	Asset Concentration	Overall C-1	Overall C-1 /
	Sch. BA (6-class)	LR010		Basic Formula
20-class Bond Section	1.26%	1.261%	2.521%	200%
Other Schedule BA	1.26%	15%	16.26%	1290%
Assets				

As potential remediations to address these ambiguities, ACLI is proposing changes to LR010 instructions as illustrated.

Additional Staff Comments:

Staff Note: With effect from 2025 Annual Statement filings, the following schedule BA investments (collectively "SVO-designated non-bond debt securities") are added to AVR Equity line 22 through 28, thereby being afforded a base charge of C-1 **Bond factors** (NAIC 1-6) on RBC LR008, which is ultimately categorized as **C-10** risk component.

However, the current LR010 asset concentration instruction does not provide explicit guidance for these investments.

ACLI proposal seeks to clarify LR010 instruction such that these "SVO-designated non-bond debt securities" can obtain asset concentration factor treatment akin to bonds in LR002, i.e., <u>C-10</u> risk component (Option 1). Option 1 will put the investments' RBC treatment almost the same pre and post – Principle-Based Bond Definition adoption.

Alternatively, these investments will be assessed an asset concentration factor of 15% for Other Schedule BA Assets, which will ultimately be categorized as <u>C-10</u> risk component as well. (Option 2). Option 2 will be a hybrid approach wherein the base factor are NAIC-designation-driven whereas asset concentration factor is flat at 15%.

Schedule BA	Description
Line 0199999	Debt Securities That Do Not Qualify as Bonds - Debt Securities That Do Not Reflect a Creditor Relationship in Substance - NAIC Designation Assigned by the Securities Valuation Office (SVO) - Unaffiliated
Line 0299999	Debt Securities That Do Not Qualify as Bonds - Debt Securities That Do Not Reflect a Creditor Relationship in Substance - NAIC Designation Assigned by the Securities Valuation Office (SVO) - Affiliated
Line 0599999	Debt Securities That Do Not Qualify as Bonds - Debt Securities That Lack Substantive Credit Enhancement-NAIC Designation Assigned by the Securities Valuation Office (SVO) - Unaffiliated
Line 0699999	Debt Securities That Do Not Qualify as Bonds - Debt Securities That Lack Substantive Credit Enhancement - NAIC Designation Assigned by the Securities Valuation Office (SVO) - Affiliated
Line 0999999	Debt Securities That Do Not Qualify as Bonds - Debt Securities That Do Not Qualify as Bonds Solely Due to a Lack of Meaningful Cash Flows - NAIC Designation Assigned by the Securities Valuation Office (SVO) - Unaffiliated
Line 1099999	Debt Securities That Do Not Qualify as Bonds - Debt Securities That Do Not Qualify as Bonds Solely Due to a Lack of Meaningful Cash Flows - NAIC Designation Assigned by the Securities Valuation Office (SVO) - Affiliated

Note that similar investments that are <u>NOT</u> designated by the SVO are afforded 30% base charge and treated as Other schedule BA Assets (15%) for asset concentration factor purposes and thus is <u>outside of the scope</u> of this proposal.

NAIC Staff look to the Working Group to determine how to clarify the LR010 Asset Concentration Factor instruction and/or blanks to capture these specific asset types. To ensure accurate determination among Option 1, Option 2 or any other options, NAIC staff recommend that the LRBCWG refer the proposal to SAPWG for review with a request for comments.

• 02-21-2025: Proposal was exposed with comments due 03-23-2025, a referral was sent to Statutory Accounting Principle (E) Working Group – Comment letter received from SAPWG (KO)

** This section must be completed on all forms.

Revised 2-2023

ASSET CONCENTRATION FACTOR LR010

Basis of Factors

The purpose of the concentration factor is to reflect the additional risk of high concentrations in single exposures (represented by an individual issuer of a security or a holder of a mortgage, etc.) The concentration factor doubles the risk-based capital pre-tax factor (with a maximum of 45% pre-tax) of the 10 largest asset exposures excluding various low-risk categories or categories that already have a maximum factor. Since the risk-based capital of the assets included in the concentration factor has already been counted once in the basic formula, the asset concentration factor only serves to add in the additional risk-based capital required. The calculation is completed on a consolidated basis; however, the concentration factor is reduced by amounts already included in the concentration factors of subsidiaries to avoid double-counting.

Specific Instructions for Application of the Formula

The 10 largest asset exposures should be developed by consolidating the assets of the parent with the assets of the company's insurance and investment subsidiaries. The concentration factor component on any asset already reflected in the subsidiary's RBC for the concentration factor should be deducted from Column (4). This consolidation process affects higher tiered companies only. Companies on the lowest tier of the organizational chart will prepare the asset concentration on a "stand alone" basis.

The 10 largest exposures should exclude the following: affiliated and non-affiliated common stock, affiliated preferred stock, home office properties, policy loans, bonds for which AVR and RBC are zero, NAIC 1 bonds, NAIC 1 unaffiliated preferred stock, NAIC 1 Hybrids, CM 1 Commercial and Farm Mortgages and any other asset categories with RBC factors less than 0.8% post-tax (this includes residential mortgages in good standing, insured or guaranteed mortgages, cash and short-term investments).

In determining the assets subject to the concentration factor for both C-10 and C-1cs, the ceding company should exclude any asset whose performance inures primarily (>50%) to one reinsurer under modified coinsurance or funds withheld arrangements. The reinsurer should include 100% of such asset. Any asset where no one reinsurer receives more than 50% of its performance should remain with the ceding company.

Assets should be aggregated by issuer before determining the 10 largest exposures. Aggregations should be done separately for bonds, including applicable Other Invested Assets with Underlying Characteristics of Bonds that are reported in Line 22 through 28 of Asset Valuation Reserve (AVR) Equity and Other Invested Asset Component table, and preferred stock (the first six digits of the CUSIP number can be used as a starting point) (please note that the same issuer may have more than one unique series of the first six digits of the CUSIP), mortgages and real estate. Securities held within Schedule BA joint ventures, partnerships, limited liability and other fund structures should be aggregated by issuer as if the securities are held directly. Likewise, where joint venture real estate is mortgaged by the insurer, both the mortgage and the joint venture real estate should be considered as part of a single exposure. Tenant exposure is not included. For bonds and unaffiliated preferred stock, aggregations should be done first for classes 2 through 6. After the 10 largest issuer exposures are chosen, any NAIC 1 bonds, or NAIC 1 unaffiliated preferred stock, or NAIC 1 Hybrids, from any of these issuers should be included before doubling the risk-based capital. For some companies, following the above steps may generate less than 10 "issuer" exposures. These companies should list all available exposures.

Replicated assets other than synthetically created indices should be included in the asset concentration calculation in the same manner as other assets.

The book/adjusted carrying value of each asset is listed in Column (2).

The RBC factor will correspond to the risk-based capital category of the asset reported previously in the formula before application of the size factor for bonds. Consistent with the aggregation noted above, applicable Other Invested Assets with Underlying Characteristics of Bonds receive the same RBC factor as bonds. To get the proper Asset Type for investments within the 'Other Invested Assets with Underlying Characteristics of Bonds' AVR category, use the NAIC Designation and NAIC Designation Modifier from the 'NAIC Designation, NAIC Designation Modifier and SVO Administrative Symbol' column as reported on Schedule BA – Part 1. The RBC filing software automatically allows for an overall 45% RBC cap.

Detail Eliminated to Conserve Space

Capital Adequacy (E) Task Force RBC Proposal Form

	DATE: <u>3/24/25</u>	FOR NAIC USE ONLY
CONTACT PERSON:	Eva Yeung	Agenda Item # <u>2025-06-CR</u> Year 2025
TELEPHONE:	816-783-8407	DISPOSITION
EMAIL ADDRESS:	eyeung@naic.org	ADOPTED:
ON BEHALF OF:	Catastrophe Risk (E) Subgroup	☐ TASK FORCE (TF) ☑ WORKING GROUP (WG) 5/2/25
NAME:	Wanchin Chou	☐ SUBGROUP (SG)
TITLE:	Chair	EXPOSED: TASK FORCE (TF)
AFFILIATION:	Connecticut Department of Insurance	 ☑ WORKING GROUP (WG) 3/24/25 ☑ SUBGROUP (SG) 3/24/25
ADDRESS:	153 Market St., Hartford CT 06103	SUBGROUP (SG) $3/24/25$ REJECTED:
ADDRESS.	233 Warket Sti, Hartiora CT 00203	☐ TF ☐ WG ☐ SG
		☐ DEFERRED TO
		☐ REFERRED TO OTHER NAIC GROUP ☐ (SPECIFY)
	IDENTIFICATION OF SOURCE AND FORM(S)/INSTR	RUCTIONS TO BE CHANGED
Health RBC Blanks	☐ Property/Casualty RBC Blanks ☐	Life and Fraternal RBC Blanks
Health RBC InstructionHealth RBC Formula	ns ⊠ Property/Casualty RBC Instructions □ □ Property/Casualty RBC Formula □	Life and Fraternal RBC Instructions Life and Fraternal RBC Formula
OTHER		
	DESCRIPTION/REASON OR JUSTIFICATION	 DN OF CHANGE(S)
a clarify the information o	companies provided should reflect in annual basis	
o clarify the information c	companies provided should reflect in annual basis.	

^{**} This section must be completed on all forms.

DISCLOSURE OF CLIMATE CONDITIONED CAT EXPOSURE PR027BI, PR027BII, PR027BII, PR027BIV, PR027CI, PR027CII, PR027CIII, PR027CIV

These disclosures aim at collecting the impact of climate related risks on the modeled losses for the perils of hurricane and wildfire that have been used in PR027B and PR027C respectively. These disclosures will be effective for YE 2024, YE 2025 and YE 2026 reporting. The intent of these disclosures is for informational purposes only and not to determine a new RCAT charge. The information provided should reflect the annual loss dollars for the given reporting year.



Capital Adequacy (E) Task Force RBC Proposal Form

		Т 1
	DATE: <u>11/18/24</u>	FOR NAIC USE ONLY Agenda Item # 2024-25-CA
CONTACT PERSON:	Derek Noe	Year <u>2025</u>
TELEPHONE:	816-783-8973	DISPOSITION
EMAIL ADDRESS:	dnoe@naic.org	ADOPTED:
		☐ TASK FORCE (TF)
ON BEHALF OF:	Capital Adequacy (E) Task Force	☐ WORKING GROUP (WG) ☐ SUBGROUP (SG)
NAME:	Tom Botsko	EXPOSED:
TITLE:	Chair	⊠TASK FORCE (TF) <u>11/18/24, 3/25/25</u>
AFFILIATION:	Ohio Department of Insurance	☐ WORKING GROUP (WG)
-		SUBGROUP (SG) REJECTED:
ADDRESS:	50 West Town Street, Suite 300	☐ TF ☐ WG ☐ SG
	Columbus, OH 43215	OTHER:
		☐ DEFERRED TO ☐ REFERRED TO OTHER NAIC GROUP
		☐ (SPECIFY)
☑ Health RBC Blanks☑ Health RBC Instructio☐ Health RBC Formula☐ OTHER	ons Property/Casualty RBC Instructions Property/Casualty RBC Formula	Life and Fraternal RBC Blanks
	DESCRIPTION/REASON OR JUSTIFICAT	ION OF CHANGE(S)
MOD, and #2023-12BWG Accounting Principles (E)	MOD. These changes resulted from the adoption of Working Group. Changes are expected to take effected an update to PR009 to pull non-admitted collater	

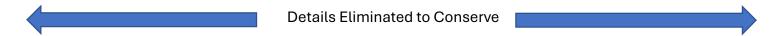
^{**} This section must be completed on all forms.

PR009 - Miscellaneous Assets

Collateral loans and write-ins for invested assets are generally a small proportion of total portfolio value. A factor of 5% is consistent with other risk-based capital formulas studied by the working group.

The factor for cash is 0.3%. It is recognized that there is a small risk related to possible insolvency of the bank where cash deposits are held. This factor was based on the original unaffiliated NAIC 01 bond risk factor prior to the increased granularity of the NAIC Designation Categories in 2021 and reflects the short-term nature of this risk. The required risk-based capital for cash will not be less than zero, even if the company's cash position is negative.

If the book/adjusted carrying value of Aggregate Write-Ins for Invested Assets (Page 2, Line 11, Column 3 of the annual statement) is less than zero, the RBC amount will be zero.



PR007 – Unaffiliated Preferred and Common Stock

Unaffiliated Preferred Stock

Detailed information on unaffiliated preferred stocks is found in Schedule D Part 2 Section 1 of the annual statement. The preferred stocks must be broken out by NAIC Designation (NAIC 01 through NAIC 06) and these individual groups are to be entered in the appropriate lines of the RBC software. The total amount of unaffiliated preferred stock reported should equal annual statement P2 L2.1 C3 less any affiliated preferred stock in Schedule D-Summary by Country C1 L2248.

Unaffiliated Common Stock

The factor for other unaffiliated common stock is based on studies that indicate a 10% to 12% factor is needed to provide capital to cover approximately 95% of the greatest losses in common stock value over a one-year future period. The higher factor of 15% contained in the formula reflects the increased risk when testing a period in excess of one year. This factor assumes capital losses are unrealized and not subject to favorable tax treatment at the time loss in fair value occurs.

The total of all unaffiliated common stock reported should be equal to the total value of common stock in Schedule D-Summary by Country C1 L2925 less the sum of Schedule D-Summary by Country C1 L2824 and PR007, Column 1, Line 108.



APPENDIX 3 – EXAMPLE USED FOR AFFILIATED/SUBSIDIARY STOCKS

To determine the value of total outstanding common stock or total outstanding preferred stock, divide the book/adjusted carrying value of the investment (found in Schedule D - Part 6 Section 1, Column 67) by the percentage of ownership (found in Schedule D - Part 6 - Section 1, Column 102). For example:

Subsidiary Insurance Company	Owner's Book/Adjusted Carrying Value	Percentage Ownership	Total Stock Outstanding
Subsidiary #1	\$1,000,000	100%	\$1,000,000
Subsidiary #2	\$1,000,000	75%	\$1,333,333
Subsidiary #3	\$1,000,000	50%	\$2,000,000
Subsidiary #4	\$1,000,000	25%	\$4,000,000
Subsidiary #5	\$1,000,000	10%	\$10,000,000

Bonds (XR007)

The bond factors for investment grade bonds (NAIC Designation (1.A-2.C) are based on cash flow modeling. Each bond of a portfolio was annually tested for default (based on a "roll of the dice") where the default probability varies by NAIC Designation Category and that year's economic environment. The default probabilities were based on historical data intended to reflect a complete business cycle of favorable or unfavorable credit environments. The risk of default was measured over a five-year time horizon, based on the duration of assets held for health companies.

The factors for NAIC Designation Category 3.A to 6 recognize that these non-investment grade bonds are reported at the lower of amortized cost or fair value. These bond risk factors are based on the market value fluctuation for each of the NAIC Designation Category compared to the market value fluctuation of stocks during the 2008-2009 financial crisis.

While the life and property/casualty formulas have a separate calculation for the bond size factor (based on the number of issuers in the RBC filer's portfolio), the health formula does not include a separate calculation, instead a bond size component was incorporated into the bond factors. A representative portfolio of 382 issuers was used in calculating the bond risk factors.

There is no RBC requirement for bonds guaranteed by the full faith and credit of the United States, Other U.S. Government Obligations, and securities on the NAIC U.S. Government Money Market Fund List because it is assumed that there is no default risk associated with U.S. Government issued securities.

The book/adjusted carrying value of all bonds should be reported in Columns (1), (2), (3), or (43). The bonds are split into twenty-one different risk classifications. These risk classifications are based on the NAIC Designation Category as defined and permitted in the *Purposes and Procedures Manual of the Investment Analysis Office*. The subtotal of Columns (1), (2), (3), and (34) will be calculated in Column (54). The RBC requirement will be automatically calculated in Column (65).

Miscellaneous Fixed Income Assets (XR008)

The factor for cash is 0.3%. It is recognized that there is a small risk related to possible insolvency of the bank where cash deposits are held. This factor was based on the original unaffiliated NAIC 01 bond risk factor prior to the increased granularity of the NAIC Designation Categories in 2021 and reflects the short-term nature of this risk. The required risk-based capital for cash will not be less than zero, even if the company's cash position is negative.

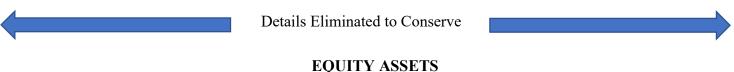
The short-term investments to be included in this section are those short-term investments not reflected elsewhere in the formula. The 0.3% factor is equal to the factor for cash. The amount reported in Line (8) reflects the total from Schedule DA: Short-Term Investments (Line (6)), less the short-term bonds (Line (7)). (The short-term bonds reported in Line (7) should equal Schedule DA, Part 1, Column 67, Line 02509999999.)

Mortgage loans (reported on Schedule B) and Derivatives (reported on Schedule DB) receive a factor of 5%, consistent with other risk-based capital formulas studied by the Working Group.

The following investment types are captured on Schedule BA: Other Long-Term Invested Assets. Specific factors have been established for certain Schedule BA assets based on the nature of the investment. Those Schedule BA assets not specifically identified below receive a 20% factor (Line (16) and Line (22)).

- Collateral Loans reported on Line (13) receive a factor of 5%, consistent with other risk-based capital formulas studied by the Working Group.
- Working Capital Finance Investments: The book adjusted carrying value of NAIC 01 and 02 Working Capital Finance Investments, Lines (14) and (15), should equal the Notes to Financial Statement, Lines 5M(01a) and 5M(01b), Column 3 of the annual statement.

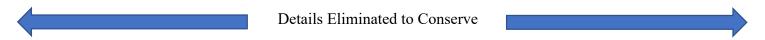
- Low-income housing tax credit investment are reported on Column (1) in accordance with SSAP No. 93—Low-Income Housing Tax Credit Property Investments.
 - o Federal Guaranteed Low-Income Housing Tax Credit (LIHTC) investments are to be included in Line (17). There must be an all-inclusive guarantee from an ARO-rated entity that guarantees the yield on the investment.
 - o Federal Non-Guaranteed LIHTC investments with the following risk mitigation factors are to be included in Line (18):
 - a) A level of leverage below 50%. For a LIHTC Fund, the level of leverage is measured at the fund level.
 - b) There is a tax credit guarantee agreement from general partner or managing member. This agreement requires the general partner or managing member to reimburse investors for any shortfalls in tax credits due to errors of compliance, for the life of the partnership. For an LIHTC fund, a tax credit guarantee is required from the developers of the lower-tier LIHTC properties to the upper-tier partnership.
 - State Guaranteed LIHTC investments that at a minimum meet the federal requirements for guaranteed LIHTC investments are to be included in Line (19).
 - State Non-Guaranteed LIHTC investments that at a minimum meet the federal requirements for non-guaranteed LIHTC investments are to be included on Line (20).
 - o All Other LIHTC investments, state and federal LIHTC investments that do not meet the requirements of Lines (17) through (20) would be reported on Line (21).



XR010

Unaffiliated Preferred Stocks

Detailed information on unaffiliated preferred stock reported in Column (1) are found in Schedule D, Part 2, Section 1 not including affiliated preferred stock. The preferred stocks must be broken out by asset designation (NAIC 01 through NAIC 06) and these individual groups are to be entered in the appropriate lines. The total amount of unaffiliated preferred stock reported should equal annual statement Page 2, Column 3, Line 2.1, less any affiliated preferred stock in Schedule D Summary by Country, Column 1, Line 2218.



APPENDIX 3 – EXAMPLE USED FOR AFFILIATED/SUBSIDIARY STOCKS

To determine the value of total outstanding common stock or total outstanding preferred stock, divide the book/adjusted carrying value of the investment (found in Schedule D - Part 6 Section 1, Column 67) by the percentage of ownership (found in Schedule D - Part 6 - Section 1, Column 101). For example:

Subsidiary Insurance Company	Owner's Book/Adjusted Carrying Value	Percentage Ownership	Total Stock Outstanding
Subsidiary #1	\$1,000,000	100%	\$1,000,000
Subsidiary #2	\$1,000,000	75%	\$1,333,333
Subsidiary #3	\$1,000,000	50%	\$2,000,000
Subsidiary #4	\$1,000,000	25%	\$4,000,000
Subsidiary #5	\$1,000,000	10%	\$10,000,000

SUMMARY FOR SUBSIDIARY, CONTROLLED AND AFFILIATED INVESTMENTS FOR CROSS-CHECKING STATEMENT VALUES

	Affiliated Preferred Stock		(1)	(2)	(3)
			Annual Statement		
	Schedule D Part 6 Section 1 C7 C6	Annual Statement Line Number	Total Preferred Stock	Total From RBC Report	Difference
ı	Schedule D I alt 0 Section 1 C7 C0	Number	Heleffed Stock	<u>keport</u>	Difference
(1)	Parent	0199999			
(2)	U.S. P&C Insurer	0299999			
(3)	U.S. Life Insurer	0399999			•
(4)	U.S. Health Insurer	0499999			
(5)	Alien Insurer	0599999			•
(6)	Non-Insurer Which Controls Insurer	0699999			
(7)	Investment Subsidiary	0799999			
(8)	Other Affiliates	0899999			
(9)	Subtotal	0999999			
•	Affiliated Common Stock		(1)	(2)	(3)
		Annual Statement Line	Annual Statement Total	Total From RBC	
	Schedule D Part 6 Section 1 C7 C6	Number	Common Stock	Report	Difference
ı					
(10)	Parent	1099999			
(11)	U.S. P&C Insurer	1199999			
(12)	U.S. Life Insurer	1299999			
(13)	U.S.Health Insurer	1399999			
(14)	Alien Insurer	1499999			
(15)	Non-Insurer Which Controls Insurer	1599999			
(16)	Investment Subsidiary	1699999			
(17)	Other Affiliates	1799999			
(18)	Subtotal	1899999			

OFF-BALANCE SHEET SECURITY LENDING COLLATERAL AND SCHEDULE DL, PART 1 ASSETS

		(1)	(2)	(3)		(4)
Asset Category Fixed Income Assets	Annual Statement Source	Off-Balance Sheet Collateral Book/Adjusted Carrying Value	Schedule DL, Part 1 Book/Adjusted Carrying Value	<u>Subtotal</u>	<u>Factor</u>	RBC Requirement
Bonds						
(1) NAIC 1.A - U.S. Government - Full Faith and Credit,						
Other U.S. Government Obligations, and NAIC U.S. Government Money Market Fund List (Refer to A/S						
Instructions)	Company Records				0.000	
(2) NAIC Designation Category 1.A Bonds	Company Records				0.003	
(3) NAIC Designation Category 1.B Bonds	Company Records				0.005	
(4) NAIC Designation Category 1.C Bonds	Company Records				0.008	
(5) NAIC Designation Category 1.D Bonds	Company Records				0.011	
(6) NAIC Designation Category 1.E Bonds	Company Records				0.014	
(7) NAIC Designation Category 1.F Bonds	Company Records				0.016	
(8) NAIC Designation Category 1.G Bonds (9) Total NAIC 01 Bonds	Company Records Sum of Lines (1) through (8)				0.019	
(10) NAIC Designation Category 2.A Bonds	Company Records				0.022	
(11) NAIC Designation Category 2.B Bonds	Company Records				0.025	
(12) NAIC Designation Category 2.C Bonds	Company Records				0.031	
(13) Total NAIC 02 Bonds	Sum of Lines (10) through (12)			-		
(14) NAIC Designation Category 3.A Bonds	Company Records				0.069	
(15) NAIC Designation Category 3.B Bonds	Company Records				0.076	
(16) NAIC Designation Category 3.C Bonds	Company Records				0.083	
(17) Total NAIC 03 Bonds	Sum of Lines (14) through (16)					
(18) NAIC Designation Category 4.A Bonds	Company Records				0.089	
(19) NAIC Designation Category 4.B Bonds(20) NAIC Designation Category 4.C Bonds	Company Records Company Records				0.097	
(21) Total NAIC 04 Bonds	Sum of Lines (18) through (20)				0.110	
(22) NAIC Designation Category 5.A Bonds	Company Records				0.123	
(23) NAIC Designation Category 5.B Bonds	Company Records				0.137	
(24) NAIC Designation Category 5.C Bonds	Company Records				0.151	
(25) Total NAIC 05 Bonds	Sum of Lines (22) through (24)					
(26) Total NAIC 06 Bonds	Company Records				0.300	
(27) Total Bonds	Line $(9) + (13) + (17) + (21) + (25) + (26)$					
Equity Assets						
Preferred Stock - Unaffiliated						
(28) NAIC 01 Unaffiliated Preferred Stock	Company Records				0.003	
(29) NAIC 02 Unaffiliated Preferred Stock	Company Records				0.010	
(30) NAIC 03 Unaffiliated Preferred Stock	Company Records				0.020	
(31) NAIC 04 Unaffiliated Preferred Stock	Company Records				0.045	
(32) NAIC 05 Unaffiliated Preferred Stock (33) NAIC 06 Unaffiliated Preferred Stock	Company Records				0.100 0.300	
(34) Total Unaffiliated Preferred Stock	Company Records Sum of Lines (28) through (33)				0.300	
(54) Total Chailmarca Freience Stock	Sun of Lines (20) through (33)					
(35) Unaffiliated Common Stock	Company Records				0.150	
(36) Real Estate and Property & Equipment Assets	Company Records				0.100	
(37) Other Invested Assets	Company Records				0.200	
(38) Mortgage Loans on Real Estate	Company Records				0.050	
(39) Cash, Cash Equivalents and Short-Term Investments (Not reported on Bonds above)	Company Records				0.003	
(40) Total	Lines (27) + (34) + (35) + (36) + (37) + (38) + (39)					

FIXED INCOME ASSETS - BONDS							
		(1)	(2)	(2) (3)	(3) (4)	(4) (5)	(5) (6)
	Annual Statement Source	Long-Term Bonds - Issuer Credit Obligations Owned Schedule D, Part 1 Section 1 Book/Adjusted Carrying Value L(3) thru (26) = Sch D Pt 1 Sn 1F	Asset-Backed Securities Owned Schedule D, Part 1 Section 2 Book/Adjusted Carrying Value L(3) thru (26) = Sch D Pt 1 Sn 2F	Short-Term Investments Schedule DA, Part 1 Book/Adjusted Carrying Value L(3) thru (26) = Sch DA Pt 1F	Cash Equivalents Schedule E, Part 2 Book/Adjusted Carrying Value L(3) thru (26) = Sch E Pt 2F	Subtotal $\underline{C(1) + C(2) + C(3) +}$ $\underline{C(4)}$ Face	tor RBC Requirement
BONDS							
(1) NAIC 1.A - U.S. Government - Full Faith and Credit , Other U.S. Government Obligations, and NAIC U.S. Government Money Market Fund List (Refer to A/S Instructions)	C(4) = Sch E, Pt 2, C7, L0109999999 L0019999999 + L8209999999					0.0	00
(2) NAIC Designation Category 1.A Bonds	C(1)=Footnote Amt 1 L000001A - L(1) C(2)=Footnote Amt 1 L000001A - L(1) C(3)=Footnote Amt 1 L000001A - L(1) C(4)=Footnote Amt 1 L000001A - Sch E, Pt2, C7 L0109999999 L0019999999					0.0	03
(3) NAIC Designation Category 1.B Bonds	Footnote Amt 2 L000001A					0.0	
(4) NAIC Designation Category 1.C Bonds(5) NAIC Designation Category 1.D Bonds	Footnote Amt 3 L000001A Footnote Amt 4 L000001A					0.0	
(6) NAIC Designation Category 1.D Bonds (6) NAIC Designation Category 1.E Bonds	Footnote Amt 5 L000001A					0.0	
(7) NAIC Designation Category 1.F Bonds	Footnote Amt 6 L000001A					0.0	
(8) NAIC Designation Category 1.G Bonds	Footnote Amt 7 L000001A					0.0	19
(9) Total NAIC 01 Bonds	Sum of Lines (1) through (8)						
(10) NAIC Designation Category 2.A Bonds(11) NAIC Designation Category 2.B Bonds	Footnote Amt 1 L000001B Footnote Amt 2 L000001B		·			0.0	
(12) NAIC Designation Category 2.C Bonds	Footnote Amt 3 L000001B	-	•			0.0	
(13) Total NAIC 02 Bonds	Sum of Lines (10) through (12)						
(14) NAIC Designation Category 3.A Bonds	Footnote Amt 1 L000001C					0.0	
(15) NAIC Designation Category 3.B Bonds	Footnote Amt 2 L000001C					0.0	
(16) NAIC Designation Category 3.C Bonds(17) Total NAIC 03 Bonds	Footnote Amt 3 L000001C Sum of Lines (14) through (16)					0.0	83
(18) NAIC Designation Category 4.A Bonds	Footnote Amt 1 L000001D					0.0	89
(19) NAIC Designation Category 4.14 Bonds	Footnote Amt 2 L000001D					0.0	·
(20) NAIC Designation Category 4.C Bonds	Footnote Amt 3 L000001D					0.1	
(21) Total NAIC 04 Bonds	Sum of Lines (18) through (20)						
(22) NAIC Designation Category 5.A Bonds	Footnote Amt 1 L000001E					0.1	
(23) NAIC Designation Category 5.B Bonds	Footnote Amt 2 L000001E					0.1	
(24) NAIC Designation Category 5.C Bonds (25) Total NAIC 05 Bonds	Footnote Amt 3 L000001E Sum of Lines (22) through (24)		·			0.1	31
(26) Total NAIC 06 Bonds	Footnote Amt 1 L000001F	-				0.3	00
(27) Total Bonds RBC	Lines (9) + (13) + (17) + (21) + (25) + (26)						

FIXED INCOME ASSETS - MISCELLANEOUS

			(1)		(2)
		Annual Statement Source	Bk/Adj Carrying Value	Factor	RBC Requirement
(1)	Cash	Page 2, Line 5, inside amount 1		0.0030	
(2)	Cash Equivalents	Page 2, Line 5, inside amount 2			
(3)	Less: Cash Equivalents, Total Bonds	Schedule E, Part 2, Column 7, Line 2509999999 0509999999			
(4)	Less: Exempt Money Market Mutual Funds as Identified by SVO	Schedule E, Part 2, Column 7, Line 8209999999			
(5)	Net Cash Equivalents	Lines (2) - (3) - (4)		0.0030	
(6)	Short-Term Investments	Page 2, Line 5, inside amount 3			
(7)	Short-Term Bonds	Schedule DA, Part 1, Column 7 6, Line 2509999999 0509999	999		
(8)	Total Other Short-Term Investments	Lines (6) - (7)		0.0030	
(9)	Mortgage Loans - First Liens	Page 2, Column 3, Line 3.1		0.0500	
(10)	Mortgage Loans - Other Than First Liens	Page 2, Column 3, Line 3.2		0.0500	
(11)	Receivable for Securities	Page 2, Column 3, Line 9		0.0240	
(12)	Aggregate Write-Ins for Invested Assets	Page 2, Column 3, Line 11		0.0500	
(13)	Collateral Loans	Included in Page 2, Column 3, Line 8		0.0500	
(14)	NAIC 01 Working Capital Finance Investments	Notes to Financial Statement 5M(01a), Column 3		0.0038	
(15)	NAIC 02 Working Capital Finance Investments	Notes to Financial Statement 5M(01b), Column 3		0.0125	
(16)	Other Long-Term Invested Assets Excluding Collateral Loans, Residual				
	Tranches or Interests and Working Capital Finance Investments	Included in Page 2, Column 3, Line 8		0.2000	
(17)	Federal Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, Column 12 Lines 3599999 + 3699999		0.0014	
(18)	Federal Non-Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, Column 12 Lines 3799999 + 3899999		0.0260	
(19)	State Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, Column 12 Lines 3999999 + 4099999		0.0014	
(20)	State Non-Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, Column 12 Lines 4199999 + 4299999		0.0260	
(21)	All Other Low Income Housing Tax Credits	Schedule BA Part 1, Column 12 Lines 4399999 +		0.0200	
(21)	The other zero meeting run ereans	449999		0.1500	
(22)	Total Residual Tranches or Interests	Schedule BA, Part 1, Column 12 Lines 4499999 +4599999 + 4699999 + 4799999 + 4899999 + 4999999 + 5099999 + 5199999 + 5299999 + 5399999 + 5499999 + 5599999 + 5699999 +			
		5799999		0.2000	
(23)	Total Other Long-Term Invested Assets (Page 2, Column 3, Line 8)	Lines (13) + (14) + (15) + (16) + (17) + (18) + (19) + (20) + (21) + (22)			
(24)	Derivatives	Page 2, Column 3, Line 7		0.0500	
(25)	Total Miscellaneous Fixed Income Assets RBC	Lines (1) + (5) + (8) + (9) + (10) + (11) + (12) + (23) + (24)			

SUMMARY FOR SUBSIDIARY, CONTROLLED AND AFFILIATED INVESTMENTS FOR CROSS-CHECKING STATEMENT VALUES PR005

	Affiliated Preferred Stock		(1)	(2)	(3)
		Annual Statement Line	Annual Statement Total		
	Schedule D Part 6 Section 1 C7 C6	Number	Preferred Stock	Total From RBC Report	<u>Difference</u>
(1)	Parent	0199999	0	0	0
(2)	U.S. P&C Insurer	0299999	0	0	0
(3)	U.S. Life Insurer	0399999	0	0	0
(4)	U.S. Health Insurer	0499999	0	0	0
(5)	Alien Insurer	0599999	0	0	0
(6)	Non-Insurer Which Controls Insurer	0699999	0	0	0
(7)	Investment Subsidiary	0799999	0	0	0
(8)	Other Affiliates	0899999	0	0	0
(9)	Subtotal	0999999	0	0	0
	Affiliated Common Stock		(1)	(2)	(3)
		Annual Statement Line	Annual Statement Total		
	Schedule D Part 6 Section 1 C7 C6	Number	Common Stock	Total From RBC Report	<u>Difference</u>
(10)	Parent	1099999	0	0	0
(11)	U.S. P&C Insurer	1199999	0	0	0
(12)	U.S. Life Insurer	1299999	0	0	0
(13)	U.S. Health Insurer	1399999	0	0	0
(14)	Alien Insurer	1499999	0	0	0
(15)	Non-Insurer Which Controls Insurer	1599999	0	0	0
(16)	Investment Subsidiary	1699999	0	0	0
(17)	Other Affiliates	1799999	0	0	0
(18)	Subtotal	1899999	0	0	0

BONDS PR006

Comparison Com			(1)	(2)	(2) (3)	(3) (4)	(4) (5)		(5) (6)
Carement Obligations and NAC U.S. General Management (2)—SAD. Pt. 1.8.2.C.\$ Labisyrees (C. Labisyrees)		Annual Statement Source	Schedule D, Part 1, Section 1 Book/Adjusted Carrying Value	Section 2 Book/Adjusted Carrying Value	Schedule DA, Part 1 Book/Adjusted Carrying Value	Schedule E, Part 2 Book/Adjusted Carrying Value	C(1) + C(2) + C(3) +	Factor	RBC Requirement
C(1) Fortone And I L00001A - L(1) C(2)-Fortone And I L00001A - L(1) C(2)-Fortone And I L00001A - L(1) C(3)-Fortone And I L00001A - L(1) C(4)-Fortone And I L00001A C(4) C(4)-Fortone And I L00001A C(4)-Forto	Government Obligations, and NAIC U.S. Government Money	7 C(2)=Sch D, Pt 1, Sn 2, C8, L0019999999 C(3)=Sch DA, Pt 1, C7 L0109999999 C6, L0019999999	0	0	0	0	0	0.000	0
S) NAC Designation Category 1.E Footnet Ant 2 (1,00001)	(2) NAIC Designation Category 1.A	C(2)=Footnote Amt 1 L000001A - L(1) C(3)=Footnote Amt 1 L000001A - L(1) C(4)=Footnote Amt 1 L000001A - SCE, Pt2, C7 L0109999999					0	•	0
AND Designation Category 1.D Fontione Amit 4 L000001A 0 0 0 0 0 0 0 0 0	(3) NAIC Designation Category 1 B								0
SAIC Designation Category 1.	., .								0
ONAC Designation Category I.E Footnote Amt 5.1000001 A O O O O O O O O O			- 0	- 0	0	0			0
(7) NAC Designation Category I.F Footnote Ann't E. D00001A 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0			0		0	0	0		0
O Total NAIC OI Bonds Sum of Ls (1) through (8)	(7) NAIC Designation Category 1.F	Footnote Amt 6 L000001A	0	0	0	0	0		0
(i) NACD seignation Category 2.A Footnote Amr I L000001B	(8) NAIC Designation Category 1.G	Footnote Amt 7 L000001A	0	0	0	0	0	0.015	0
(11) NAC Designation Category 2.B Footnec Amt 2 L000001B 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0		Sum of Ls (1) through (8)	0	0	0	0	0		0
Company Comp	(10) NAIC Designation Category 2.A	Footnote Amt 1 L000001B	0	0	0	0	0	0.018	0
(3) Total NAIC 02 Bonds Sum of Ls (10) through (12) 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	(11) NAIC Designation Category 2.B	Footnote Amt 2 L000001B	0	0	0	0	0	0.021	0
(14) NAIC Designation Category 3.A Footnote Amr I L000001C 0 0 0 0 0 0 0 0 0	(12) NAIC Designation Category 2.C	Footnote Amt 3 L000001B	0	0	0	0	0	0.025	0
Found Foun	(13) Total NAIC 02 Bonds	Sum of Ls (10) through (12)	0	0	0	0	0		0
NAIC Designation Category 3.C Footnote Amt 3 L000001C 0 0 0 0 0 0 0 0 0	(14) NAIC Designation Category 3.A	Footnote Amt 1 L000001C	0	0	0	0	0		0
Total NAIC 03 Bonds Sum of Ls (14) through (16) 0 0 0 0 0 0 0 0 0	(15) NAIC Designation Category 3.B	Footnote Amt 2 L000001C	0	0	0	0	0		0
NAIC Designation Category 4.A Founde Amt I L000001D 0 0 0 0 0 0 0 0 0	(16) NAIC Designation Category 3.C	Footnote Amt 3 L000001C	0	0	0	0	0	0.066	0
19 NAIC Designation Category 4.B Footnote Amt 2 L000001D 0 0 0 0 0 0 0 0 0	(17) Total NAIC 03 Bonds	Sum of Ls (14) through (16)	0	0	0	0	0		0
Call NAIC Designation Category 4.C Footnote Amt 3 L000001D O O O O O O O O O		Footnote Amt 1 L000001D	0	0	0	0	0		0
Call Total NAIC 04 Bonds Sum of Ls (18) through (20) 0 0 0 0 0 0 0 0 0	(19) NAIC Designation Category 4.B	Footnote Amt 2 L000001D	0	0	0	0	0	0.077	0
C22 NAIC Designation Category 5.A Footnote Amt I L000001E 0 0 0 0 0 0 0 0 0	(20) NAIC Designation Category 4.C	Footnote Amt 3 L000001D	0	0	0	0	0	0.087	0
C3 NAIC Designation Category 5.B Footnote Amt 2 L000001E 0 0 0 0 0 0 0 0 0	(21) Total NAIC 04 Bonds	Sum of Ls (18) through (20)	0	0	0	0	0		0
C4 NAIC Designation Category 5.C Footnote Amt 3 L000001E O O O O O O O O O	(22) NAIC Designation Category 5.A	Footnote Amt 1 L000001E	0	0	0	0	0	0.098	0
C4 NAIC Designation Category 5.C Footnote Amt 3 L000001E O O O O O O O O O	(23) NAIC Designation Category 5.B	Footnote Amt 2 L000001E	0	0	0	0	0	0.109	0
C25 Total NAIC 05 Bonds Sum of Ls (22) through (24) 0 0 0 0 0 0 0 0 0		Footpote Amt 3 L 000001E		0		0	0		0
Col. Total NAIC 06 Bonds Footnote Amt 1 L000001F 0 0 0 0 0 0 0 0 0									
(27) Subtotal - Bonds Subject to Bond Size Factor L(9) - L(1) + L(13) + L(17) + L(25) + L(26) 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0		. , 9 . ,				- 0		0.200	
(28) Number of Issuers 0 0 0 0 0 0 0 6.800 (30) Bond Size Factor RBC C(5)L(27) x C(5)L(29) 5.800 0			0	- U		0	- 0	0.500	
(29) Bond Size Factor 6.800 (30) Bond Size Factor RBC C(5)L(27) x C(5)L(29)	* *	L(7) - L(1) + L(13) + L(11) + L(21) + L(23) + L(20)	0	0	0	0			0
(30) Bond Size Factor RBC C(5)L(27) x C(5)L(29)			0	U	0	0			6 000
(31) Total Bonds RBC L(27) + L(30) 0									
	(31) Total Bonds RBC	L(27) + L(30)						;	0

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

UNAFFILIATED PREFERRED AND COMMON STOCK PR007

			(1) Book/Adjusted		(2)
	Unaffiliated Preferred Stock	Annual Statement Source	Carrying Value	<u>Factor</u>	RBC Requirement
(1)	NAIC 01 Preferred Stock	Sch D Pt 2 Sn 1	0	0.003	0
(2)	NAIC 02 Preferred Stock	Sch D Pt 2 Sn 1	0	0.010	0
(3)	NAIC 03 Preferred Stock	Sch D Pt 2 Sn 1	0	0.020	0
(4)	NAIC 04 Preferred Stock	Sch D Pt 2 Sn 1	0	0.045	0
(5)	NAIC 05 Preferred Stock	Sch D Pt 2 Sn 1	0	0.100	0
(6)	NAIC 06 Preferred Stock	Sch D Pt 2 Sn 1	0	0.300	0
(7)	TOTAL - UNAFFILIATED PREFERRED STOCK	Sum of Ls (1) through (6)	0		0
	(should equal P2 L2.1 C3 less Sch D-Sum C1 L2218)				
	Unaffiliated Common Stock				
(8)	Total Common Stock	Sch D - Summary C1 L2925	0		
(9)	Affiliated Common Stock	Sch D - Summary C1 L2824	0		
(10	Non-Admitted Unaffilated Common Stock	P2 C2 L2.2 - Sch D Pt6 Sn1 C89 L1899999	0		
(11) Admitted Unaffiliated Common Stock	L(8) - L(9) - L(10)	0	0.150	0
(12) Market Value Excess Affiliated Stocks	PR003 C(13) L(9999999)			0
(13) Total Unaffiliated Common Stock and Market Value Excess Affiliated Stocks	L(11) + L(12)	0		0

OTHER LONG-TERM ASSETS PR008

			(1) Book/Adjusted		(2)
		Annual Statement Source	Carrying Value	<u>Factor</u>	RBC Requirement
(1)	Company Occupied Real Estate	P2 L4.1 C3	0	0.100	0
(2)	Encumbrances	P2 L4.1, inside item	0	0.100	0
(3)	Property Held For the Production of Income	P2 L4.2 C3	0	0.100	0
(4)	Property Held For Sale	P2 L4.3 C3	0	0.100	0
(5)	Encumbrances (Property Held For the Production of Income)	P2 L4.2, inside item	0	0.100	0
(6)	Encumbrances (Property Held For Sale)	P2 L4.3, inside item	0	0.100	0
(7)	Total Real Estate	L(1)+L(2)+L(3)+L(4)+L(5)+L(6)	0		0
(8)	Mortgage Loans - First Liens	P2 L3.1 C3	0	0.050	0
(9)	Mortgage Loans - Other Than First Liens	P2 L3.2 C3	0	0.050	0
(10)	Total Mortgage Loans	L(8) + L(9)	0		0
(11)	Schedule BA Assets - Total	P2 L8 C3	0		
(12)	Less: Collateral Loans	PR009 L(13)	0		
(13)	Federal Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, C12 L3599999			
		+L3699999	0	0.0014	0
(14)	Federal Non-Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, C12 L3799999			
		+L3899999	0	0.0260	0
(15)	State Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, C12 L3999999			
		+L4099999	0	0.0014	0
(16)	State Non-Guaranteed Low Income Housing Tax Credits	Schedule BA Part 1, C12 L4199999			
		+L4299999	0	0.0260	0
(17)	All Other Low Income Housing Tax Credits	Schedule BA Part 1, C12 L4399999			
		+L4499999	0	0.1500	0
(18)	Working Capital Finance Investments	L(21)+L(22)	0		
(19)	Total Residual Tranches or Interests	Schedule BA, Part 1, Column 12 Lines 4499999 + 4599999 + 4699999 + 4799999 + 4899999 + 5099999 + 5199999 + 5299999 + 5399999 + 5499999 + 5599999 + 5699999 + 5799999	0	0.2000	0
(20)	Schedule BA Assets Excluding Collateral Loans, LIHTC, WCFI, &	L(11)-L(12)-L(13)-L(14)-L(15)		0.2000	
(20)	Residual Tranches or Interests	-L(16)-L(17)-L(18)-L(19)	0	0.2000	0
(21)	NAIC 01 Working Capital Finance Investments	Notes to Financial Statement Item L5M(01a) C3	0	0.0038	0
(21)	NAIC 01 Working Capital Finance Investments NAIC 02 Working Capital Finance Investments	Notes to Financial Statement Item L5M(01a) C3		0.0038	
(22)	17ATC 02 WORKING Capital Finance Investments	L(7)+L(10)+L(13)+L(14)+L(15)		0.0123	0
(23)	Total Other Long-Term Assets	+L(16)+L(17)+L(19)+L(20)+L(21)+L(22)	0		0

MISCELLANEOUS ASSETS PR009

				(1) Book/Adjusted		(2)
			Annual Statement Source	Carrying Value	Factor	RBC Requirement
	(1)	Receivable for Securities	P2C3L9	0	0.025	0
	(2)	Aggregate W/I for Invest Assets	P2C3 L11	0	0.050	0
	(3)	Cash	P2 L5, inside amt 1	0	0.003	0
	(4)	Cash Equivalents	P2 L5, inside amt 2	0		
	(5)	Less: Cash Equivalents, Total Bonds	Sch E Pt 2 C7 L2509999999 L0509999999	0		
•	(6)	Less: Exempt Money Market Mutual Funds as Identified by SVO	Sch E Pt 2 C7 L8209999999	0		
	(7)	Net Cash Equivalents	L(4)-L(5)-L(6)	0	0.003	0
	(8)	Short-Term Investments	P2 L5, inside amt 3	0		
	(9)	Short-Term Bonds	Sch DA Pt 1 C7 C6 L2509999999 L05099999999	0		
. ((10)	Total Other Short-Term Investments	L(8)-L(9)	0	0.003	0
			Sch BA Pt1 C12 L3199999+L3299999			
	(11)	Collateral Loans	L2999999+3099999	0		
			Notes to Financial Statement Item 5S C3 L11 P2 L8			
	(12)	Less: Non-Admitted Collateral Loans	C2 in part	0		
((13)	Net Admitted Collateral Loans	L(11) - L(12)	0	0.050	0
((14)	Derivatives	P2C3 L7	0	0.050	0
((15)	Total Miscellaneous Assets	L(1)+L(2)+L(3)+L(7)+L(10)+L(13)+L(14)	0		0

Company Recents Company Re			(1)	(2)	(3)		(4)
Asset Category Feed Issuers Asset Feed Issuers Feed Issuers Asset Feed							
Preside Econom Autority Preside Econom A							
Flood Income Assists Brands	Asset Category	Annual Statement Source			Subtotal	Factor	RBC Requirement
Books	- ·						
Characteric Chilegation, and NACU U.S. Convenient Monory Marke Francis (Refer in AS Internations)							
Marke Frend Lat (Refer to AS Interactions)							
O NAC Designation Category 1 A Company Records 0 0 0 0 0 0 0 0 0		ey					
O) NAC Designation Category 1.B Company Records 0 0 0 0 0.005 0 0	•	a		-		-	
(9) NACE Designation Catagory 1.E (Orangamy Records (O) NACE Designation Catagory 1.E (Orangamy Records (O) NACE Designation Catagory 1.F (Orangamy Records (O) NACE Designation Catagory 2.F (O) Total NACE Designation Catagory 2.A (Orangamy Records (O) NACE Designation Catagory 3.A (Orangamy Records (O) NACE Designation Catagory 4.A (O) NACE Designation Catagory 5.A (O) NACE Des							
(5) NAC Designation Category I. E. Company Records 0 0 0 0 0.00 0 0 0 0 0 0 0 0 0 0 0 0 0		* *					
(9) NAC Designation Category 1. E Company Records Company Reco	· · · · · · · · · · · · · · · · · · ·					-	
O		* *					
(9) NAIC Designation Category I. G (10) NAIC Designation Category 2. A (20) Company Records (10) NAIC Designation Category 2. B (21) NAIC Designation Category 2. B (21) Company Records (10) NAIC Designation Category 2. B (22) NAIC Designation Category 2. C (23) NAIC Designation Category 3. B (24) NAIC Designation Category 3. B (25) NAIC Designation Category 3. A (26) Company Records (10) NAIC Designation Category 3. B (27) NAIC Designation Category 3. B (28) NAIC Designation Category 3. B (29) NAIC Designation Category 3. B (20) NAIC Designation Category 4. C (20) NAIC Designation Category 4. A (20) NAIC Designation Category 4. B (20) NAIC Designation Category 4. B (20) NAIC Designation Category 4. C (20) NAIC Designation Category 5. C (20)							
OP Total NAC D1 Bonds		* *					
(10) NAC Designation Category 2.B							
(11) NAIC Designation Category 2.E Company Records 0 0 0 0 0.021 0 0 (12) NAIC Designation Category 2.C Company Records 0 0 0 0 0.055 0 0 (14) NAIC Designation Category 3.A Company Records 0 0 0 0 0 0.055 0 0 (14) NAIC Designation Category 3.B Company Records 0 0 0 0 0 0.055 0 0 (15) NAIC Designation Category 3.B Company Records 0 0 0 0 0 0 0.066 0 0 (17) Total NAIC 03 Boads Sun of La (14) Intended 1 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0			0	0	0	0.018	
(12) NAC Designation Category 2.C Company Records 0 0 0 0 0 0 0 0 0	· · · · · · · · · · · · · · · · · · ·		0	0			
(13) Total NAIC O2 Bonds Sum of Ls (10) through (12) O O O O O O O O O			0	0			
(15) NAIC Designation Category 3.B (16) NAIC Designation Category 3.C Company Records (17) Total NAIC 03 Bonds Sum of La (14) through (16) (18) NAIC Designation Category 4.A Company Records (19) NAIC Designation Category 4.A Company Records (10) NAIC Designation Category 4.B Company Records (10) NAIC Designation Category 4.B Company Records (10) NAIC Designation Category 4.C Company Records (10) NAIC Designation Category 4.C Company Records (10) NAIC Designation Category 4.C Company Records (10) NAIC Designation Category 5.A Company Records (10) NAIC Designation Category 5.A Company Records (10) NAIC Designation Category 5.B Company Records (10) NAIC Designation Category 5.C Company Records (10) O. Company Reco				0		-	
(15) NAIC Designation Category 3.B Company Records 0 0 0 0 0 0 0 0 0	(14) NAIC Designation Category 3.A	Company Records	0	0	0	0.055	0
(16) NAIC Designation Category 3.C (17) Torlal NAIC O3 Bonds Sun (L3.(14) through (16) 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0			0	0	0	0.060	0
(18) NAIC Designation Category 4.A Company Records 0 0 0 0 0 0,077 0.0 (29) NAIC Designation Category 4.B Company Records 0 0 0 0 0,077 0.0 (21) Total NAIC O4 Bonds Sum of Ls (18) through (20) 0 0 0 0.0 (22) NAIC Designation Category 5.A Company Records 0 0 0 0 0.0 (23) NAIC Designation Category 5.A Company Records 0 0 0 0 0.0 (23) NAIC Designation Category 5.B Company Records 0 0 0 0 0.0 (24) NAIC Designation Category 5.B Company Records 0 0 0 0 0.0 (25) Total NAIC O5 Bonds Company Records 0 0 0 0 0.0 (26) Total NAIC 05 Bonds Company Records 0 0 0 0 0 0.0 (27) Total Bonds Company Records 0 0 0 0 0.0 (27) Total Bonds Company Records Designation Category 5.C Company Records 0 0 0 0 0.0 (27) Total Bonds Company Records Designation Category 5.C Company Records Designation Category 5.C Designation Category 6.C Designation Catego			0	0	0	0.066	
(19) NAIC Designation Category 4.B (20) NAIC Designation Category 4.B (21) Total NAIC 4 Bonds Sum of Ls (18) through (20) (22) NAIC Designation Category 5.A (23) NAIC Designation Category 5.A (23) NAIC Designation Category 5.A (23) NAIC Designation Category 5.B (24) NAIC Designation Category 5.B (25) Total NAIC 6 Bonds (26) NAIC Designation Category 5.C (26) Total NAIC 6 Bonds (27) Total Bonds (28) NAIC Gestal Category 5.C (27) Total Bonds (28) NAIC Gestal Category 5.C (28) NAIC Designation Category 5.C (29) NAIC Gestal Category 5.C (29) NAIC Gestal Category 5.C (29) NAIC Gestal Category 5.C (20) Total NAIC 6 Bonds (20) Total Robert 7 Bonds (20) Total Robert 6 Bonds (20) Total Robert 7 Bonds (20) Total		Sum of Ls (14) through (16)	0	0	0	-	0
Company Records Domain Category 4.C Company Records Domain Category 5.C Domain Category 5.C Company Records Domain Category 5.C Do	(18) NAIC Designation Category 4.A	Company Records	0	0	0	0.071	0
(21) Total NAIC 04 Bonds Sum of Ls (18) through (20) 0 0 0 0 0 0 0 0 0	(19) NAIC Designation Category 4.B	Company Records	0	0	0	0.077	0
C22 NAIC Designation Category 5.A Company Records 0 0 0 0 0 0 0 0 0	(20) NAIC Designation Category 4.C	Company Records	0	0	0	0.087	0
(23) NAIC Designation Category 5.B Company Records 0 0 0 0 0.109 0 0 (24) NAIC Designation Category 5.C Company Records 0 0 0 0 0.120 0 0 (25) Total NAIC 05 Bonds Sum of Ls (22) through (24) 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0	(21) Total NAIC 04 Bonds	Sum of Ls (18) through (20)	0	0	0	_	0
C24 NAIC Designation Category 5.C Company Records 0 0 0 0 0 0 0 0 0	(22) NAIC Designation Category 5.A	Company Records	0	0	0	0.098	0
C25 Total NAIC 05 Bonds Sum of Ls (22) through (24) 0 0 0 0 0 0 0 0 0	(23) NAIC Designation Category 5.B	Company Records	0	0	0	0.109	0
Company Records						0.120	
Equity Assets Preferred Stock - Unaffiliated Preferred Stock Company Records 0 0.003 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0 0		Sum of Ls (22) through (24)				_	
Equity Assets Preferred Stock - Unaffiliated		* *				0.300	
Preferred Stock - Unaffiliated Preferred Stock	(27) Total Bonds	L(9) + (13) + (17) + (21) + (25) + (26)	0	0	0	=	0
Preferred Stock - Unaffiliated Preferred Stock							
(28) NAIC 01 Unaffiliated Preferred Stock Company Records 0 0.003 0 (29) NAIC 02 Unaffiliated Preferred Stock Company Records 0 0.010 0 (30) NAIC 03 Unaffiliated Preferred Stock Company Records 0 0.045 0 (31) NAIC 04 Unaffiliated Preferred Stock Company Records 0 0.045 0 (32) NAIC 05 Unaffiliated Preferred Stock Company Records 0 0.100 0 (33) NAIC 06 Unaffiliated Preferred Stock Company Records 0 0.300 0 (34) Total Unaffiliated Preferred Stock Sum of Ls (28) through (33) 0 0 0 0 (35) Unaffiliated Common Stock Company Records 0 0.150 0 (36) Real Estate and Schedule BA - Other Invested Assets Company Records 0 0.200 0 (37) Other Invested Assets Company Records 0 0.050 0 (38) Mortgage Loans on Real Estate Company Records 0 0.050 0 (39) Cash, Cash Equivalents and Short-Term Investments (Not reported as Bonds above) Company Records 0 0.003 0	* *						
Company Records Company Re		G P 1			0	0.002	0
Company Records Company Re						_	
(31) NAIC 04 Unaffiliated Preferred Stock Company Records 0 0.045 0 (32) NAIC 05 Unaffiliated Preferred Stock Company Records 0 0.100 0 (33) NAIC 06 Unaffiliated Preferred Stock Company Records 0 0.300 0 (34) Total Unaffiliated Preferred Stock Sum of Ls (28) through (33) 0 0 0 0 0 (35) Unaffiliated Common Stock Company Records 0 0.150 0 (36) Real Estate and Schedule BA - Other Invested Assets Company Records 0 0.200 0 (37) Other Invested Assets Company Records 0 0.200 0 (38) Mortgage Loans on Real Estate Company Records 0 0.050 0 (39) Cash, Cash Equivalents and Short-Term Investments (Not reported as Bonds above) Company Records 0 0.003 0		1 3					
(32) NAIC 05 Unaffiliated Preferred Stock Company Records 0 0.100 0 (33) NAIC 06 Unaffiliated Preferred Stock Company Records 0 0.300 0 (34) Total Unaffiliated Preferred Stock Sum of Ls (28) through (33) 0 0 0 0 0 (35) Unaffiliated Common Stock Company Records 0 0.150 0 (36) Real Estate and Schedule BA - Other Invested Assets Company Records 0 0.200 0 (37) Other Invested Assets Company Records 0 0.200 0 (38) Mortgage Loans on Real Estate Company Records 0 0.050 0 (39) Cash, Cash Equivalents and Short-Term Investments (Not reported as Bonds above) Company Records 0 0.003 0						-	
(33) NAIC 06 Unaffiliated Preferred Stock Company Records 0 0.300 0 (34) Total Unaffiliated Preferred Stock Sum of Ls (28) through (33) 0 0 0 0 (35) Unaffiliated Common Stock Company Records 0 0.150 0 (36) Real Estate and Schedule BA - Other Invested Assets Company Records 0 0.200 0 (37) Other Invested Assets Company Records 0 0.200 0 (38) Mortgage Loans on Real Estate Company Records 0 0.050 0 (39) Cash, Cash Equivalents and Short-Term Investments (Not reported as Bonds above) Company Records 0 0.003 0	` /	* *				_	
(34) Total Unaffiliated Preferred Stock Sum of Ls (28) through (33) 0 0 0 0 0 (35) Unaffiliated Common Stock Company Records 0 0.150 0 (36) Real Estate and Schedule BA - Other Invested Assets Company Records 0 0.200 0 (37) Other Invested Assets Company Records 0 0.200 0 (38) Mortgage Loans on Real Estate Company Records 0 0.050 0 (39) Cash, Cash Equivalents and Short-Term Investments (Not reported as Bonds above) Company Records 0 0.003 0						-	
(35) Unaffiliated Common Stock Company Records 0 0.150 0 (36) Real Estate and Schedule BA - Other Invested Assets Company Records 0 0.200 0 (37) Other Invested Assets Company Records 0 0.200 0 (38) Mortgage Loans on Real Estate Company Records 0 0.050 0 (39) Cash, Cash Equivalents and Short-Term Investments (Not reported as Bonds above) Company Records 0 0.003 0	` /	1 2	0	0		0.500	
(36) Real Estate and Schedule BA - Other Invested Assets Company Records O 0.200	()	(-v)g. (vv)				=	
(36) Real Estate and Schedule BA - Other Invested Assets Company Records O 0.200	(35) Unaffiliated Common Stock	Company Records			0	0.150	0
(37) Other Invested Assets Company Records 0 0.200 0 (38) Mortgage Loans on Real Estate Company Records 0 0.050 0 (39) Cash, Cash Equivalents and Short-Term Investments (Not reported as Bonds above) Company Records 0 0.003 0	(44)						
(37) Other Invested Assets Company Records 0 0.200 0 (38) Mortgage Loans on Real Estate Company Records 0 0.050 0 (39) Cash, Cash Equivalents and Short-Term Investments (Not reported as Bonds above) Company Records 0 0.000 0 0	(36) Real Estate and Schedule BA - Other Invested Assets	Company Records			0	0.200	0
(38) Mortgage Loans on Real Estate Company Records						-	
(39) Cash, Cash Equivalents and Short-Term Investments (Not reported as Bonds above) Company Records 0 0.003 0	(37) Other Invested Assets	Company Records			0	0.200	0
(39) Cash, Cash Equivalents and Short-Term Investments (Not reported as Bonds above) Company Records 0 0.003 0						_	
(Not reported as Bonds above) Company Records	(38) Mortgage Loans on Real Estate	Company Records			0	0.050	0
(Not reported as Bonds above) Company Records							
(40) Total $ L(27) + L(34) + L(35) + L(36) + L(37) + L(38) + L(39) $	(Not reported as Bonds above)	Company Records			0	0.003	0
(40) 10tai L(2/)+L(34)+L(35)+L(35)+L(35)+L(35) (40) 10tai U 0 0	(40) T-4-1	1 (27) 11 (24) 11 (25) 11 (20) 11 (27) 11 (20) 11 (20)	^	^	^		^
	(40) 10tai	L(2/)TL(34)TL(33)TL(30)+L(3/)+L(38)+L(39)	0		0	=	0

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

(23)

(24)

(25)

(26)

Misc Assets - Other Short-Term Investments

Replication - Synthetic Asset: One Half

Total R1

Asset Concentration RBC - Fixed Income

			(1)
	bsidiary Insurance Companies and Misc. Other Amounts	PRBC O&I Reference	RBC Amount
(1)	Directly Owned Property and Casualty Insurance Affiliates	PR004 L(2)C(2)	0
(2)	Indirectly Owned Property and Casualty Insurance Affiliates	PR004 L(5)C(2)	0
(3)	Directly Owned Life Insurance Affiliates	PR004 L(3)C(2)	0
(4)	Indirectly Owned Life Insurance Affiliates	PR004 L(6)C(2)	0
(5)	Directly Owned Health Insurance Companies or Health Entities	PR004 L(1)C(2)	0
(6)	Indirectly Owned Health Insurance Companies or Health Entities	PR004 L(4)C(2)	0
(7)	Directly Owned Alien Insurance Companies or Health Entities	PR004 L(9)+L(10)+L(11)C(2)	0
(8)	Indirectly Owned Alien Insurance Companies or Health Entities	PR004 L(12)+L(13)+L(14)C(2)	0
(9)	Misc Off-Balance Sheet - Non-controlled Assets	PR014 L(15) C(3)	0
(10)	Misc Off-Balance Sheet - Guarantees for Affiliates	PR014 L(16) C(3)	0
(11)	Misc Off-Balance Sheet - Contingent Liabilities	PR014 L(17) C(3)	0
(12)	Misc Off-Balance Sheet - SSAP No.101 Par. 11A DTA	PR014 L(19) C(3)	0
(13)	Misc Off-Balance Sheet - SSAP No.101 Par. 11B DTA	PR014 L(20) C(3)	0
(14)	Total R0	L(1)+L(2)+L(3)+L(4)+L(5)+L(6)+L(7)+L(8)+L(9)+L(10)+L(11)+L(12)+L(13)	0
D1 As	set Risk - Fixed Income		
	Bonds Subject to Size Factor	PR006 L(27) C(5) C(6)	0
	Bond Size Factor RBC	PR006 L(30)C(5)C(6)	0
/	Off-balance Sheet Collateral & Sch DL, PT1 - Total Bonds		0
	·	PR015 L(27)C(4)	0
(18)	Off-balance Sheet Collateral & Sch DL, PT1 - Cash, & Short-Term Investments and Mort Loans on Real Est.	PR015 L(38)+(39)C(4)	0
(19)	Other Long-Term Assets - Mortgage Loans, LIHTC, & WCFI, & Residual Tranches or Interests	PR008 L(10)+L(13)+L(14)+L(15)+L(16)+L(17)+L(19)+L(21)+L(22)C(2)	0
(20)	Misc Assets - Collateral Loans	PR009 L(13)C(2)	0
(21)	Misc Assets - Cash	PR009 L(3)C(2)	0
(22)	Misc Assets - Cash Equivalents	PR009 L(7)C(2)	0

PR009 L(10)C(2) PR010 L(9999999)C(7)

PR011 L(21)C(3) Grand Total Page

L(15)+L(16)+L(17)+L(18)+L(19)+L(20)+L(21)+L(22)+L(23)+L(24)+L(25)

Capital Adequacy (E) Task Force RBC Proposal Form

	ask Force	☐ Health RBC (E) Working	Group	☐ Life RBC (E) Working Group
☐ Catastrophe Risk (E) S	ubgroup	☐ P/C RBC (E) Working Gro	oup	☐ Longevity Risk (A/E) Subgroup
☐ Variable Annuities Cap (E/A) Subgroup	oital. & Res	erve Economic Scenarios (E/A	A) Sub	
		DATE: 11/18/24		FOR NAIC USE ONLY
CONTACT PERSON:	Derek No	oe .		Agenda Item # <u>2024-26-CA</u>
			_	Year <u>2025</u>
TELEPHONE:	818-783-	8973	-	<u>DISPOSITION</u>
EMAIL ADDRESS:	dnoe@n	aic.org	_ '	ADOPTED:
ON BEHALF OF:	Canital A	dequacy (E) Task Force		☐ TASK FORCE (TF) ☐ WORKING GROUP (WG)
-				□ SUBGROUP (SG)
NAME:	Tom Bot	sko	-	EXPOSED:
TITLE:	Chair			⊠TASK FORCE (TF) <u>11/18/24, 3/25/25</u>
AFFILIATION:	Ohio Do	partment of Insurance		WORKING GROUP (WG)
AFFILIATION:	Onio Del	Dartinent of insurance	- ∣.	SUBGROUP (SG) REJECTED:
ADDRESS:	50 West	Town Street, Suite 300	_ l '	REJECTED: ☐ TF ☐ WG ☐ SG
	Columbu	ıs, OH 43215		OTHER:
- -				☐ DEFERRED TO
				☐ REFERRED TO OTHER NAIC GROUP
				☐ (SPECIFY)
	IDENTIFIC	CATION OF SOURCE AND FORM(S)/I	NSTR	UCTIONS TO BE CHANGED
	\boxtimes	Property/Casualty RBC Blanks		Life and Fraternal RBC Blanks
	ns 🗵	Property/Casualty RBC Instructions		
☐ Health RBC Formula☐ OTHER		Property/Casualty RBC Formula		Life and Fraternal RBC Formula
		DESCRIPTION/REASON OR JUSTIFIC	CATIO	N OF CHANGE(S)
This proposal is to undate	the RRC in	structions and blanks for the adopte	d Stat	utory Accounting Principles (F) Working Group

This proposal is to update the RBC instructions and blanks for the adopted Statutory Accounting Principles (E) Working Group's conceptual changes to SSAP No. 93 –Investments in Tax Credit Structures and SSAP No. 94R – State and Federal Tax Credits resulting from the New Market Tax Credits project. (SAPWG Ref # 2022-14) and the corresponding changes in annual statement blanks and instructions as per 2024-11BWG MOD adopted by the NAIC Blanks (E) Working Group.

This proposal addresses the structural and instructional changes adopted as per 2024-11BWG and does not address the potential factor change resulted from the expansion of the scope of accounting guidance in SAPWG Ref # 2022-14 and the expansion of the types of tax credit investments captured in the guidance.

This proposal also adds lines to XR008 to align Health with P/C on collateral loans. This includes pulling the total amount from Schedule BA and pulling the non-admitted amount from Note to the Financial Statement 5S added by proposal 2024-09BWG Modified.

Additional Staff Comments:

The Task Force Re-expose this proposal for a 30-day public comment period ending April 24.

Line 33 on PR011 description updated to TOTAL - ISSUER #1 (L21+L32 \pm 3) Line 26 on XR012 description updated to Total of Issuer = Lines (1) through (2526)

** This section must be completed on all forms.

Revised 2-2023

PR008 – Other Long-Term Assets

Real Estate

The Property & Casualty Risk-Based Capital (E) Working Group adopted the factor of 10% developed for the Life RBC formula. Encumbrances have been included in the real estate base since the value of the property subject to loss would include encumbrances.

The total book/adjusted carrying value of real estate reported should equal the total of Lines 4.1, 4.2 and 4.3, Column 3 on Page 2 of the annual statement plus the insert amounts on the same lines.

Mortgage Loans on Real Estate

The Property & Casualty Risk-Based Capital Working Group adopted a factor of 5% based upon the factors developed by the Life RBC formula, which ranged from 3% to 20%.

The book/adjusted carrying value of mortgage loans reported should equal Page 2, Line 3.1, Column 3 + Page 2, Line 3.2, Column 3 of the annual statement.

Schedule BA Assets (Other Invested Assets – excluding collateral loans, low-income housing tax credits investments and Working Capital Finance Investments)

Other Invested Assets are those that are listed in Schedule BA and are somewhat more speculative and risky than most other investments. The factor for Schedule BA assets excluding collateral loans, low-income housing tax credits investments, and working capital finance investments is 20%.

The book/adjusted carrying value of total Schedule BA assets (including collateral loans, low-income housing tax credits investments and Working Capital Finance Investments) should equal Page 2, Line 8, Column 3 of the annual statement.

Low-Income Housing Tax Credits Investments

Report <u>in Column (1) all investments in tax credit structures</u> accordance with<u>in the scope of SSAP No. 93—Low-Income Housing Tax Credit Property</u> Investments <u>in Tax Credit Structures</u>.

Federal Yield Guaranteed State low-income housing Ttax Ceredit (LIHTC) Investments are to be included in Line (13). There must be an all-inclusive guarantee from an AROCPR-rated entity that guarantees the yield on the investment. This reporting line is only allowed for tax credit investments which issue state tax credits.

Qualifying Federal Non-guaranteed LIHTC Tax Credit Investments with the following risk mitigation factors are to be included in Line (14): Refer to the Annual Statement Schedule BA Instructions for risk mitigating factors these investments must possess in order to be qualified for this classification.

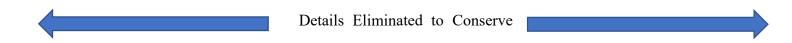
- a) A level of leverage below 50%. For a LIHTC Fund, the level of leverage is measured at the fund level.
- b) There is a tax credit guarantee agreement from general partner or managing member. This agreement requires the general partner or managing member to reimburse investors for any shortfalls in tax credits due to errors of compliance, for the life of the partnership. For an LIHTC fund, a tax credit guarantee is required from the developers of the lower-tier LIHTC properties to the upper-tier partnership.

Qualifying State <u>LIHTC Tax Credit I</u>:nvestments that at a minimum meet the federal requirements for guaranteed <u>LIHTC investments</u> are to be included in Line (15). <u>Refer to the Annual Statement Schedule BA Instructions for risk mitigating factors these investments must possess in order to be qualified for this classification.</u>

State LIHTCOther Tax Credit Investments that at a minimum meet the federal requirements for non-guaranteed LIHTC investments are to be included in Line (16). Any tax credit investment which cannot be reported as either yield guaranteed State Tax Credit Investment, or qualifying Federal or State Tax Credit Investments are included here.

Federal tax credit investments with all-inclusive yield guarantees which would have previously been reported under the Guaranteed Federal Tax Credit Investment reporting line and are still within the scope of SSAP No. 93 shall be reported in Other Tax Credit Investments. This Federal Guaranteed reporting line was removed as these types of tax credit investment structure were substantially eliminated by the Historic Boardwalk Hall, LLC v. Commissioner of Internal Revenue court decision in 2012.

State and federal LIHTC investments that do not meet the requirements of lines (13) through (16) would be reported on Line (17).



PR011 – Asset Concentration

The purpose of the concentration factor is to reflect the additional risk of high concentrations in single exposures (represented by an issuer of a security or a mortgage borrower, etc.). The concentration factor basically doubles the risk-based capital factor (up to a maximum of 30%) of the 10 largest asset exposures excluding various low-risk categories or categories which already have a 30% factor. Since the risk-based capital of the assets included in the concentration factor has already been counted once in the basic formula, this factor itself only serves to add an additional risk-based capital requirement on these assets.

Concentrated investments in certain types of assets are not expected to represent an additional risk over and above the general risk of the asset itself. Therefore, prior to determining the 10 largest issuers, you should exclude those assets that are exempt from the asset concentration factor. Asset types that are excluded from the calculation include: NAIC 06 bonds and preferred stock, affiliated common stock, affiliated preferred stock, property and equipment, U.S. government guaranteed bonds, NAIC 1.A to 1.G bonds, or NAIC 01 unaffiliated preferred stock, and investment companies (mutual funds) and common trust funds that are diversified within the meaning of the Investment Company Act of 1940 [Section 5(b) (1)]. The pro rata share of individual securities within an investment company (mutual fund) or common trust fund are to be included in the determination of concentrated investments, subject to the exclusions identified.

With respect to investment companies (mutual funds) and common trust funds, the reporting company is responsible for maintaining the appropriate documentation as evidence that such is diversified within the meaning of the Investment Company Act and provide this information upon request of the commissioner, director or superintendent of the department of insurance. The reporting company is also responsible for maintaining a listing of the individual securities and corresponding book/adjusted carrying values making up its investment companies (mutual funds) and common trust funds portfolio, in order to determine whether a concentration charge is necessary. This information should be provided to the commissioner, director or superintendent upon request.

The assets that ARE INCLUDED in the calculation are divided into two categories – Fixed Income Assets and Equity Assets. The following asset types should be aggregated to determine the 10 largest issuers:

FIXED INCOME ASSETS	EQUITY ASSETS
Bonds –NAIC Designation Category 2.A	Unaffiliated Preferred Stock –NAIC 02
Bonds – NAIC Designation Category 2.B	Unaffiliated Preferred Stock –NAIC 03
Bonds – NAIC Designation Category 2.C	Unaffiliated Preferred Stock -NAIC 04
Bonds –NAIC Designation Category 3.A	Unaffiliated Preferred Stock –NAIC 05
Bonds –NAIC Designation Category 3.B	
Bonds –NAIC Designation Category 3.C	
Bonds –NAIC Designation Category 4.A	
Bonds –NAIC Designation Category 4.B	
Bonds –NAIC Designation Category 4.C	Unaffiliated Common Stock
Bonds –NAIC Designation Category 5.A	Investment Real Estate

Bonds -NAIC Designation Category 5.B

Bonds -NAIC Designation Category 5.C

Collateral Loans

Mortgage Loans

Working Capital Finance Investments – NAIC 02

Encumbrances on Inv. Real Estate

Schedule BA Assets (excluding Collateral Loans)

Receivable for Securities

Aggr Write-Ins for Invested Assets

Derivatives

Yield Guaranteed State Tax Credit Investments Federal Guaranteed Low-Income Housing Tax Credits

Qualifying Federal Tax Credit Investments Federal Non-Guaranteed Low-Income Housing Tax Credits

Qualifying State Tax Credit Investments State Guaranteed Low-Income Housing Tax Credits—

Other Tax Credit Investments State Non-Guaranteed Low-Income Housing Tax Credits

All Other Low-Income Housing Tax Credits

The name of each of the largest 10 issuers is entered at the top of the table and the appropriate statement amounts are entered in C(2) Ls (01) through (20) for fixed income assets and C(2), Ls (22) through (32) for equity assets. Aggregate all similar asset types before entering the amount in C(2). For instance, if you own five separate \$1,000,000 NAIC 3.A bonds from Issuer #1, enter \$5,000,000 in C(2)L(04) – NAIC 3.A Unaffiliated Bonds.

Miscellaneous Fixed Income Assets (XR008)

The factor for cash is 0.3%. It is recognized that there is a small risk related to possible insolvency of the bank where cash deposits are held. This factor was based on the original unaffiliated NAIC 01 bond risk factor prior to the increased granularity of the NAIC Designation Categories in 2021 and reflects the short-term nature of this risk. The required risk-based capital for cash will not be less than zero, even if the company's cash position is negative.

The short-term investments to be included in this section are those short-term investments not reflected elsewhere in the formula. The 0.3% factor is equal to the factor for cash. The amount reported in Line (8) reflects the total from Schedule DA: Short-Term Investments (Line (6)), less the short-term bonds (Line (7)). (The short-term bonds reported in Line (7) should equal Schedule DA, Part 1, Column 7, Line 2509999999.)

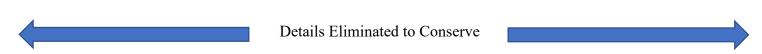
Mortgage loans (reported on Schedule B) and Derivatives (reported on Schedule DB) receive a factor of 5%, consistent with other risk-based capital formulas studied by the Working Group.

The following investment types are captured on Schedule BA: Other Long-Term Invested Assets. Specific factors have been established for certain Schedule BA assets based on the nature of the investment. Those Schedule BA assets not specifically identified below receive a 20% factor (Line (16) and Line (22)).

- Collateral Loans reported on Line (13) receive a factor of 5%, consistent with other risk-based capital formulas studied by the Working Group.
- Working Capital Finance Investments: The book adjusted carrying value of NAIC 01 and 02 Working Capital Finance Investments, Lines (14) and (15), should equal the Notes to Financial Statement, Lines 5M(01a) and 5M(01b), Column 3 of the annual statement.
- Low-income housing tax credit All investments in tax credit structures within the scope of SSAP No. 93—Investments in Tax Credit Structures are reported on Column (1). in accordance with SSAP No. 93—Low-Income Housing Tax Credit Property Investments.
 - o Federal Guaranteed Low-Income Housing Tax Credit (LIHTC) Yield Guaranteed State Tax Credit investments are to be included in Line (1917). There must be an all-inclusive guarantee from an AROCPR-rated entity that guarantees the yield on the investment. This reporting line is only allowed for tax credit investments which issue state tax credits.
 - Qualifying Federal Tax Credit Non-Guaranteed LIHTC investments with the following risk mitigation factors are to be included in Line (2018): Refer to the Annual Statement Schedule BA Instructions for risk mitigating factors these investments must possess in order to be qualified for this classification.
 - a) A level of leverage below 50%. For a LIHTC Fund, the level of leverage is measured at the fund level.
 - b) There is a tax credit guarantee agreement from general partner or managing member. This agreement requires the general partner or managing member to reimburse investors for any shortfalls in tax credits due to errors of compliance, for the life of the partnership. For an LIHTC fund, a tax credit guarantee is required from the developers of the lower tier LIHTC properties to the upper tier partnership.
 - Oualifying State Guaranteed LIHTC Tax Credit investments that at a minimum meet the federal requirements for guaranteed LIHTC investments are to be included in Line (2149). Refer to the Annual Statement Schedule BA Instructions for risk mitigating factors these investments must possess in order to be qualified for this classification.
 - State Non-Guaranteed LIHTC Other Tax Credit investments that at a minimum meet the federal requirements for non-guaranteed LIHTC investments are to be included on Line (220). Any tax credit investment which cannot be reported as either yield guaranteed State Tax Credit Investment, or qualifying Federal or State Tax Credit Investments are included here.

Federal tax credit investments with all-inclusive yield guarantees which would have previously been reported under the Guaranteed Federal Tax Credit Investment reporting line and are still within the scope of SSAP No. 93 shall be reported in Other Tax Credit Investments. The Federal Guaranteed reporting line was removed as these types of tax credit investment structure were substantially eliminated by the Historic Boardwalk Hall, LLC v. Commissioner of Internal Revenue court decision in 2012.

• All Other LIHTC investments, state and federal LIHTC investments that do not meet the requirements of Lines (17) through (20) would be reported on Line (21).



ASSET CONCENTRATION XR012

The purpose of the asset concentration calculation is to reflect the additional risk of high concentrations of certain types of assets in single exposures, termed "issuers." An issuer is a single entity, such as IBM or the Ford Motor Company. When the reporting entity has a large portion of its asset portfolio concentrated in only a few issuers, there is a heightened risk of insolvency if one of those issuers should default. An issuer may be represented in the reporting entity's investment portfolio by a single security designation, such as a large block of NAIC Designation Category 2.A bonds, or a combination of various securities, such as common stocks, preferred stocks, and bonds. The additional RBC for asset concentration is applied to the ten largest issuers.

Concentrated investments in certain types of assets are not expected to represent an additional risk over and above the general risk of the asset itself. Therefore, prior to determining the ten largest issuers, you should exclude those assets that are exempt from the asset concentration factor. Asset types that are excluded from the calculation include: NAIC 06 bonds and unaffiliated preferred stock; affiliated preferred stock; property and equipment; U.S. government full faith and credit, Other U.S. government obligations, and NAIC U.S. government money market fund list securities; NAIC 01 bonds and unaffiliated preferred stock; any other asset categories with risk-based capital factors less than 1%, and investment companies (mutual funds) and common trust funds that are diversified within the meaning of the federal Investment Company Act of 1940 [Section 5(b) (1)]. The pro rata share of individual securities within an investment company (mutual fund) or common trust fund are to be included in the determination of concentrated investments, subject to the exclusions identified.

With respect to investment companies (mutual funds) and common trust funds, the reporting entity is responsible for maintaining the appropriate documentation as evidence that such is diversified within the meaning of the federal Investment Company Act and providing this information upon request of the Commissioner, Director or Superintendent of the Department of Insurance. The reporting entity is also responsible for maintaining a listing of the individual securities and corresponding book/adjusted carrying values making up its investment companies (mutual funds) and common trust funds portfolio, in order to determine whether a concentration charge is necessary. This information should be provided to the Commissioner, Director or Superintendent upon request.

The assets that ARE INCLUDED in the calculation when determining the 10 largest issuers are as follows:

NAIC Designation Category 2.A-2.C Bonds

NAIC Designation Category 3.A-3.C Bonds

NAIC Designation Category 4.A-4.C Bonds

NAIC Designation Category 5.A-5.C Bonds

Collateral Loans

Mortgage Loans

NAIC 02 Unaffiliated Preferred Stock

NAIC 03 Unaffiliated Preferred Stock

NAIC 04 Unaffiliated Preferred Stock

NAIC 05 Unaffiliated Preferred Stock Other Long-Term Assets NAIC 02 Working Capital Finance Investments

<u>Yield Guaranteed State Tax Credit Investments</u> Federal Guaranteed Low-Income Housing Tax Credits

Qualifying Federal Tax Credit Investments Federal Non-Guaranteed Low-Income Housing Tax Credits

<u>Qualifying State Tax Credit Investments</u> <u>State Guaranteed Low-Income Housing Tax Credits</u>

Other Tax Credit Investments State Non-Guaranteed Low-Income Housing Tax Credits

All Other Low Income Housing Tax Credits

Unaffiliated Common Stock

The concentration factor basically doubles the risk-based capital factor (up to a maximum of 30%) for assets held in the 10 largest issuers. Since the risk-based capital of the assets included in the concentration factor has already been counted once in the basic formula, this factor itself only serves to add an additional risk-based capital requirement on these assets.

The name of each of the largest 10 issuers is entered at the top of the table and the appropriate statement amounts are entered in Column (2), Lines (1) through (26). Aggregate all similar asset types before entering the amount in Column (2). To determine the 10 largest issuers, first pool all of the assets subject to the concentration factor. From this pool, aggregate the various securities by issuer. The aggregate book/adjusted carrying values for the assets are computed, and the 10 largest are subject to the concentration factor. For example, an organization might own \$6,000,000 in NAIC Designation Category 2.A bonds of IBM plus \$4,000,000 in NAIC Designation Category 2.C plus \$5,000,000 of common stock. The total investment in that issuer is \$15,000,000. If that is the largest issuer, then the identifier ("IBM Corporation") would be entered in the space allowed for the first Issuer Name, and the \$6,000,000 would be entered under the book/adjusted carrying value column for Line (1) (NAIC Designation Category 2.A bonds), \$4,000,000 would be entered on Line (3) (NAIC Designation Category 2.C Bonds) and the \$5,000,000 would be entered on Line (22) (unaffiliated common stock).

Replicated assets other than synthetically created indices should be included in the asset concentration calculation in the same manner as other assets.

FIXED INCOME ASSETS - MISCELLANEOUS

TIALL	INCOME ASSETS - MISCELLANEOUS		(1)		(2)
		Annual Statement Source	Bk/Adj Carrying Value	Factor	RBC Requirement
(1)	Cash	Page 2, Line 5, inside amount 1	Burray Carrying Varae	0.0030	TES Requirement
(2)	Cash Equivalents	Page 2, Line 5, inside amount 2		0.000	
(3)	Less: Cash Equivalents, Total Bonds	Schedule E, Part 2, Column 7, Line 2509999999			
(4)	Less: Exempt Money Market Mutual Funds as Identified by SVO	Schedule E, Part 2, Column 7, Line 8209999999			
(5)	Net Cash Equivalents	Lines (2) - (3) - (4)		0.0030	
(6)	Short-Term Investments	Page 2, Line 5, inside amount 3			
(7)	Short-Term Bonds	Schedule DA, Part 1, Column 7, Line 2509999999			
(8)	Total Other Short-Term Investments	Lines (6) - (7)		0.0030	
(9)	Mortgage Loans - First Liens	Page 2, Column 3, Line 3.1		0.0500	
(10)	Mortgage Loans - Other Than First Liens	Page 2, Column 3, Line 3.2		0.0500	
(11)	Receivable for Securities	Page 2, Column 3, Line 9		0.0240	
(12)	Aggregate Write-Ins for Invested Assets	Page 2, Column 3, Line 11		0.0500	
1		Schedule BA Part 1, Column 12 Lines 3199999			
(13)	Collateral Loans	+ 3299999-Included in Page 2, Column 3, Line 8		0.0500	
(14)	Less: Non-Admitted Collateral Loans	Notes to the Financial Statement 5S, Column 3 Line 11			
(15)	Net Collateral Loans	Lines (13) - (14)		0.0500	
(14)(16)	NAIC 01 Working Capital Finance Investments	Notes to Financial Statement 5M(01a), Column 3		0.0038	
	NAIC 02 Working Capital Finance Investments	Notes to Financial Statement 5M(01b), Column 3		0.0125	
(16) (18)	Other Long-Term Invested Assets Excluding Collateral Loans, Tax				
	Credit Investments, Residual Tranches or Interests and Working				
	Capital Finance Investments	Included in Page 2, Column 3, Line 8		0.2000	
(17) (19)	Yield Guaranteed State Tax Credit Investments Federal	Schedule BA Part 1, Column 12 Lines 3599999 +			
	Guaranteed Low Income Housing Tax Credits	3699999		0.0014	
(18) (20)	Qualifying Federal Tax Credit Investments Non-Guaranteed Low	Schedule BA Part 1, Column 12 Lines 3799999 +			
	Income Housing Tax Credits	3899999		0.0260	
(19) (21)	Qualifying State Tax Credit Investments Guaranteed Low Income	Schedule BA Part 1, Column 12 Lines 3999999 +		0.0260	
	Housing Tax Credits	4099999		0.0014	
(20) (22)	All-Other Tax Credit Investments State Non-Guaranteed Low	Schedule BA Part 1, Column 12 Lines 4199999 +		0.1500	_
	Income Housing Tax Credits	4299999		0.0260	
(21)	All Other Low Income Housing Tax Credits	Schedule BA Part 1, Column 12 Lines 4399999			
		+ 4499999		0.1500	
(22) (23)	Total Residual Tranches or Interests	Schedule BA, Part 1, Column 12 Lines 4699999 +			
		4799999 + 4899999 + 4999999 + 5099999 +			
		5199999 + 5299999 + 5399999 + 5499999 +			
		5599999 + 5699999 + 5799999		0.2000	
$\frac{(23)}{(24)}$	Total Other Long-Term Invested Assets (Page 2, Column 3, Line 8)	Lines $\frac{(13) + (14) + (15) + (16) + (17) + (18) + (18)}{4}$			
		(19) + (20) + (21) + (22) + (23)			
(24) (25)	Derivatives	Page 2, Column 3, Line 7		0.0500	
		Lines $(1) + (5) + (8) + (9) + (10) + (11)$			
(25) (26)	Total Miscellaneous Fixed Income Assets RBC	+(12) + (23) + (24) + (25)			

ASSET CONCENTRATION

(1)			
Issuer Name			
	(2)		(3)
	Bk/Adj Carrying Value	<u>Factor</u>	Additional RBC
(1) NAIC Designation Category 2.A Bonds		0.0220	
(2) NAIC Designation Category 2.B Bonds		0.0250	
(3) NAIC Designation Category 2.C Bonds		0.0310	
(4) NAIC Designation Category 3.A Bonds		0.0690	
(5) NAIC Designation Category 3.B Bonds		0.0760	
(6) NAIC Designation Category 3.C Bonds		0.0830	
(7) NAIC Designation Category 4.A Bonds		0.0890	
(8) NAIC Designation Category 4.B Bonds		0.0970	
(9) NAIC Designation Category 4.C Bonds		0.1100	_
(10) NAIC Designation Category 5.A Bonds		0.1230	
(11) NAIC Designation Category 5.B Bonds		0.1370	
(12) NAIC Designation Category 5.C Bonds		0.1490	
(13) Collateral Loans		0.0500	
(14) Mortgages		0.0500	
(15) NAIC 02 Unaffiliated Preferred Stock		0.0100	
(16) NAIC 03 Unaffiliated Preferred Stock		0.0200	
(17) NAIC 04 Unaffiliated Preferred Stock		0.0450	
(18) NAIC 05 Unaffiliated Preferred Stock		0.1000	
(19) Other Long-Term Invested Assets		0.1000	
(20) NAIC 02 Working Capital Finance Investments		0.0125	
Yield Guaranteed State Tax Credit Investments Federal			
(21) Guaranteed Low Income Housing Tax Credits		0.0014	
Qualifying Federal Tax Credit Investments Non-			
(22) Guaranteed Low Income Housing Tax Credits		0.0260	
Qualifying State Tax Credit Investments-Guaranteed Low-		· ·	
(23) Income Housing Tax Credits		0.0260 0.0014	
Other Tax Credit Investments-State Non-Guaranteed Low-			
(24) Income Housing Tax Credits		0.1500 0.0260	
(25) All Other Low Income Housing Tax Credits		0.1500	
(25)(26) Unaffiliated Common Stock		0.1500	
(26) (27) Total of Issuer = Lines (1) through (2526)		- ,	

Note: Ten issuer sections and a grand total page will be available on the filing software. The grand total page is calcuated as the sum of issuers 1-10 by asset type.

CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE

H0 - INSURANCE AFFILIATES AND MISC. OTHER AMOUNTS	RBC Amount
(1) Off-Balance Sheet Items XR005, Off-Balance Sheet Page, Line (21)	
(2) Directly Owned Health Insurance Companies or Health Entities XR003, Affiliates Page, Column (2), Line (1)	
(3) Directly Owned Property and Casualty Insurance Affiliates XR003, Affiliates Page, Column (2), Line (2)	
(4) Directly Owned Life Insurance Affiliates XR003, Affiliates Page, Column (2), Line (3)	
(5) Indirectly Owned Health Insurance Companies or Health Entities XR003, Affiliates Page, Column (2), Line (4)	
(6) Indirectly Owned Property and Casualty Insurance Affiliates XR003, Affiliates Page, Column (2), Line (5)	
(7) Indirectly Owned Life Insurance Affiliates XR003, Affiliates Page, Column (2), Line (6)	
(8) Affiliated Alien Insurers - Directly Owned XR003, Affiliates Page, Column (2), Line (9) + (10) + (11)	
(9) Affiliated Alien Insurers - Indirectly Owned XR003, Affiliates Page, Column (2), Line (12) + (13) + (14)	
(10) Total H0 Sum Lines (1) through (9)	
H1 - ASSET RISK - OTHER	
(11) Holding Company in Excess of Indirect Subs XR003, Affiliates Page, Column (2), Line (7)	
(12) Investment Subsidiary XR003, Affiliates Page, Column (2), Line (8)	
(13) Investment in Upstream Affiliate (Parent) XR003, Affiliates Page, Column (2), Line (15)	
(14) Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC XR003, Affiliates Page, Column (2), Line (16)	
(15) Directly Owned Property and Casualty Insurance Companies Not Subject to RBC XR003, Affiliates Page, Column (2), Line (17)	
(16) Directly Owned Life Insurance Companies Not Subject to RBC XR003, Affiliates Page, Column (2), Line (18)	
(17) Affiliated Non-Insurer $XR003$, Affiliates Page, Column (2), Line (19) + (20) + (21)	
(18) Fixed Income Assets XR006, Off-Balance Sheet Collateral, Lines (27) + (37) + (38) + (39))
+ XR007, Fixed Income Assets - Bonds, Line (27) + XR008, Fixed	
Income Assets - Miscellaneous, Line (25)(26)	
(19) Replication & Mandatory Convertible Securities XR009, Replication/MCS Page, Line (9999999)	
(20) Unaffiliated Preferred Stock XR006, Off-Balance Sheet Collateral, Line (34) + XR010, Equity	
Assets Page, Line (7)	
(21) Unaffiliated Common Stock & Market Value Excess Affiliated Stocks XR006, Off-Balance Sheet Collateral, Line (35) + XR010, Equity	
Assets Page, Line (13)	
(22) Property & Equipment XR006, Off-Balance Sheet Collateral, Line (36) + XR011, Prop/Equ	ip
Assets Page, Line (9)	
(23) Asset Concentration Page, Line (27)(26)	
(24) Total H1 Sum Lines (11) through (23)	
H2 - UNDERWRITING RISK	
(25) Net Underwriting Risk Page, Line (21)	
(26) Other Underwriting Risk Page, Line (25.3)	
(27) Disability Income XR015, Underwriting Risk Page, Lines (26.3) + (27.3) + (28.3) +	
(29.3) + (30.6) + (31.3) + (32.3)	
(28) Long-Term Care XR016, Underwriting Risk Page, Line (41)	
(29) Limited Benefit Plans XR017, Underwriting Risk Page, Lines (42.2) + (43.6) + (44)	
(30) Premium Stabilization Reserve XR017, Underwriting Risk Page, Line (45)	
(31) Total H2 Sum Lines (25) through (30)	

OTHER LONG-TERM ASSETS PR008

			(1) <u>Book/Adjusted</u>		(2)
		Annual Statement Source	Carrying Value	<u>Factor</u>	RBC Requirement
(1)	Company Occupied Real Estate	P2 L4.1 C3	0	0.100	0
(2)	Encumbrances	P2 L4.1, inside item	0	0.100	0
(3)	Property Held For the Production of Income	P2 L4.2 C3	0	0.100	0
(4)	Property Held For Sale	P2 L4.3 C3	0	0.100	0
(5)	Encumbrances (Property Held For the Production of Income)	P2 L4.2, inside item	0	0.100	0
(6)	Encumbrances (Property Held For Sale)	P2 L4.3, inside item	0	0.100	0
(7)	Total Real Estate	L(1)+L(2)+L(3)+L(4)+L(5)+L(6)	0		0
(8)	Mortgage Loans - First Liens	P2 L3.1 C3	0	0.050	0
(9)	Mortgage Loans - Other Than First Liens	P2 L3.2 C3	0	0.050	0
(10)	Total Mortgage Loans	L(8) + L(9)	0		0
(11)	Schedule BA Assets - Total	P2 L8 C3	0		
(12)	Less: Collateral Loans	PR009 L(13)	0		
	Yield Guaranteed State Tax Credit Investments Federal Guaranteed				
(13)	Low Income Housing Tax Credits	Schedule BA Part 1, C12 L3599999			
		+L3699999	0	0.0014	0
	Qualifying Federal Tax Credit Investments Non-Guaranteed Low				
(14)	Income Housing Tax Credits	Schedule BA Part 1, C12 L3799999			
		+L3899999	0	0.0260	0
	Qualifying State Tax Credit Investments-Guaranteed Low Income				
(15)	Housing Tax Credits	Schedule BA Part 1, C12 L3999999			
, ,	<u> </u>	+L4099999	0	0.0260 0.0014	0
	Other Tax Credit Investments State Non-Guaranteed Low Income				_
(16)	Housing Tax Credits	Schedule BA Part 1, C12 L4199999			
	, and the second se	+L4299999	0	0.1500 0.0260	0
(17)	All Other Low Income Housing Tax Credits	Schedule BA Part 1, C12 L4399999			<u> </u>
	8	+ L4499999	0	0.1500	0
(17) (18)	Working Capital Finance Investments	$L(20)+L(21)+\frac{L(22)}{L(22)}$	0		
	Total Residual Tranches or Interests	Schedule BA, Part 1, Column 12 Lines 4699999 +			
		4799999 + 4899999 + 4999999 + 5099999 +			
		5199999 + 5299999 + 5399999 + 5499999 +			
		5599999 + 5699999 + 5799999	0	0.2000	0
(19) (20)	Schedule BA Assets Excluding Collateral Loans, Tax Credit Investments	L(11)-L(12)-L(13)-L(14)-L(15)		0.2000	<u> </u>
(17)(10)	LIHTC, & WCFI, & Residual Tranches or Interests	-L(16)-L(17)-L(18)- L(19)	0	0.2000	0
(20) (21)	NAIC 01 Working Capital Finance Investments	Notes to Financial Statement Item L5M(01a) C3	0	0.0038	0
	NAIC 02 Working Capital Finance Investments	Notes to Financial Statement Item L5M(01a) C3		0.0036	0
(-1)(-2)	7 14 He 02 11 Orking Cupian I manoe investments	L(7)+L(10)+L(13)+L(14)+L(15)		0.0123	
(22) (23)	Total Other Long-Term Assets	+L(16)+L(17)+L(18)+L(19)+L(20)+L(21)+L(22)	n		0
1	, Tomi only Doing Tomi Tibboto	() () (-) () -() -()			

(3)

ASSET CONCENTRATION PR011

	ISSUER #1			
		Book/Adjusted Carrying Value	<u>Factor</u>	Additional RBC
(1)	NAIC Designation Category 2.A Bonds	0	0.0180	0
(2)	NAIC Designation Category 2.B Bonds	0	0.0210	0
(3)	NAIC Designation Category 2.C Bonds	0	0.0250	0
(4)	NAIC Designation Category 3.A Bonds	0	0.0550	0
(5)	NAIC Designation Category 3.B Bonds	0	0.0600	0
(6)	NAIC Designation Category 3.C Bonds	0	0.0660	0
(7)	NAIC Designation Category 4.A Bonds	0	0.0710	0
(8)	NAIC Designation Category 4.B Bonds	0	0.0770	0
(9)	NAIC Designation Category 4.C Bonds	0	0.0870	0
(10)	NAIC Designation Category 5.A Bonds	0	0.0980	0
(11)	NAIC Designation Category 5.B Bonds	0	0.1090	0
(12)	NAIC Designation Category 5.C Bonds	0	0.1200	0
(13)	Collateral Loans	0	0.0500	0
(14)	Mortgage Loans	0	0.0500	0
(15)	NAIC 02 Working Capital Finance Investments	0	0.0125	0
(16)	Yield Guaranteed State Tax Credit Investments Federal Guaranteed Low Income Housing Tax Credits	0	0.0014	0
(17)	Qualifying Federal Tax Credit Investments Federal Non-Guaranteed Low Income Housing Tax Credits	0	0.0260	0
(18)	Qualifying State Tax Credit Investments State Guaranteed Low Income Housing Tax Credits	0	0.0260 0.0014	0
(19)	Other Tax Credit Investments State Non-Guaranteed Low Income Housing Tax Credits	0	0.1500 0.0260	0
(20)	All Other Low Income Housing Tax Credits	0	0.1500	0
(20) (21)	SUBTOTAL - FIXED INCOME	0		0
(21) (22)	NAIC 02 Unaffiliated Preferred Stock	0	0.0100	0
$(22)\frac{(23)}{(23)}$	NAIC 03 Unaffiliated Preferred Stock	0	0.0200	0
$(23)\frac{(24)}{(24)}$	NAIC 04 Unaffiliated Preferred Stock	0	0.0450	0
$(24)\frac{(25)}{(25)}$	NAIC 05 Unaffiliated Preferred Stock	0	0.1000	0
(25) (26)	Property Held For Production of Income or For Sale Excluding Home Office	0	0.1000	0
$(26)\frac{(27)}{}$	Property Held For Production of Income or For Sale Encumbrances Excluding Home Office	0	0.1000	0
(27) (28)	Schedule BA Assets	0	0.1000	0
$(28)\frac{(29)}{(29)}$	Receivable for Securities	0	0.0250	0
(29) (30)	Aggregate Write-Ins for Invested Assets	0	0.0500	0
(30) (31)	Derivatives	0	0.0500	0
(31) (32)	Unaffiliated Common Stock	0	0.1500	0
(32) (33)	SUBTOTAL - EQUITY	0	_	0
(33) (34)	TOTAL - ISSUER #1 (L21+L32 L33)	0	_	0

(2)

NOTE: Ten issuer sections and a grand total page will be available on the filing software. The grand total page is calcuated as the sum of issuers 1-10 by asset type.

(1)

Calculation of Total Risk-Based Capital After Covariance PR030 R0-R1

Replication - Synthetic Asset: One Half Asset Concentration RBC - Fixed Income

Total R1

(26)

PRBC O&I Reference **RBC Amount R0 - Subsidiary Insurance Companies and Misc. Other Amounts** PR004 L(2)C(2) Directly Owned Property and Casualty Insurance Affiliates PR004 L(5)C(2) Indirectly Owned Property and Casualty Insurance Affiliates Directly Owned Life Insurance Affiliates PR004 L(3)C(2) (4) Indirectly Owned Life Insurance Affiliates PR004 L(6)C(2) Directly Owned Health Insurance Companies or Health Entities PR004 L(1)C(2) PR004 L(4)C(2) Indirectly Owned Health Insurance Companies or Health Entities (7) Directly Owned Alien Insurance Companies or Health Entities PR004 L(9)+L(10)+L(11)C(2) Indirectly Owned Alien Insurance Companies or Health Entities PR004 L(12)+L(13)+L(14)C(2) Misc Off-Balance Sheet - Non-controlled Assets (9) PR014 L(15) C(3) Misc Off-Balance Sheet - Guarantees for Affiliates PR014 L(16) C(3) Misc Off-Balance Sheet - Contingent Liabilities PR014 L(17) C(3) Misc Off-Balance Sheet - SSAP No.101 Par. 11A DTA PR014 L(19) C(3) (13) Misc Off-Balance Sheet - SSAP No.101 Par. 11B DTA PR014 L(20) C(3) (14) Total R0 L(1)+L(2)+L(3)+L(4)+L(5)+L(6)+L(7)+L(8)+L(9)+L(10)+L(11)+L(12)+L(13)R1 - Asset Risk - Fixed Income PR006 L(27)C(5) (15) Bonds Subject to Size Factor Bond Size Factor RBC PR006 L(30)C(5) Off-balance Sheet Collateral & Sch DL, PT1 - Total Bonds PR015 L(27)C(4) PR015 L(38)+(39)C(4) Off-balance Sheet Collateral & Sch DL, PT1 - Cash, & Short-Term Investments and Mort Loans on Real Est. Other Long-Term Assets - Mortgage Loans, Tax Credit Investments LIHTC, & WCFI, & Residual Tranches or Interests PR008 Misc Assets - Collateral Loans PR009 L(13)C(2) (21) Misc Assets - Cash PR009 L(3)C(2) PR009 L(7)C(2) Misc Assets - Cash Equivalents Misc Assets - Other Short-Term Investments PR009 L(10)C(2)

PR010 L(9999999)C(7)

PR011 L(20)L(21)C(3) Grand Total Page

L(15)+L(16)+L(17)+L(18)+L(19)+L(20)+L(21)+L(22)+L(23)+L(24)+L(25)

Calculation of Total Risk-Based Capital After Covariance PR031 R2-R3

(1)

R2 - Asse	t Risk - Equity	PRBC O&I Reference	RBC Amount
(27)	Common & Preferred- Affiliate Investment Subsidiary	PR004 L(8)C(2)	
(28)	Common & Preferred- Affiliate Holding Company in excess of Indirect Subs	PR004 L(7)C(2)	
(29)	Common & Preferred- Investment in Parent	PR004 L(15)C(2)	
(30)	Common & Preferred- Aff'd US P&C Not Subj to RBC	PR004 L(17)C(2)	
(31)	Common & Preferred- Affil US Life Not Subj to RBC	PR004 L(18)C(2)	
(32)	Common & Preferred- Affil US Health Insurer Not Subj to RBC	PR004 L(16)C(2)	
(33)	Common & Preferred- Aff'd Non-insurer	PR004 L(19)+L(20)+L(21)C(2)	
(34)	Unaffiliated Preferred Stock	PR007 L(7)C(2)+PR015 L(34)C(4)	
(35)	Total Unaffiliated Common Stock and Fair Value Excess Affiliated Stocks	PR007 L(13)C(2)+PR015 L(35)C(4)	
(36)	Other Long -Term Assets - Real Estate	PR008 L(7)C(2)	
(37)	Other Long -Term Assets - Schedule BA Assets	PR008 L(19)L(29)C(2)+PR015 L(36)+L(37)C(4)	
(38)	Misc Assets - Receivable for Securities	PR009 L(1)C(2)	
(39)	Misc Assets - Aggregate Write-ins for Invested Assets	PR009 L(2)C(2)	
(40)	Misc Assets - Derivatives	PR009 L(14)C(2)	
(41)	Replication - Synthetic Asset: One Half	PR010 L(9999999)C(7)	
(42)	Asset Concentration RBC - Equity	PR011 L(32)L(33)C(3) Grand Total Page	
		L(27)+L(28)+L(29)+L(30)+L(31)+L(32)+L(33)+L(34)	
(43)	Total R2	+L(35)+L(36)+L(37)+L(38)+L(39)+L(40)+L(41)+L(42)	
R3 - Asse	t Risk - Credit		
(44)	Other Credit RBC	PR012 L(8)-L(1)-L(2)C(2)	
(45)	One half of Rein Recoverables	0.5 x (PR012 L(1)+L(2)C(2))	
(46)	Other half of Rein Recoverables	If R4 L(50)>(R3 L(44) + R3 L(45)), 0, otherwise, R3 L(45)	
(47)	Health Credit Risk	PR013 L(12)C(2)	
(48)	Total R3	L(44) + L(45) + L(46) + L(47)	

Capital Adequacy (E) Task Force RBC Proposal Form

	2.77.0/27/27			
	DATE: <u>3/25/25</u>	FOR NAIC USE ONLY Agenda Item # 2025-07-CA		
CONTACT PERSON:	Derek Noe	Year <u>2025</u>		
TELEPHONE:	816-783-8973	<u>DISPOSITION</u>		
EMAIL ADDRESS:	DNOE@NAIC.ORG	ADOPTED: TASK FORCE (TF)		
ON BEHALF OF:	Capital Adequacy (E) Task Force	☐ WORKING GROUP (WG)		
NAME:	Mike Yanacheak	☐ SUBGROUP (SG)		
		EXPOSED: ☑ TASK FORCE (TF) 3/25/25		
TITLE:	Chair	□ TASK FORCE (TF) □ WORKING GROUP (WG) □ SUBGROUP (SG) REJECTED: □ TF □ WG □ SG		
AFFILIATION:	Iowa Insurance Division			
ADDRESS:	1963 Bell Avenue, Suite 100, Des Moines,			
	IA 50315	OTHER:		
		☐ DEFERRED TO		
		☐ REFERRED TO OTHER NAIC GROUP ☐ (SPECIFY)		
	IDENTIFICATION OF SOURCE AND FORM(S)/INS	STRUCTIONS TO BE CHANGED		
☐ Health RBC Blanks	☐ Property/Casualty RBC Blanks □	☐ Life and Fraternal RBC Blanks		
Health RBC Instruct	. ,,			
☐ Health RBC Formula☐ OTHER	a	☐ Life and Fraternal RBC Formula		
		TION OF CHANGE(C)		
	DESCRIPTION/REASON OR JUSTIFICAT	TION OF CHANGE(S)		
	expand the instructions for LR034, LR035, PR033, PROS n levels across lines of businesses. In addition, the bonding instructions.	_		

^{**} This section must be completed on all forms.

COMPARISON OF TOTAL ADJUSTED CAPITAL TO RISK-BASED CAPITAL XR027

As long as the Total Adjusted Capital (TAC) shown on Line (1) of Comparison of Total Adjusted Capital to Risk-Based Capital section exceeds the Company Action Level Risk-Based Capital (CALRBC) shown on Line (2), the reporting entity has passed the minimum capital adequacy test of the Health RBC formula. However, that does not necessarily mean that the reporting entity is financially sound. The RBC formula is just one of many regulatory tools used by regulators to evaluate the financial health of regulated entities. Although healthy companies rarely fail the RBC test, weak companies often do pass the RBC test, although weak companies will eventually fail the test if their problems continue.

Those organizations that do trigger one of the RBC action levels are generally subject to regulatory action by the state of domicile, or by a non-domiciliary state where the reporting entity does business, under the provisions of state law. The NAIC *Risk-Based Capital (RBC) for Health Organizations Model Act* (#315) provides for an increasingly stringent regulatory response for companies that trigger one of the RBC action levels. Those action levels are (1) Company Action Level, (2) Regulatory Action Level, (3) Authorized Control Level and (4) Mandatory Control Level.

The four RBC action levels trigger an increasingly stringent level of regulatory response for those companies that trigger one of the action levels. In addition, a health organization triggers Company Action Level if it triggered trend test as described below.

Lines (2) through (6) will be calculated automatically by the program. One of the following action levels will appear on Line (126).

- (1) Company Action Level (TAC is between 150 percent and 200 percent of the Authorized Control Level RBC).
- (2) Regulatory Action Level (TAC is between 100 percent and 150 percent of the Authorized Control Level RBC).
- (3) Authorized Control Level (TAC is between 70 percent and 100 percent of the Authorized Control Level RBC).
- (4) Mandatory Control Level (TAC less than 70 percent of the Authorized Control Level RBC).
- (5) Company Action Level Trend Test (see instructions below on Trend Test)
- (0) None of the above.

Company Action Level requires the reporting entity to prepare and submit to the insurance commissioner a comprehensive financial plan. The plan identifies the conditions that contributed to the company's financial condition, contains proposals to correct the company's financial problems, and provides projections of the company's financial condition, both with and without the proposed corrections.

Regulatory Action Level requires the reporting entity to submit a comprehensive financial plan. In addition, the insurance commissioner may perform any examinations or analysis of the reporting entity's business and operations that it deems necessary and issue any appropriate corrective orders to address the company's financial problems.

Authorized Control Level authorizes the insurance commissioner to take whatever regulatory actions considered necessary to protect the best interest of the policyholders and creditors of the reporting entity which may include the actions necessary to cause the insurer to be placed under regulatory control (i.e., rehabilitation or liquidation).

Mandatory Control Level requires the insurance commissioner to place the reporting entity under regulatory control.

Trend Test

A company whose RBC ratio is greater than or equal to between 200 percent and less than 300 percent and combined ratio is greater than 105 percent could trigger a Company Action Level RBC regulatory action per the Trend Test.

PR033 – Trend Test

A company whose RBC ratio is greater than or equal to 200 percent and less than 300 percent and combined ratio is greater than 120 percent could trigger a Company Action Level RBC regulatory action per the Trend Test.

PR034 - Comparison of Total Adjusted Capital and Authorized Control Level Risk-Based Capital

This section of the risk-based capital report compares amounts previously developed and determines which level of regulatory attention, if any, is applicable to the company.

Lines (1) through (5) will be calculated automatically by the diskette. One of the following action levels will appear on L(76):

- 1) Company Action Level
- 2) Regulatory Action Level
- 3) Authorized Control Level
- 4) Mandatory Control Level
- 5) Company Action Level-Trend Test
- <u>0)</u> None

Company Action Level requires the company to prepare and submit an RBC Plan to the commissioner of their state of domicile. The RBC Plan is to be submitted within 45 days. After review, the commissioner will notify the company if the plan is satisfactory.

Regulatory Action Level requires the insurer to submit an RBC Plan, or if applicable, a Revised RBC Plan within 45 days to the commissioner of their state of domicile. After examination or analysis, the commissioner will issue an order specifying corrective actions (Corrective Order) to be taken.

Authorized Control Level authorizes the commissioner to take whatever regulatory actions considered necessary to protect the best interest of the policyholders and creditors of the insurer, which may include the actions necessary to cause the insurer to be placed under regulatory control (i.e., rehabilitation or liquidation).

Mandatory Control Level authorizes the commissioner to take actions necessary to place the company under regulatory control (i.e., rehabilitation or liquidation).

When "None" shows, the company's total adjusted capital exceeds the minimum RBC amount and the company is not subject to regulatory attention under the Risk-Based Capital (RBC) for Insurers Model Act. NOTE: 98.5% of insurers usually fit into this category.

RISK-BASED CAPITAL LEVEL OF ACTION

(Including Tax Sensitivity Test) LR034

Basis of Factors

This section of the risk-based capital report compares amounts previously developed and thus determines the level of regulatory attention, if any, applicable to the company.

Specific Instructions for Application of the Formula

Line (6) This section will be calculated automatically by the software, indicating the Level of Action:

Company Action Level RBC
Regulatory Action Level RBC
Authorized Control Level RBC
Mandatory Control Level RBC
None

Company Action Level RBC – Trend Test

The indicators are different event levels as defined in the Risk-Based Capital (RBC) for Insurers Model Act. Refer to the model act for further elaboration.

- (0) An indicator of None requires no action.
- (1) Company Action Level requires the company to prepare and submit an RBC Plan to the commissioner of the state of domicile. After review, the commissioner will notify the company if the plan is satisfactory.
- (2) Regulatory Action Level requires the insurer to submit to the commissioner of the state of domicile an RBC Plan, or if applicable, a Revised RBC Plan. After examination or analysis, the commissioner will issue an order specifying corrective actions (Corrective Order) to be taken.
- (3) Authorized Control Level authorizes the commissioner of the state of domicile to take whatever regulatory actions considered necessary to protect the best interest of the policyholders and creditors of the insurer.
- (4) Mandatory Control Level authorizes the commissioner of the state of domicile to take actions necessary to place the company under regulatory control (i.e., rehabilitation or liquidation).
- (5) Company Action Level Trend Test requires the company to prepare and submit an RBC Plan to the commissioner of the state of domicile. After review, the commissioner will notify the company if the plan is satisfactory. Refer to Instructions for LR035 for details.

Tax Sensitivity Test

The tax sensitivity test provides a "what if" scenario that calculates the different RBC levels using pre-tax factors and eliminates deferred tax assets and liabilities from the calculation of Total Adjusted Capital. The sensitivity test has no effect on the risk-based capital amounts reported in the annual statement.

TREND TEST

LR035

Basis of Factors

Companies whose Total Adjusted Capital is greater than or equal to between 2.0 and less than 3.0 times the Authorized Control Level Risk-Based Capital are subject to a trend test. The trend test calculates the greater of the decrease in the margin between the current year and the prior year and the average of the past three years. It assumes that the decrease could occur again in the coming year. Any company whose total adjusted capital, after adjusting for the maximum margin decrease, as reported on Line (15), that trends below 1.9 times the Authorized Control Level Risk-Based Capital as in Line (16) would trigger Company Action Level RBC regulatory action.

Specific Instructions for Application of the Formula

The trend test will utilize two of the previous three years of information to determine the average decrease in the last three years as reported in Line (13), the Marginal Difference Line (14) and Total Adjusted Capital Less Marginal Difference Line (15) respectively.

	RISK-BASED CAPITAL LEVEL OF ACTION	ON		
Company	Name		Cocode: 00000	
	SED CAPITAL LEVEL OF ACTION Tax Sensitivity Test)			
(1)	Total Adjusted Capital - REPORT AMOUNT IN FIVE-YEAR HISTORICAL DATA PAGE 22 COLUMN 1 LINE 30	Source LR033 Calculation of Total Adjusted Capital Column (2) Line (13)	(1) RBC Amount \$0	
	Trigger Points for Level of Regulatory Action:			
(2)	Company Action Level = 200% of Authorized Control Level Risk-Based Capital	2.0 times LR031 Calculation of Total Authorized Control Level Risk- Based Capital Column (1) Line (75)	<u>\$0</u>	
(3)	Regulatory Action Level = 150% of Authorized Control Level Risk-Based Capital	1.5 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (75)	<u>\$0</u>	
(4)	Authorized Control Level Risk-Based Capital - REPORT AMOUNT IN FIVE-YEAR HISTORICAL DATA PAGE 22 COLUMN 1 LINE 31	1.0 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (75)	\$0_	
(5)	Mandatory Control Level = 70% of Authorized Control Level Risk-Based Capital	0.7 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (75)	\$0_	
(6)	Level of Action, including Trend Test†:			Mandatory Control Level",IF(D8 <d19,"authorized control<="" td=""></d19,"authorized>
(7)	Authorized Control Level RBC Ratio	Line (1) / Line (4)	0.000% Level", IF(AN	:D16,"Regulatory Action Level", IF(D8 <d13,"company action<br="">D('LR035'!D29>'LR035'!D27,'LR035'!D11<'LR035'!D9), tion Level -Trend Test","None")))))</d13,"company>
(8) (9) (10) (11) (12) (13)	Tax Sensitivity Test: Total Adjusted Capital Tax Sensitivity Test: Total Adjusted Capital Tax Sensitivity Test: Company Action Level = 200% of Authorized Control Level Risk-Based Capital Tax Sensitivity Test: Regulatory Action Level = 150% of Authorized Control Level Risk-Based Capital Tax Sensitivity Test: Authorized Control Level Risk-Based Capital Tax Sensitivity Test: Mandatory Control Level = 70% of Authorized Control Level Risk-Based Capital Tax Sensitivity Test: Level of Action: If Total Adjusted Capital Line (1) exceeds Company Action Level Risk-Based Capital Line Otherwise, the appropriate level of action will be indicated.	LR033 Calculation of Total Adjusted Capital Column (2) Line (18) 2.0 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (77) 1.5 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (77) 1.0 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (77) 0.7 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (77) 0.7 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (77)	\$0 \$0 \$0 \$0 \$0 \$0 None	

		TREND TEST		
Com	pany Name			
TRE	ND TEST			
			(1)	
		Source	Amount	
	Criteria for Applying Trend Test			
(1)	Authorized Control Level Risk-Based Capital	LR031 Calculation of Authorized Control Level		
		Risk-Based Capital Column (1) Line (75)	\$0	
(2)	Trend Test Safe Harbor	3.0 x Line (1)	\$0	
(2)	m . 1 . 1 . 1 . 1 . 1 . 1		***	
(3)	Total Adjusted Capital	LR033 Calculation of Total Adjusted Capital Line (13)	\$0	
	T IT (D)			
(4)	Trend Test Data	E. A. H. (1D (D 22 C 1 21 20	60	
(4)	First Prior Year Total Adjusted Capital	Five-Year Historical Data Page 22 Column 2 Line 30	\$0	
(5)	First Prior Year Authorized Control Level Risk-Based Capital	Five-Year Historical Data Page 22 Column 2 Line 31	\$0	
(6)	Third Prior Year Total Adjusted Capital	Five-Year Historical Data Page 22 Column 4 Line 30	\$0	
(7)	Third Prior Year Authorized Control Level Risk-Based Capital	Five-Year Historical Data Page 22 Column 4 Line 31	\$0	
	Total Total Coloniation (only if and include)			
(0)	Trend Test Calculation (only if applicable†)	T: (2) T: (1)	00	
(8)	Current Year Margin	Line (3) - Line (1)	\$0	
(9)	First Prior Year Margin	Line (4) - Line (5)	\$0	
(10)	6	Line (6) - Line (7)	\$0	
	Decrease in Margin from First Prior Year	Line (9) - Line (8) (use zero if negative)	\$0	
	Decrease in Margin from Third Prior Year	Line (10) - Line (8) (use zero if negative)	\$0	
	Average decrease in Last Three Years	1/3 of Line (12)	\$0	
(14)	Marginal Difference	Greater of Line (11) and Line (13)	\$0	
(15)	Total Adjusted Capital Less Margin Difference	Line (3) - Line (14)	\$0	
(16)	Level of Risk-Based Capital	1.9 x Line (1)	\$0	

[†] The Trend Test applies only if Total Adjusted Capital Line (3) is less than the Trend Test Safe Harbor Line (2) and the LR034 Risk-Based Capital Level of Action Line (6) is "None" Total Adjusted Capital Line (3) is greater than or equal to 200% of Authorized Control Level Risk-Based Capital as calculated in LR034 Line(2).

[‡] If Line (15) is less than Line (16), the company triggers regulatory attention at the Company Action Level based on the trend test.



Colin Masterson

Sr. Policy Analyst 202-624-2463 ColinMasterson@acli.com

April 22, 2025

Mike Yanacheak, Chair, NAIC Capital Adequacy (E) Task Force (CADTF)

Re: Proposal 2025-07-CA (Trend Test)

Dear Chair Yanacheak:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide feedback on the CADTF exposure of Proposal 2025-07-CA (Trend Test) which was exposed for public comment at the 2025 NAIC Spring National Meeting in Indianapolis.

While ACLI is generally supportive of this Proposal, there are several formatting and consistency-based changes we wish to see considered prior to adoption and subsequent implementation.

- LR034's Line 6 instructions include "Company Action Level RBC Trend Test" displayed below "None" but the XR027 and PR034 instructional changes list a comparable line above "None". We believe all three locations should be consistent (either above or below "None").
- ACLI would like clarification on whether sections XR027 and PR034 should also have language included as seen in LR034 (5), "(5) Company Action Level – Trend Test requires the company to prepare and submit an RBC Plan to the commissioner of the state of domicile. After review, the commissioner will notify the company if the plan is satisfactory. Refer to Instructions for LR035 for details.", which specifies the result for triggering the Company Action Level – Trend Test.
- We would also like clarification on whether the XR027 and PR034 Blank are supposed to show "Specific Instructions for Application of the Formula" as is shown in the Life LR034 example (see below for visual).

=IF(D8<D22, "Mandatory Control Level", IF(D8<D19, "Authorized Control Level", IF(D8<D16, "Regulatory Action Level", IF(D8<D13, "Company Action Level", IF(AND('LR035'!D29>'LR035'!D27, 'LR035'!D11<'LR035'!D9), "Company Action Level -Trend Test", "None"))))

Thank you once again for the consideration of our comments and we look forward to further discussion at a future Task Force session.

American Council of Life Insurers | 101 Constitution Ave, NW, Suite 700 | Washington, DC 20001-2133

Sincerely,

Colin Masterson

CC: Eva Yeung, NAIC

Capital Adequacy (E) Task Force RBC Proposal Form

□ Capital Adequacy (E	\Box) Task Force \Box Health RBC (E) Working Gro	oup
☐ Catastrophe Risk (E)) Subgroup \qed P/C RBC (E) Working Group	☐ Longevity Risk (A/E) Subgroup
☐ Variable Annuities C (E/A) Subgroup	Capital. & Reserve	ubgroup RBC Investment Risk & Evaluation (E) Working Group
	DATE: <u>3/25/25</u>	FOR NAIC USE ONLY
CONTACT PERSON:	Derek Noe	Agenda Item # 2025-07-CA MOD
CONTACT LEISON.	Defer Noe	Year <u>2025</u>
TELEPHONE:	816-783-8973	<u>DISPOSITION</u>
EMAIL ADDRESS:	DNOE@NAIC.ORG	ADOPTED:
ON BEHALF OF:	Capital Adequacy (E) Task Force	☐ TASK FORCE (TF)
ON BEHALF OF.	Capital Adequacy (E) Task Force	☐ WORKING GROUP (WG) ☐ SUBGROUP (SG)
NAME:	Mike Yanacheak	EXPOSED:
TITLE:	Chair	☐ TASK FORCE (TF)
		☐ WORKING GROUP (WG)
AFFILIATION:	lowa Insurance Division	☐ SUBGROUP (SG)
ADDRESS:	1963 Bell Avenue, Suite 100, Des Moines,	REJECTED:
	IA 50245	☐ TF ☐ WG ☐ SG
	IA 50315	OTHER: □ DEFERRED TO
		☐ REFERRED TO OTHER NAIC GROUP
		☐ (SPECIFY)
 □ Health RBC Blanks ⊠ Health RBC Instructi □ Health RBC Formula □ OTHER 	ions ⊠ Property/Casualty RBC Instructions ⊠ a □ Property/Casualty RBC Formula ⊠	Life and Fraternal RBC Blanks Life and Fraternal RBC Instructions Life and Fraternal RBC Formula
• •	pescription/reason or justificat xpand the instructions for LR034, LR035, PR033, PR0 levels across lines of businesses. In addition, the Bl instructions.	034 and XR027 to facilitate consistent labeling of
	Additional Staff Commo	ents:
• • •	posal was modified in response to ACLI comment letton $\frac{1}{N}$ in the modified proposal:	ter dated April 22, 2025. Changes summarized as follow
Reordered Life	instructions so "Company Action Level-Trend Test" i	is above "None".
Added "Compa	ny Action Level-Trend Test" Instructions to Health a	nd PC instructions to maintain consistency.
 Changed code (0 in Health to "None" to maintain consistency.	

** This section must be completed on all forms.

COMPARISON OF TOTAL ADJUSTED CAPITAL TO RISK-BASED CAPITAL XR027

As long as the Total Adjusted Capital (TAC) shown on Line (1) of Comparison of Total Adjusted Capital to Risk-Based Capital section exceeds the Company Action Level Risk-Based Capital (CALRBC) shown on Line (2), the reporting entity has passed the minimum capital adequacy test of the Health RBC formula. However, that does not necessarily mean that the reporting entity is financially sound. The RBC formula is just one of many regulatory tools used by regulators to evaluate the financial health of regulated entities. Although healthy companies rarely fail the RBC test, weak companies often do pass the RBC test, although weak companies will eventually fail the test if their problems continue.

Those organizations that do trigger one of the RBC action levels are generally subject to regulatory action by the state of domicile, or by a non-domiciliary state where the reporting entity does business, under the provisions of state law. The NAIC *Risk-Based Capital (RBC) for Health Organizations Model Act* (#315) provides for an increasingly stringent regulatory response for companies that trigger one of the RBC action levels. Those action levels are (1) Company Action Level, (2) Regulatory Action Level, (3) Authorized Control Level and (4) Mandatory Control Level.

The four RBC action levels trigger an increasingly stringent level of regulatory response for those companies that trigger one of the action levels. In addition, a health organization triggers Company Action Level if it triggered trend test as described below.

Lines (2) through (6) will be calculated automatically by the program. One of the following action levels will appear on Line (126).

- (1) Company Action Level (TAC is between 150 percent and 200 percent of the Authorized Control Level RBC).
- (2) Regulatory Action Level (TAC is between 100 percent and 150 percent of the Authorized Control Level RBC).
- (3) Authorized Control Level (TAC is between 70 percent and 100 percent of the Authorized Control Level RBC).
- (4) Mandatory Control Level (TAC less than 70 percent of the Authorized Control Level RBC).
- (5) Company Action Level Trend Test (see instructions below on Trend Test)
- (0) None.

Company Action Level requires the reporting entity to prepare and submit to the insurance commissioner a comprehensive financial plan. The plan identifies the conditions that contributed to the company's financial condition, contains proposals to correct the company's financial problems, and provides projections of the company's financial condition, both with and without the proposed corrections.

Regulatory Action Level requires the reporting entity to submit a comprehensive financial plan. In addition, the insurance commissioner may perform any examinations or analysis of the reporting entity's business and operations that it deems necessary and issue any appropriate corrective orders to address the company's financial problems.

Authorized Control Level authorizes the insurance commissioner to take whatever regulatory actions considered necessary to protect the best interest of the policyholders and creditors of the reporting entity which may include the actions necessary to cause the insurer to be placed under regulatory control (i.e., rehabilitation or liquidation).

Mandatory Control Level requires the insurance commissioner to place the reporting entity under regulatory control.

Company Action Level – Trend Test requires the reporting entity to prepare and submit to the insurance commissioner a comprehensive financial plan. The plan identifies the conditions that contributed to the company's financial condition, contains proposals to correct the company's financial problems, and provides projections of the company's financial condition, both with and without the proposed corrections.

When "None" shows, the company's total adjusted capital exceeds the minimum RBC amount and the company is not subject to regulatory attention under the Risk-Based Capital (RBC) for Insurers Model Act.

Trend Test

A company whose RBC ratio is greater than or equal to between 200 percent and less than 300 percent and combined ratio is greater than 105 percent could trigger a Company Action Level RBC regulatory action per the Trend Test.

PR033 - Trend Test

A company whose RBC ratio is greater than or equal to 200 percent and less than 300 percent and combined ratio is greater than 120 percent could trigger a Company Action Level RBC regulatory action per the Trend Test.

PR034 - Comparison of Total Adjusted Capital and Authorized Control Level Risk-Based Capital

This section of the risk-based capital report compares amounts previously developed and determines which level of regulatory attention, if any, is applicable to the company.

Lines (1) through (5) will be calculated automatically by the diskette. One of the following action levels will appear on L(76):

- 1) Company Action Level
- 2) Regulatory Action Level
- 3) Authorized Control Level
- 4) Mandatory Control Level
- 5) Company Action Level-Trend Test
- 0) None

Company Action Level requires the company to prepare and submit an RBC Plan to the commissioner of their state of domicile. The RBC Plan is to be submitted within 45 days. After review, the commissioner will notify the company if the plan is satisfactory.

Regulatory Action Level requires the insurer to submit an RBC Plan, or if applicable, a Revised RBC Plan within 45 days to the commissioner of their state of domicile. After examination or analysis, the commissioner will issue an order specifying corrective actions (Corrective Order) to be taken.

Authorized Control Level authorizes the commissioner to take whatever regulatory actions considered necessary to protect the best interest of the policyholders and creditors of the insurer, which may include the actions necessary to cause the insurer to be placed under regulatory control (i.e., rehabilitation or liquidation).

Mandatory Control Level authorizes the commissioner to take actions necessary to place the company under regulatory control (i.e., rehabilitation or liquidation).

Company Action Level – Trend Test requires the company to prepare and submit an RBC Plan to the commissioner of the state of domicile. The RBC Plan is to be submitted within 45 days. After review, the commissioner will notify the company if the plan is satisfactory. Refer to Instructions for PR033 for details on the Trend Test.

When "None" shows, the company's total adjusted capital exceeds the minimum RBC amount and the company is not subject to regulatory attention under the Risk-Based Capital (RBC) for Insurers Model Act. NOTE: 98.5% of insurers usually fit into this category.

RISK-BASED CAPITAL LEVEL OF ACTION

(Including Tax Sensitivity Test) LR034

Basis of Factors

This section of the risk-based capital report compares amounts previously developed and thus determines the level of regulatory attention, if any, applicable to the company. Specific Instructions for Application of the Formula

Line (6) This section will be calculated automatically by the software, indicating the Level of Action:

Company Action Level RBC Regulatory Action Level RBC Authorized Control Level RBC Mandatory Control Level RBC Company Action Level RBC – Trend Test

None

The indicators are different event levels as defined in the Risk-Based Capital (RBC) for Insurers Model Act. Refer to the model act for further elaboration.

- (0) An indicator of None requires no action.
- (1) Company Action Level requires the company to prepare and submit an RBC Plan to the commissioner of the state of domicile. After review, the commissioner will notify the company if the plan is satisfactory.
- (2) Regulatory Action Level requires the insurer to submit to the commissioner of the state of domicile an RBC Plan, or if applicable, a Revised RBC Plan. After examination or analysis, the commissioner will issue an order specifying corrective actions (Corrective Order) to be taken.
- (3) Authorized Control Level authorizes the commissioner of the state of domicile to take whatever regulatory actions considered necessary to protect the best interest of the policyholders and creditors of the insurer.
- (4) Mandatory Control Level authorizes the commissioner of the state of domicile to take actions necessary to place the company under regulatory control (i.e., rehabilitation or liquidation).
- (5) Company Action Level Trend Test requires the company to prepare and submit an RBC Plan to the commissioner of the state of domicile. After review, the commissioner will notify the company if the plan is satisfactory. Refer to Instructions for LR035 for details.

Tax Sensitivity Test

The tax sensitivity test provides a "what if" scenario that calculates the different RBC levels using pre-tax factors and eliminates deferred tax assets and liabilities from the calculation of Total Adjusted Capital. The sensitivity test has no effect on the risk-based capital amounts reported in the annual statement.

TREND TEST

LR035

Basis of Factors

Companies whose Total Adjusted Capital is greater than or equal to between 2.0 and less than 3.0 times the Authorized Control Level Risk-Based Capital are subject to a trend test. The trend test calculates the greater of the decrease in the margin between the current year and the prior year and the average of the past three years. It assumes that the decrease could occur again in the coming year. Any company whose total adjusted capital, after adjusting for the maximum margin decrease, as reported on Line (15), that trends below 1.9 times the Authorized Control Level Risk-Based Capital as in Line (16) would trigger Company Action Level RBC regulatory action.

Specific Instructions for Application of the Formula

The trend test will utilize two of the previous three years of information to determine the average decrease in the last three years as reported in Line (13), the Marginal Difference Line (14) and Total Adjusted Capital Less Marginal Difference Line (15) respectively.

	RISK-BASED CAPITAL LEVEL OF ACTION	ON		
Company	Name		Cocode: 00000	
	SED CAPITAL LEVEL OF ACTION Tax Sensitivity Test)			
(1)	Total Adjusted Capital - REPORT AMOUNT IN FIVE-YEAR HISTORICAL DATA PAGE 22 COLUMN 1 LINE 30	Source LR033 Calculation of Total Adjusted Capital Column (2) Line (13)	(1) RBC Amount \$0	
	Trigger Points for Level of Regulatory Action:			
(2)	Company Action Level = 200% of Authorized Control Level Risk-Based Capital	2.0 times LR031 Calculation of Total Authorized Control Level Risk- Based Capital Column (1) Line (75)	<u>\$0</u>	
(3)	Regulatory Action Level = 150% of Authorized Control Level Risk-Based Capital	1.5 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (75)	<u>\$0</u>	
(4)	Authorized Control Level Risk-Based Capital - REPORT AMOUNT IN FIVE-YEAR HISTORICAL DATA PAGE 22 COLUMN 1 LINE 31	1.0 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (75)	\$0_	
(5)	Mandatory Control Level = 70% of Authorized Control Level Risk-Based Capital	0.7 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (75)	\$0_	
(6)	Level of Action, including Trend Test†:			Mandatory Control Level",IF(D8 <d19,"authorized control<="" td=""></d19,"authorized>
(7)	Authorized Control Level RBC Ratio	Line (1) / Line (4)	0.000% Level", IF(AN	:D16,"Regulatory Action Level", IF(D8 <d13,"company action<br="">D('LR035'!D29>'LR035'!D27,'LR035'!D11<'LR035'!D9), tion Level -Trend Test","None")))))</d13,"company>
(8) (9) (10) (11) (12) (13)	Tax Sensitivity Test: Total Adjusted Capital Tax Sensitivity Test: Total Adjusted Capital Tax Sensitivity Test: Company Action Level = 200% of Authorized Control Level Risk-Based Capital Tax Sensitivity Test: Regulatory Action Level = 150% of Authorized Control Level Risk-Based Capital Tax Sensitivity Test: Authorized Control Level Risk-Based Capital Tax Sensitivity Test: Mandatory Control Level = 70% of Authorized Control Level Risk-Based Capital Tax Sensitivity Test: Level of Action: If Total Adjusted Capital Line (1) exceeds Company Action Level Risk-Based Capital Line Otherwise, the appropriate level of action will be indicated.	LR033 Calculation of Total Adjusted Capital Column (2) Line (18) 2.0 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (77) 1.5 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (77) 1.0 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (77) 0.7 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (77) 0.7 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (77)	\$0 \$0 \$0 \$0 \$0 \$0 None	

		TREND TEST		
Com	pany Name			
TRE	ND TEST			
			(1)	
		Source	<u>Amount</u>	
ī	Criteria for Applying Trend Test			
(1)	Authorized Control Level Risk-Based Capital	LR031 Calculation of Authorized Control Level		
		Risk-Based Capital Column (1) Line (75)	\$0	
(2)	Trend Test Safe Harbor	3.0 x Line (1)	\$0	
(3)	Total Adjusted Capital	LR033 Calculation of Total Adjusted Capital Line (13)	\$0	
	T IT (D)			
(4)	Trend Test Data	E. A. H. C. ID CB. 22 CT. 21. 30	60	
(4)	First Prior Year Total Adjusted Capital	Five-Year Historical Data Page 22 Column 2 Line 30	\$0	
(5)	First Prior Year Authorized Control Level Risk-Based Capital	Five-Year Historical Data Page 22 Column 2 Line 31	\$0	
(6)	Third Prior Year Total Adjusted Capital	Five-Year Historical Data Page 22 Column 4 Line 30	\$0	
(7)	Third Prior Year Authorized Control Level Risk-Based Capital	Five-Year Historical Data Page 22 Column 4 Line 31	\$0	
	Trend Test Calculation (only if applicable†)			
(8)	Current Year Margin	Line (3) - Line (1)	\$0	
(9)	First Prior Year Margin	Line (4) - Line (5)	\$0	
(10)	Third Prior Year Margin	Line (6) - Line (7)	\$0	
(11)	Decrease in Margin from First Prior Year	Line (9) - Line (8) (use zero if negative)	\$0	
(12)	Decrease in Margin from Third Prior Year	Line (10) - Line (8) (use zero if negative)	\$0	
(13)	Average decrease in Last Three Years	1/3 of Line (12)	\$0	
(14)	Marginal Difference	Greater of Line (11) and Line (13)	\$0	
(15)	Total Adjusted Capital Less Margin Difference	Line (3) - Line (14)	\$0	
(16)	Level of Risk-Based Capital	1.9 x Line (1)	\$0	

[†] The Trend Test applies only if Total Adjusted Capital Line (3) is less than the Trend Test Safe Harbor Line (2) and the LR034 Risk-Based Capital Level of Action Line (6) is "None" Total Adjusted Capital Line (3) is greater than or equal to 200% of Authorized Control Level Risk-Based Capital as calculated in LR034 Line(2).

[‡] If Line (15) is less than Line (16), the company triggers regulatory attention at the Company Action Level based on the trend test.

Capital Adequacy (E) Task Force RBC Proposal Form

	DATE:	FOR NAIC USE ONLY			
CONTACT PERSON:	Derek Noe	Agenda Item #			
TELEPHONE:	816-783-8973	Year 2025			
		DISPOSITION ADOPTED:			
EMAIL ADDRESS:	dnoe@naic.org	☐ TASK FORCE (TF)			
ON BEHALF OF:	Health Risk-Based Capital (E) Working Group	☐ WORKING GROUP (WG)			
NAME:	Steve Drutz	☐ SUBGROUP (SG)			
		EXPOSED:			
TITLE:	Chief Financial Analyst/Chair	☐ TASK FORCE (TF) ☑ WORKING GROUP (WG) 03/24/2025			
AFFILIATION:	WA Office of Insurance Commissioner	□ SUBGROUP (SG)			
ADDRESS:	5000 Capital Blvd SE	REJECTED:			
ADDRESS.		☐ TF ☐ WG ☐ SG			
	Tumwater, WA 98501	OTHER:			
		☐ DEFERRED TO ☐ REFERRED TO OTHER NAIC GROUP			
		☐ (SPECIFY) CADTF 4/30/25			
		Life and Fraternal RBC Blanks			
Health RBC Instruction	,,				
Health RBC Formula	☐ Property/Casualty RBC Formula ☐	Life and Fraternal RBC Formula			
OTHER					
	DESCRIPTION/REASON OR JUSTIFICAT	TON OF CHANGE(S)			
vestment income adjus	derwriting factors for Comprehensive Medical, Med tment. factors for Comprehensive Medical, Medicare Sup for the investment income adjustment.	.,			
NU2U, PNU19, allu PNU2U	for the investment income adjustment.				
NO20, 1 NO13, and 1 NO20	ror the investment income adjustment.				

^{**} This section must be completed on all forms.

$\underline{https://www.treasury.gov/resource-center/data-chart-center/interest-rates/Pages/TextView.aspx?data=yield}$

Date	1 Mo	1.5 Mo	2 Mo	3 Mo	4 Mo	6 Mo	1 Yr	2 Yr	3 Yr	5 Yr	7 Yr	10 Yr	20 Yr	30 Yr
01/02/2025	4.45	N/A	4.36	4.36	4.31	4.25	4.17	4.25	4.29	4.38	4.47	4.57	4.86	4.79
01/03/2025	4.44	N/A	4.35	4.34	4.31	4.25	4.18	4.28	4.32	4.41	4.51	4.60	4.88	4.82
01/06/2025	4.43	N/A	4.36	4.35	4.31	4.24	4.17	4.28	4.30	4.42	4.52	4.62	4.91	4.85
01/07/2025	4.42	N/A	4.35	4.35	4.31	4.24	4.19	4.30	4.33	4.46	4.57	4.67	4.97	4.91
01/08/2025	4.41	N/A	4.34	4.35	4.31	4.25	4.19	4.28	4.31	4.45	4.56	4.67	4.97	4.91
01/09/2025	4.44	N/A	4.36	4.35	4.31	4.24	4.16	4.27	4.31	4.46	4.57	4.68	4.98	4.92
01/10/2025	4.42	N/A	4.35	4.36	4.33	4.27	4.25	4.40	4.46	4.59	4.70	4.77	5.04	4.96
01/13/2025	4.42	N/A	4.36	4.37	4.34	4.30	4.24	4.40	4.49	4.61	4.71	4.79	5.05	4.97
01/14/2025	4.42	N/A	4.35	4.36	4.33	4.29	4.22	4.37	4.46	4.59	4.70	4.78	5.06	4.98
01/15/2025	4.40	N/A	4.34	4.35	4.32	4.26	4.19	4.27	4.34	4.45	4.55	4.66	4.95	4.88
01/16/2025	4.43	N/A	4.36	4.34	4.32	4.26	4.18	4.23	4.29	4.39	4.50	4.61	4.91	4.84
01/17/2025	4.43	N/A	4.35	4.34	4.32	4.28	4.21	4.27	4.33	4.42	4.52	4.61	4.91	4.84
01/21/2025	4.42	N/A	4.35	4.36	4.33	4.28	4.21	4.29	4.33	4.40	4.49	4.57	4.87	4.80
01/22/2025	4.42	N/A	4.35	4.36	4.32	4.28	4.20	4.29	4.34	4.43	4.51	4.60	4.89	4.82
01/23/2025	4.45	N/A	4.36	4.36	4.32	4.27	4.18	4.29	4.35	4.45	4.55	4.65	4.92	4.87
01/24/2025	4.45	N/A	4.36	4.35	4.32	4.25	4.17	4.27	4.33	4.43	4.53	4.63	4.91	4.85
01/27/2025	4.44	N/A	4.36	4.32	4.30	4.25	4.13	4.17	4.24	4.32	4.43	4.53	4.82	4.76
01/28/2025	4.44	N/A	4.35	4.31	4.30	4.26	4.14	4.19	4.25	4.33	4.43	4.55	4.84	4.78
01/29/2025	4.43	N/A	4.34	4.31	4.34	4.27	4.17	4.21	4.27	4.35	4.44	4.55	4.85	4.79
01/30/2025	4.37	N/A	4.38	4.30	4.33	4.27	4.16	4.18	4.24	4.31	4.41	4.52	4.81	4.76
01/31/2025	4.37	N/A	4.37	4.31	4.33	4.28	4.17	4.22	4.27	4.36	4.47	4.58	4.88	4.83



February 2, 2023

Steve Drutz Chair, Health Risk-Based Capital (E) Working Group National Association of Insurance Commissioners (NAIC)

Re: Request for Additional Analysis to Incorporate Investment Income into the Underwriting Risk Component of the Health Risk-Based Capital (HRBC) Formula

Dear Mr. Drutz:

On behalf of the American Academy of Actuaries¹ Health Solvency Subcommittee (the subcommittee), I am pleased to provide this response letter to the NAIC's Health Risk-Based Capital (E) Working Group request to provide additional investment return scenarios within the subcommittee's summary of the Investment Income Adjusted Health H2 Experience Fluctuation Risk Factors. These factors are included within the table below.

Investment Income Adjusted Tiered Risk-Based Capital (RBC) Factors

Assumed Investment Return	Comprehensive Medical (CM)	Medicare Supplement	Dental/Vision
	High Tier (i.e.	l less than \$3Million (M) or less than \$25M)
0.0%	15.00%	10.50%	12.00%
3.5%	14.53%	10.01%	11.63%
4.0%	14.47%	9.94%	11.58%
4.5%	14.40%	9.87%	11.53%
5.0%	14.34%	9.80%	11.48%
5.5%	14.27%	9.73%	11.43%
6.0%	14.21%	9.67%	11.38%
		Low Tier	
0.0%	9.00%	6.70%	7.60%
3.5%	8.56%	6.23%	7.25%
4.0%	8.50%	6.16%	7.20%
4.5%	8.44%	6.09%	7.16%
5.0%	8.38%	6.03%	7.11%
5.5%	8.32%	5.96%	7.06%
6.0%	8.25%	5.90%	7.01%

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¹ The American Academy of Actuaries is a 19,500-member professional association whose mission is to serve the public and the U.S. actuarial profession. For more than 50 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

Please note that the subcommittee updated the claims completion pattern assumptions slightly in this analysis. The impact of this change on the RBC factors is approximately 0.01%. Otherwise, the methodology is unchanged.

If you have any questions or would like to discuss further, please contact Matthew Williams, the Academy's senior health policy analyst, at williams@actuary.org.

Sincerely,

Derek Skoog, MAAA, FSA Chairperson, Health Solvency Subcommittee American Academy of Actuaries

Cc: Crystal Brown, Senior Health RBC Analyst & Education Coordinator, Financial Regulatory Affairs, NAIC

Health Instructions

Page XR013, Line 13

Detail Eliminated to Conserve Space

<u>Line (13) Underwriting Risk Factor.</u> A weighted average factor based on the amount reported in Line (6), Underwriting Risk Revenue. The factors for Column (1) through (3) have incorporated an investment income yield of 54.5%.

	\$0 – \$3	\$3 – \$25	Over \$25
	Million	Million	Million
Comprehensive (Hospital & Medical)	0.14 <u>40</u> 27	0.14 <u>4027</u>	0.08 <u>44</u> 32
Individual & Group			
Medicare Supplement	0.09 <u>87</u> 73	0.0 <u>609</u> 596	0.0 <u>609</u> 596
Dental & Vision	0.11 <u>53</u> 4 3	0.07 <u>16</u> 06	0.07 <u>16</u> 06
Stand-Alone Medicare Part D Coverage	0.251	0.251	0.151
Other Health	0.130	0.130	0.130
Other Non-Health	0.130	0.130	0.130

The investment income yield was incorporated into the Comprehensive (Hospital & Medical) individual & group, Medicare Supplement and Dental & Vision lines of business. The purpose was to incorporate an offset to reduce the underwriting risk factor for investment income earned by the insurer. The Working Group incorporated a 0.5% income yield that was based on the yield of a 6-month US Treasury Bond. Each year, the Working Group will identify the yield of the 6-month Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modifications to the 54.5% adjustment is needed. Any adjustments will be rounded up to the nearest 0.5%.

P/C Instructions

Page PR020, Line 10

Detail Eliminated to Conserve Space

Line (10) Underwriting Risk Factor

A weighted average factor based on the amount reported in Line (5), Underwriting Risk Revenue.

Ş0 - Ş3	\$3-\$25	Over \$25
Million	Million	Million
0.14 <u>40</u> 27	0.14 <u>40</u> 27	0.08 <u>44<mark>32</mark></u>
0.09 <u>8773</u>	0.0 <u>609</u> 596	0.0 <u>609</u> 596
0.11 <u>53</u> 4 3	0.07 <u>16</u> 06	0.07 <u>16</u> 06
0.251	0.251	0.151
	0.14 <u>40</u> 27 0.09 <u>87</u> 73 0.11 <u>53</u> 43	Million Million 0.144027 0.144027 0.098773 0.0609596 0.115343 0.071606

Life Instructions LR020, Line 10

Detail Eliminated to Conserve Space

Line (10) Underwriting Risk Factor

A weighted average factor based on the amount reported in Line (5), Underwriting Risk Revenue. The factors for Column 1-3 have incorporated investment income.

	\$0 - \$3	\$3 - \$25	Over \$25
	Million	Million	Million
Comprehensive Medical	0.14 <u>40</u> 27	0.14 <u>40</u> 27	0.08 <u>44<mark>32</mark></u>
Medicare Supplement	0.09 <u>87</u> 73	0.0 <u>609</u> 596	0.0 <u>609</u> 596
Dental & Vision	0.11 <u>53</u> 4 3	0.07 <u>16</u> 06	0.07 <u>16</u> 06
Stand-Alone Medicare Part D Coverage	0.251	0.251	0.151

UNDERWRITING RISK

Experience Fluctuation Risk

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	Comprehensive			Stand-Alone			
	(Hospital & Medical) -	Medicare		Medicare Part D		Other Non-	
Line of Business	Individual & Group	Supplement	Dental & Vision	Coverage	Other Health	Health	Total
(1) † Premium							
(2) † Title XVIII-Medicare		XXX	XXX	XXX	XXX	XXX	
(3) † Title XIX-Medicaid		XXX	XXX	XXX	XXX	XXX	
(4) † Other Health Risk Revenue		XXX				XXX	
(5) Medicaid Pass-Through Payments Reported as Premiums		XXX	XXX	XXX	XXX	XXX	
(6) Underwriting Risk Revenue = Lines $(1) + (2) + (3) + (4) - (5)$							
(7) † Net Incurred Claims						XXX	
(8) Medicaid Pass-Through Payments Reported as Claims		XXX	XXX	XXX	XXX	XXX	
(9) Total Net Incurred Claims Less Medicaid Pass-Through Payments Reported as Claims = Lines (7) - (8)						XXX	
(10) † Fee-For-Service Offset		XXX				XXX	
(11) Underwriting Risk Incurred Claims = Lines (9) - (10)						XXX	
(12) Underwriting Risk Claims Ratio = For Column (1) through (5), Line (11)/(6)						1.000	XXX
(13) Underwriting Risk Factor*					0.130	0.130	XXX
(14) Base Underwriting Risk RBC = Lines (6) x (12) x (13)							
(15) Managed Care Discount Factor						XXX	XXX
(16) RBC After Managed Care Discount = Lines (14) x (15)						XXX	
(17) † Maximum Per-Individual Risk After Reinsurance						XXX	XXX
(18) Alternate Risk Charge **						XXX	XXX
(19) Alternate Risk Adjustment						XXX	XXX
(20) Net Alternate Risk Charge***						XXX	
(21) Net Underwriting Risk RBC (MAX {Line (16), Line (20)}) for Columns (1) through (5), Column (6), Line (14)							

TIERED RBC FACTORS*							
Comprehensive Stand-Alone							
	(Hospital & Medical) -	Medicare		Medicare Part D		Other Non-	
	Individual & Group	Supplement	Dental & Vision	Coverage	Other Health	Health	
\$0 - \$3 Million	0.1440 27	0.0987 3	0.115343	0.251	0.130	0.130	
\$3 - \$25 Million	0.1440 27	0.0609 596	0.0716 06	0.251	0.130	0.130	
Over \$25 Million	0.084432	0.0609 596	0.0716 06	0.151	0.130	0.130	

ALTERNATE	RISK	CHARGE**
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** The Line (18) Alternate Risk Charge is calculated as follows:							
	\$1,500,000	\$50,000	\$50,000	\$150,000	\$50,000		
LESSER OF:	or	or	or	or	or	N/A	
	2 x Maximum Individual	2 x Maximum	2 x Maximum	6 x Maximum	2 x Maximum		
	Risk	Individual Risk	Individual Risk	Individual Risk	Individual Risk		

Denotes items that must be manually entered on filing software.

[†] The Annual Statement Sources are found on page XR014.

^{*} This column is for a single result for the Comprehensive Medical & Hospital, Medicare Supplement and Dental/Vision managed care discount factor.

^{***} Limited to the largest of the applicable alternate risk adjustments, prorated if necessary.

UNDERWRITING RISK - PREMIUM RISK FOR COMPREHENSIVE MEDICAL, MEDICARE SUPPLEMENT ANI

(Experience Fluctuation Risk in Life RBC Formula)

		(1)	(2)	(3)	(4) Stand-Alone	(5)
		Comprehensive Medical	Medicare Supplement	Dental & Vision	Medicare Part D Coverage	TOTAL
(1.1)	Premium – Individual	0	0	0	0	0
(1.2)	Premium – Group	0	0	0	0	0
(1.3)	Premium - Total = Line (1.1) + Line (1.2)	0	0	0	0	0
(2)	Title XVIII-Medicare†	0	XXX	XXX	XXX	0
(3)	Title XIX-Medicaid†	0	XXX	XXX	XXX	0
(4)	Other Health Risk Revenue†	0	XXX	0	0	0
(5)	Underwriting Risk Revenue = Lines $(1.3) + (2) + (3) + (4)$	0	0	0	0	0
(6)	Net Incurred Claims	0	0	0	0	0
(7)	Fee-for-Service Offset†	0	XXX	0	0	0
(8)	Underwriting Risk Incurred Claims = Line (6) – Line (7)	0	0	0	0	0
(9)	Underwriting Risk Claims Ratio = Line (8) / Line (5)	0.0000	0.0000	0.0000	0.000	XXX
(10.1)	Underwriting Risk Factor for Initial Amounts Of Premium;	0.1440 27	0.09873	0.115343	0.251	XXX
(10.2)	Underwriting Risk Factor for Excess of Initial Amount‡	0.0844 32	0.0609 596	0.0716 06	0.151	XXX
(10.3)	Composite Underwriting Risk Factor	0.0000	0.0000	0.0000	0.000	XXX
(11)	Base Underwriting Risk RBC = Line (5) x Line (9) x Line (10.3)	0	0	0	0	0
(12)	Managed Care Discount Factor = PR021 Line (12)	0.0000	0.0000	0.0000	0.000	XXX
(13)	Base RBC After Managed Care Discount = Line (11) x Line (12)	0	0	0	0	0
(14)	RBC Adjustment For Individual =					_
	[{Line(1.1) x 1.2 + Line (1.2)} / Line (1.3)] x Line (13)§	0	0	0	0	0
(15)	Maximum Per-Individual Risk After Reinsurance†	0	0	0	0	XXX
(16)	Alternate Risk Charge*	0	0	0	0	0
(17)	Net Alternate Risk Charge£	0	0	0	0	0
(18)	Net Underwriting Risk RBC (Maximum of Line (14) or Line (17))	0	0	0	0	0

Source is company records unless already included in premiums.

The Line (16) Alternate Risk Charge is calculated as follows:

	\$1,500,000	\$50,000	\$50,000	\$150,000	Maximum
LESSER OF:	or	or	or	or	of
	2 x Maximum	2 x Maximum	2 x Maximum	6 x Maximum	Columns
	Individual Risk	Individual Risk	Individual Risk	Individual Risk	(1), (2) (3) and (4)

£ Applicable only if Line (16) for a column equals Line (16) for Column (5), otherwise zero.

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

For Comprehensive Medical the Initial Premium Amount is \$25,000,000 or the amount in Line (1.3) if smaller. For Medicare Supplement and Dental & Vision the Initial Premium Amount is \$3,000,000 or the amount in Line (1.3) if smaller. For Stand-Alone Medicare Part D the Initial Premium Amount is \$25,000,000 or the amount in Line (1.3) if smaller.

[§] Formula applies only to Column (1), for all other columns Line (14) should equal Line (13).

UNDERWRITING RISK

Experience Fluctuation Risk

		(1) Comprehensive	(2) Medicare	(3)	(4) Stand-Alone Medicare Part D	(5)
	Line of Business	Medical	Supplement	Dental & Vision	Coverage	Total
(1.1)	Premium – Individual					
(1.2)	Premium – Group					
(1.3)	Premium – Total = Line (1.1) + Line (1.2)					
(2)	Title XVIII-Medicare†		XXX			
(3)	Title XIX-Medicaid†		XXX			
(4)	Other Health Risk Revenue†		XXX			
(5)	Underwriting Risk Revenue = Lines $(1.3) + (2) + (3) + (4)$					
(6)	Net Incurred Claims					
(7)	Fee-for-Service Offset†		XXX			
(8)	Underwriting Risk Incurred Claims = Line (6) – Line (7)					
(9)	Underwriting Risk Claims Ratio = Line (8) / Line (5)					XXX
(10.1)	Underwriting Risk Factor for Initial Amounts Of Premium;	0.1440 27	0.09873	0.115343	0.251	XXX
(10.2)	Underwriting Risk Factor for Excess of Initial Amount‡	0.084432	0.0609 596	0.071606	0.151	XXX
(10.3)	Composite Underwriting Risk Factor					XXX
(11)	Base Underwriting Risk RBC = Line (5) x Line (9) x Line (10.3)					
(12)	Managed Care Discount Factor = LR022 Line (17)					XXX
(13)	Base RBC After Managed Care Discount = Line (11) x Line (12)					
(14)	RBC Adjustment For Individual =					
	[{Line(1.1) x 1.2 + Line (1.2)} / Line (1.3)] x Line (13)§					
(15)	Maximum Per-Individual Risk After Reinsurance†					XXX
(16)	Alternate Risk Charge*					
(17)	Net Alternate Risk Charge£					
(18)	Net Underwriting Risk RBC (Maximum of Line (14) or Line (17))					

- † Source is company records unless already included in premiums.
- For Comprehensive Medical, the Initial Premium Amount is \$25,000,000 or the amount in Line (1.3) if smaller. For Medicare Supplement and Dental & Vision, the Initial Premium Amount is \$3,000,000 or the amount in Line (1.3) if smaller. For Stand-Alone Medicare Part D, the Initial Premium Amount is \$25,000,000 or the amount in Line (1.3) if smaller.
- § Formula applies only to Column (1), for all other columns Line (14) should equal Line (13).
- * The Line (16) Alternate Risk Charge is calculated as follows:

	\$1,500,000	\$50,000	\$50,000	\$150,000	Maximum
LESSER OF:	or	or	or	or	of
	2 x Maximum	2 x Maximum	2 x Maximum	6 x Maximum	Columns
	Individual Risk	Individual Risk	Individual Risk	Individual Risk	(1), (2), (3) and (4)

£ Applicable only if Line (16) for a column equals Line (16) for Column (5), otherwise zero.

PROCEDURES OF THE FINANCIAL CONDITION (E) COMMITTEE'S CAPITAL ADEQUACY TASK FORCE IN CONNECTION WITH PROPOSED AMENDMENTS TO RISK-BASED CAPITAL BLANKS AND INSTRUCTIONS

The following establishes procedures and rules of the Financial Condition (E) Committee's Capital Adequacy Task Force (Task Force) and its Working Groups with respect to proposed amendments to the NAIC RBC Forecasting (blanks) and Instructions.

- 1. The Task Force may consider relevant proposals to change the RBC blanks and instructions at the national meeting or designated interim meeting as scheduled by the Task Force.
- 2. All proposals for suggested changes and amendments shall use NAIC Proposal Forms and shall be stated in a concise and complete manner and include the appropriate blank and instruction modifications. The Proposal Form and its instructions are available online under related documents and resources at https://content.naic.org/cmte_e_capad.htm. All interested party proposals should be emailed to the appropriate NAIC staff support with a completed proposal form and mocked-up changes.

The following guidelines apply:

- Although proposal shall be exposed throughout the year to allow ample time for consideration, any proposals that affect
 an RBCa structural change to the RBC blank blank (e.g. all pages addition/deletion of a row or column after LR001, PR001,
 XR001) must be exposed by the Task Force or its Working Groups no later than March 31 of the effective year of the
 change. The proposal must be adopted by the Task Force no later than May 15 of the effective year of the change.
- Any proposal that only affects the instructions, non-structural change to the RBC Blanks (e.g. description or reference change) or factors must be exposed by the Task Force / Working Group by May 15 and adopted by the Task Force by June 30 of the current year.
- Only the Task Force may extend the June 30th adoption deadline for previously considered proposals upon a -two-thirds-consent of the Task Force members present where such extension can be no later than July 30th of the current year. This would be considered only in rare circumstances where urgency of such adoption is high and implementation by the RBC software vendors is feasible. The two-thirds consent applies only in the instance of a Task Force vote that is outside of the standard RBC adoption deadlines (May 15 and June 30).

An illustration of the proposed change to the RBC blank, factors, or instructions should accompany the Proposal Form. In addition, an impact analysis is preferred for any factor change. If another NAIC Committee, Task Force or Working Group is known to have considered this proposal, that Committee, Task Force or Working Group should provide any relevant information.

The Task Force/Working Groups will review the proposal and determine whether to receive the proposal and expose for public comment (initial exposure of at least 30-days to ensure adequate time to provide comment on any structural change, unless a shorter exposure is approved by the Task Force or Working Groups) or to reject the proposal. The comment period shall end at least 3 business days prior to the next designated national or interim meetings of the Task Force/ Working Group. The Task Force/Working Group will consider comments received on each proposal at its next meeting. Proposals under consideration may be deferred by the Task Force/Working Group if the proposal has merit but warrants additional work or input. The Task Force may also refer proposals to other NAIC groups due to their technical expertise or for additional review. If a proposal has been referred to another NAIC group it will be considered again after comments/recommendations are received. The Task Force will review and adopt the working agenda at the each Fall National Meeting, if necessary, to ensure all items designated as a priority 1 are being addressed to assess the status of the priority items, to add or delete items that have been addressed or to reprioritize the remaining items on the working agenda.

- 3. Interested Party proposals filed with the appropriate NAIC staff support shall be considered at the next regularly scheduled meeting of the Task Force/Working Group if the proposal is filed at least fifteen business days prior to the meeting.
- 4. The NAIC staff support shall prepare the meeting materials including all suggested proposals. Interim meeting materials will be posted no later than three business days prior to the scheduled meeting on the NAIC website. Initial national meeting materials will be posted ten business-calendar days before the first day of each National Meeting on the NAIC website. Materials posted ten business-calendar days in advance of the National Meeting will not be printed for distribution.
- 5. At each meeting, the Task Force/Working Group will review comments that were received by the comment exposure due date for suggested proposals.
- 6. NAIC staff support will incorporate editorial changes discovered in the annual updates of the RBC formulas e.g., reference changes

due to new SSAPs or annual statement references. NAIC staff support may also request that the Task Force/Working Group reconsider items adopted, if these items contain substantial -modifications.

- 7. The Task Force/Working Group may, when deemed necessary, appoint an Ad Hoc Group to study proposals and/or certain issues.
- 8. The NAIC will publish the RBC Forecasting and Instructions for the next subsequent year on, or about November 1 each year. The following documentation will be posted to the NAIC Web site:
 - RBC Proposals adopted by the Task Force (after each interim and National Meeting)
 - Annual RBC Newsletters (after Summer National Meeting)
 - Annual RBC Statistics (after Summer National Meeting)
 - Working Agenda (after each Fall National Meeting)
 - Any subsequent corrections to these publications (as needed)

Draft: 8/14/24

Adopted by the Executive (EX) Committee and Plenary, Dec. xx, 20242025 Adopted by the Financial Condition (E) Committee, Dec. xx, 20242025 Adopted by the Capital Adequacy (E) Task Force, SeptJune. 26xx, 20242025

2025 2026 Proposed Charges

CAPITAL ADEQUACY (E) TASK FORCE

The mission of the Capital Adequacy (E) Task Force is to evaluate and recommend appropriate refinements to capital requirements for all types of insurers.

Ongoing Support of NAIC Programs, Products, or Services

- 1. The Capital Adequacy (E) Task Force will:
 - A. <u>Evaluate application of the RBC formula and Evaluate</u> emerging "risk" issues for referral to the risk-based capital (RBC) working groups/subgroups for certain issues involving more than one RBC formula. Monitor emerging and existing risks relative to their consistent or divergent treatment in the three RBC formulas.
 - B. Review and evaluate company submissions for the schedule and corresponding adjustment to total adjusted capital (TAC).
 - C. Evaluate relevant historical data and apply defined statistical safety levels over appropriate time horizons in developing recommendations for revisions to the current asset risk structure and factors in each of the RBC formulas.
 - Continually review the RBC instructions, blanks and forecastings and revise as appropriate.
- 2. The Health Risk-Based Capital (E) Working Group, Life Risk-Based Capital (E) Working Group, and Property and Casualty Risk-Based Capital (E) Working Group will:
 - A. Evaluate refinements to the existing NAIC RBC formulas implemented in the prior year. Forward the final version of the structure of the current year life and fraternal, property/casualty (P/C), and health RBC formulas to the Financial Condition (E) Committee by June.
 - B. Consider improvements and revisions to the various RBC blanks to: 1) conform the RBC blanks to changes made in other areas of the NAIC to promote uniformity; and 2) oversee the development of additional reporting formats within the existing RBC blanks as needs are identified. Any proposal that affects the RBC structure must be adopted no later than May 15 of the reporting year, and any proposal that affects the a non-structural change to the RBC Blanks, RBC factors and/or instructions must be adopted no later than June 30 of the reporting year. Adopted changes will be forwarded to the Financial Condition (E) Committee by the next scheduled meeting or conference call. Any adoptions made to the annual financial statement blanks or statutory accounting principles that affect an RBC change adopted by June 30 and result in an amended change may be considered and adopted by July 30, where the Capital Adequacy (E) Task Force votes to pursue by two-thirds consent of members.
 - C. Monitor changes in accounting and reporting requirements resulting from the adoption and continuing maintenance of the revised Accounting Practices and Procedures Manual (AP&P Manual) to ensure that model laws, publications, formulas, analysis tools, etc. supported by the Task Force continue to meet regulatory objectives.
 - D. Review the effectiveness of the NAIC's RBC policies and procedures as they affect the accuracy, audit ability, timeliness of reporting access to RBC results, and comparability among the RBC formulas. Report on data quality problems in the prior year RBC filings at the summer and fall national meetings.
- 3. The Variable Annuities Capital and Reserve (E/A) Subgroup of the Life Risk-Based Capital (E) Working Group and the Life Actuarial (A) Task Force will:

- A. Monitor the impact of the changes to the variable annuities (VA) reserve framework and RBC calculation and determine if additional revisions need to be made.
- B. Develop and recommend appropriate changes, including those to improve the accuracy and clarity of VA capital and reserve requirements.
- 4. The **Longevity Risk (E/A) Subgroup** of the Life Risk-Based Capital (E) Working Group and the Life Actuarial (A) Task Force will:
 - A. Provide recommendations for the appropriate treatment of longevity risk transfers by the new longevity factors.
- 5. The Catastrophe Risk (E) Subgroup of the Property and Casualty Risk-Based Capital (E) Working Group will:
 - A. Recalculate the premium risk factors on an ex-catastrophe basis, if needed.
 - B. Continue to update the U.S. and non-U.S. catastrophe event list.
 - C. Continue to evaluate the need for exemption criteria for insurers with minimal risk.
 - D. Evaluate the RBC results inclusive of a catastrophe risk charge.
 - E. Refine instructions for the catastrophe risk charge.
 - F. Continue to evaluate any necessary refinements to the catastrophe risk formula.
 - G. Evaluate other catastrophe risks for possible inclusion in the charge.

6. The RBC Investment Risk and Evaluation (E) Working Group will:

- A. Perform a comprehensive review of the RBC investment framework for all business types, which could include:
 - i. Identifying and acknowledging uses that extend beyond the purpose of the Risk-Based Capital (RBC) for Insurers Model Act (#312). Evaluating relevant historical data and applying defined statistical safety levels over appropriate time horizons in developing recommendations for revisions to current asset risk structure and factors (e.g. C-10 and C1-cs).
 - ii. Facilitating coordination and alignment among NAIC committees/task forces/working groups related to its work in reviewing current asset risk framework.
 - ii. Assessing the impact and effectiveness of potential changes in contributing to the identification of weakly capitalized companies; i.e., those companies at action levels.
 - iii. Documenting the modifications made over time to the formulas, including, but not limited to, an analysis of the costs in study and development, implementation (internal and external), assimilation, verification, analysis, and review of the desired change to the RBC formulas and facilitating the appropriate allocation of resources.
 - iv-iii. Assessing the impact and effectiveness of potential/recommended changes in contributing to the identification of potentially weakly capitalized companies, i.e. those companies at action levels.
- 7. The **Generator of Economic Scenarios (GOES) (E/A) Subgroup** of the Life Risk-Based Capital (E) Working Group and the Life Actuarial (A) Task Force will:
 - A. Monitor that the economic scenario governance framework is being appropriately followed by all relevant stakeholders involved in scenario delivery.
 - B. Review material economic scenario generator updates, either driven by periodic model maintenance or changes to the economic environment and provide recommendations.
 - C. Regularly review key economic conditions and metrics to evaluate the need for off-cycle or significant economic scenario generator updates and maintain a public timeline for economic scenario generator updates.
 - D. Support the implementation of an economic scenario generator for use in statutory reserve and capital calculations.
 - E. Develop and maintain acceptance criteria that reflect history as well as plausibly more extreme scenarios.

NAIC Support Staff: Eva Yeung

SharePoint/FRS-RBC/CADTF/Charges/2024/2026/2024-2026 Proposed Charges.docx

PETER GOULD

May 5, 2025

Capital Adequacy (E) Task Force NAIC

Re: Risk Based Capital Proposal 2024-16-CA

https://content.naic.org/sites/default/files/inline-files/2024-16-CA 0.pdf

Dear Members of the CATF:

I am a retiree and annuity contract owner. I depend on annuities for a considerable portion of my retirement income. I purchased annuities as a source of retirement income I would not outlive - not as speculative investments.

As an annuity owner, the insurer's obligations to me are spelled out in my contracts. However, there are no provisions in my contracts that protect me or provide me with rights to prevent my insurer from becoming insolvent or unable to meet their contractual obligations to me. As a result, consumers like me, as well as the insurance professionals who serve them, who ignore the financial stability and claims-paying ability of an insurer do so to their own detriment.

As an annuity owner with skin in the game, I'm uniquely qualified to share my strong opposition to the above-referenced proposal. I'm astounded that a regulator, charged with protecting consumers, would even think of suppressing RBC information.

After carefully studying the proposal and initial comment letters, it's clear to me that:

- The change in the preamble is a thinly veiled attempt to remove RBC data from publicly available annual statutory statements. This would deprive stakeholders (including consumers, policy owners, investors, insurance professionals, researchers, journalists, academics and others) of information that is vital to the selection and monitoring of insurers.
- 2. Stakeholders have had access to this information for 30+ years. The information is useful for a variety of reasons helping regulators identify weakly capitalized companies, providing stakeholders a general and consistent way to evaluate an insurer's condition. There's no compelling (or minor) reason to change the current policy and hide the information from stakeholders.
- 3. Transparency is important in the regulation of insurers and evaluation of their solvency. This is made clear in the International Association of Insurance Supervisors (IAIS) Insurance Core Principle (ICP) 20.10. In a similar manner, transparency is required under GAAP Accounting Standard ASC 944-505-50-1, for reporting on a company's 10-K. The proposal would be a glaring deviation from both US GAAP accounting requirements and from international regulatory best practices to the detriment of all stakeholders.

Capital Adequacy (E) Task Force May 5, 2025 Page 2

Rather than work against stakeholders, CATF's energy should be directed toward improved consumer protection and greater transparency. To that end, I propose the following:

- 1. Reject proposal 2024-16-CA
- 2. Improve transparency by adding the statutory statement RBC information to the NAIC website as part of the Consumer Information Search Financial Overview Report, so that it's easily searchable and accessible to all stakeholders.

In closing, the rationale for the proposal is severely flawed - it's just an attempt to mask the real problem - the toxic mixture of non-existent guardrails and weak enforcement, that would allow a company's RBC to go from 600 to negative 20,000 in one year (A-Cap). If the objective is to bury and ignore the problem, simply drop all references to RBC in the Model Code and eliminate the Capital Adequacy (E) Task Force.

Thank you for your consideration of my comments and for the work that you do to protect consumers.

Yours truly,





May 8, 2025

Mike Yanacheak Chair, Capital Adequacy (E) Task Force National Association of Insurance Commissioners

Re: Proposal 2024-16-CA (Revised Preamble)

Dear Chair Yanacheak,

On behalf of the Risk Management and Financial Reporting Practice Council's Prudential Regulation Committee (the Committee) of the American Academy of Actuaries, ¹ I appreciate the opportunity to provide input to the Capital Adequacy Task Force (CADTF) on the re-exposed revisions to the Risk-Based Capital Preamble, 2024-16-CA (the Re-exposure). The Academy's mission is to serve the public and the U.S. actuarial profession. As part of that mission, the Academy has historically closely collaborated with the NAIC and state regulators in updating components of the NAIC's risk-based capital (RBC) framework to maintain it as an appropriate solvency monitoring tool. The Committee provided comments on the initial 2024-16-CA exposure in 2024, and this letter reiterates those comments and responds to the additional questions in the Re-exposure.

The Use of RBC Information

The Committee appreciates the edits in the Re-exposure regarding certain misuses of RBC, such as use for ranking individual companies or for detailed comparisons. While we recognize that there are instances in which public data can be used for purposes that are not appropriate, the edits to the Preamble, in our view, go too far in critiquing nonregulator use of publicly available RBC information and in critiquing any use beyond identifying potentially weakly capitalized companies.

We understand and agree with the additions made in section E about RBC being developed and calibrated for its primary use. However, we disagree with the implication that any nonregulator use of RBC is inappropriate, including the use of RBC information outside of specific RBC action levels. For example, excess capital above the defined Authorized Control Level RBC provides useful information for company management and is regularly used by those focused on financial management and solvency risk, including actuaries. Part of sound risk management involves an assessment of statutory-required and available capital levels in baseline and stressed conditions which can inform risk-based decision making. In addition, some companies can reasonably use RBC as their primary capital management tool to the extent that they have performed an analysis and determined that it effectively captures their solvency risks. Finally, the public at large may also benefit from understanding to what extent a given company's capitalization exceeds a regulatory action level.

¹ The American Academy of Actuaries is a 20,000-member professional association whose mission is to serve the public and the U.S. actuarial profession. For 60 years, the Academy has assisted public policymakers on all levels by providing leadership, objective expertise, and actuarial advice on risk and financial security issues. The Academy also sets qualification, practice, and professionalism standards for actuaries in the United States.

We also observe that RBC is utilized within other regulatory review tools such as Own Risk Solvency Assessment (ORSA) and Group Capital Calculation (GCC), and the added language in Section E appears inconsistent with this practice of regulators using RBC for broader purposes. For GCC specifically, the excess relative ratio scaling approach adopted by the NAIC indicates that capital levels above minimum requirements are relevant for understanding group solvency. As such, we believe the emphasis on RBC as solely identifying potentially weakly capitalized companies is too narrow, and we recommend tempering the language in Section E.

Question 2 of the Re-exposure requests examples of how RBC ratios are used beyond their primary purpose for regulators to identify potentially weakly capitalized companies. As noted earlier, companies use RBC ratios in baseline and stressed conditions to inform risk-based decision making, and some companies use RBC as their primary capital management tool. From our perspective, these examples are reasonable uses of RBC information, and the edits to the preamble could be interpreted to dissuade such uses.

The Benefits of RBC

We also observe that the proposed edits emphasize some of the misuses of RBC without fully highlighting the benefits that RBC has provided to companies, regulators, policyholders, and the industry in general. The proposed changes to paragraphs 11 and 14 and the new Section E may be interpreted by some readers as critical of RBC generally. While we understand the purpose of these paragraphs in terms of outlining RBC's limitations, they may call into question the perceived validity and reliability of RBC when it has worked well for its purpose for many years.

Question 1 of the Re-exposure asks whether there are any objections to adopting the proposed edits as-is. In addition to acknowledging the other valid uses of RBC noted earlier, we suggest the CADTF include in Section E (paragraphs 18-21) a presentation that identifies the value that RBC has provided to date alongside critiques that have been raised regarding other uses of RBC. For example, the overarching statements in paragraphs 18 (e.g., "Any other application of RBC would be inappropriate...") and 20 (e.g., "RBC requirements are not appropriate to evaluate the relative or absolute level of risk...") could be replaced by statements that better communicate and/or balance the strength of the RBC framework to external stakeholders.

The Importance of Public RBC Disclosures

While we understand that the Re-exposure does not include edits to the 5-year Historical Data page in the Annual Statement Blanks, the past discussion at the CADTF and the proposed edits to the Preamble could be interpreted to advocate for the potential removal of public RBC disclosures. We emphasize that a transparent basis of evaluating insurance company solvency is essential for an insurance regulatory regime. RBC, in addition to assisting regulators in identifying weakly capitalized companies, has also provided a general and consistent way for other stakeholders to obtain a high-level understanding of a company's solvency position, which promotes public confidence in the insurance system in the United States. In effect, we believe the public disclosure of the RBC level of individual insurance companies has been beneficial to policyholders, consumers, and other external stakeholders.

If you have any questions or would like to discuss further, please contact Will Behnke, the Academy's Risk Management and Financial Reporting policy project manager, at behnke@actuary.org.

Sincerely,

Dana Hunt MAAA, FSA Chairperson, Prudential Regulation Committee American Academy of Actuaries



Colin Masterson

Sr. Policy Analyst 202-624-2463 ColinMasterson@acli.com

May 9, 2025

acli.com

Mike Yanacheak Chair, NAIC Capital Adequacy (E) Task Force (CADTF)

Tom Botsko, Vice Chair, NAIC Capital Adequacy (E) Task Force (CADTF)

Re: Re-Exposure of Proposal 2024-16-CA (Revised Preamble)

Dear Chair Yanacheak and Vice Chair Botsko:

The American Council of Life Insurers (ACLI) appreciates the opportunity to provide additional feedback on Proposal 2024-16-CA which aims to revise the Risk-Based Capital (RBC) Preamble to clarify that a company's RBC and adjusted reports should not be used to rank insurers. This was an item that we previously commented on in May 2024 and we are grateful for the work of regulators and NAIC staff alike in bringing back this issue for further consideration following the 2025 Spring National Meeting in Indianapolis.

ACLI supports regulators' ability to maintain RBC as a tool with which they can identify potentially weakly capitalized companies in order to facilitate regulatory actions designed to ensure that policyholders will receive their promised benefits. This aligns with a goal of our organization that every American have the opportunity to purchase products that provide them guaranteed financial security.

While we appreciate the re-exposure of the proposed Preamble edits from last year, we remain concerned with the language as drafted. In accordance with the structure of the document itself, we offer the following commentary which elaborates on our general position stated above within the context of the included consideration questions:

- 1. As it is currently drafted, the proposed edits in Proposal 2024-16-CA do not include any edits to the 5-year Historical Data page in Annual Statement Blanks. Are there any comments/objections adopting the proposed edits to preamble "as is"?
- While ACLI is supportive of the NAIC's treatment of the 5-year Historical Data page in the
 Annual Statement Blanks as a separate issue, we do not support adopting the proposal as
 it is currently written. The edits do not adequately reflect the uses of insurance capital
 which have evolved considerably since the original adoption of the NAIC RBC For Insurers
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The American Council of Life Insurers is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 275 member companies represent 93 percent of industry assets in the United States.

Model Act (#312, hereafter "Model Act"). The ability of companies to share their RBC ratio in public forums has also significantly strengthened public perceptions of the U.S. state-based regulatory system of insurance companies, especially during such times as the 2008 Financial Crisis and the COVID-19 pandemic. Further, different regulatory regimes, rating agencies, and other parties have required disclosure of information of company capital positions that highlight the importance of RBC transparency, including:

- O GAAP Accounting Standard ASC 944-505-50-1, which states: "Insurance entities shall disclose in their financial statements...(t)he amount of statutory capital and surplus necessary to satisfy regulatory requirements (based on the entity's current operations) if significant in relation to the entity's statutory capital and surplus."
- Companies have previously received notices from the SEC stating that reporting within the 10-K "above the minimum required RBC levels" is not a sufficient statement.
- Other foreign jurisdictions (e.g., the Canadian Office of the Superintendent of Financial Institutions, Japan ESR, EU & UK Solvency II, IAIS Insurance Capital Standard (ICS), Swiss Solvency Test, et. al.) require some sort of solvency disclosure and removing the publication of the RBC ratio would make the U.S. one of the few jurisdictions that does not.
- o The Employment Liability Insurance Report requests TAC and ACL information.
- The Insurance Core Principle (ICP) 20.10 of the International Association of Insurance Supervisors (IAIS) requires that companies publicly disclose the capital available to cover regulatory capital requirements.
- o The Moody's Rating Agency's RBC roll forward with their variable annuity and captive survey requests where TAC, CAL and RBC % are shown.
- We also continue to urge the NAIC to adopt the edits suggested in our May 30, 2024 letter (please see Appendix I). Specifically, these were edits to Preamble Sections B.11., D.14., E.18., and E.20.
- 2. Please provide examples of ways how risk-based capital ratios are used other than the intended purposes of identifying potentially weakly capitalized companies:
- While it was not feasible during this exposure period to gather information on the life insurance industry's uses of RBC ratios, ACLI would like to offer further dialogue with our members to regulators and NAIC staff for their consideration. Given the diversity of our companies in terms of size, product mix, and ownership structure, there could be many different uses of risk-based capital data that are not in conflict with the Model Act or with the description of RBC in the current version of the Preamble. We believe that specific and substantive examples of how life companies use RBC information could be incredibly helpful for all parties involved as we attempt to clarify and strengthen the RBC Preamble and ACLI would be more than willing to be the forum where such information is aggregated.

Though we understand regulators' position that a company's RBC and adjusted reports should not be used to rank insurers generally, for all of the reasons stated above, we suggest not adopting the Preamble changes as written and instead suggest the alternatives outlined in our previous comment letter which was included as a part of the current exposure.

If the public disclosure of RBC is a primary concern of regulators, ACLI would also like to reaffirm our willingness to work with the Task Force on drafting a potential disclaimer around the intended purpose of RBC data, as described in the RBC Preamble, for companies to include when they are providing the information in any of the ways described above and elsewhere.

Thank you once again for considering our feedback and we look forward to additional conversation soon at a session of the Capital Adequacy (E) Task Force.

Sincerely,

Colin Masterson

cc: Eva Yeung, NAIC

Appendix 1:

The following is a redline of the proposed edits (as highlighted in yellow in the exposure) that we believe will address our preliminary concerns while providing appropriate clarifications:

Section B 11.

• Comparison of an insurer's TAC to any RBC level is a regulatory tool that may indicate the need for possible corrective action with respect to the insurer and is not intended or appropriate as a means to rank insurers generally. Therefore—except as otherwise required under the provisions of Risk-Based Capital (RBC) for Insurers Model Act (#312) or the Risk-Based Capital (RBC) for Health Organizations Model Act (#315)—the making, publishing, disseminating, circulation or placing before the public, or causing, directly or indirectly to be made, published, disseminated, circulated or place before the public, in a newspaper, magazine or other publication, or in a form of a notice, or in any other way, an advertisement, announcement or statement (including but not limited to press releases, earnings releases, webcast materials, or any other earnings presentations or webcasts) containing an assertion, representation or statement with regard to the RBC levels of any insurer or of any component derived in the calculation by any insurer is prohibited.

Because the RBC framework has been developed with certain regulatory needs in mind, state regulators have decided keep some elements of the calculation confidential, as well as any workout plans for companies that have triggered a regulatory action level. Publication of limited RBC disclosures in the Annual Statement accommodates the interests of stakeholders that include policyholders, investors, insurers, and other regulatory authorities, and strikes an appropriate balance between confidentiality and transparency.

Section D 14.

• Because the NAIC formula develops threshold levels of capitalization rather than a target level, it may not be meaningful is neither useful nor appropriate to use the RBC formula to compare the RBC ratio developed by one insurance company to the RBC ratio developed by another. Comparisons of amounts that exceed the threshold standards do not provide a reliable assessment of their relative financial strength. For example, a company with an RBC ratio of 600% is not necessarily financially stronger than a company with an RBC ratio of 400%. For this reason, Model #312 and Model #315 prohibit insurance companies, their agents and others involved in the business of insurance using the company's RBC results to compare competitors.

Section E 18.

• Use of RBC is intended limited to identifying potentially weakly capitalized companies to facilitate regulatory action and oversight. Any other application of RBC would be inappropriate to the detriment of policyholders, companies, and investors. While RBC may be used in other components of the regulatory framework, such uses should be in the context of identifying potentially weakly capitalized companies. For example, statutory accounting may leverage RBC in determining the admissibility of certain types of assets, when the benefits of those assets may not be readily available to the policyholders of a troubled company.

Section E 20.

 RBC requirements for particular risk categories were developed based on specific regulatory guidelines and following agreed upon procedures and methodologies. The RBC requirements were developed with regulatory needs in mind. They were not developed or intended for any other use. As such, except where prescribed, RBC requirements would not be appropriate to rely on in other contexts such as reserve setting or risk management or evaluating the risk of investments. While the development of RBC requirements often rely on historical data points, the data used extends over a substantial period of years and the actuarial modeling extends out over a long time horizon. They do not reflect risk at any one point in time. Moreover, the granularity of an analysis for RBC purposes likely differs from the granularity appropriate for other applications. Therefore, RBC requirements are not appropriate to evaluate the relative or absolute level of risk outside of the context of a regulatory framework for identifying potentially weakly capitalized companies.

Center for Insurance Research

145 South Main Street. • Haverhill, MA 01835

May 9, 2025

Capital Adequacy Task Force Commissioner Doug Ommen, Chair Director Judith L. French, Vice Chair Eva Yeung, NAIC Staff NAIC Central Office 1100 Walnut Street, Suite 1500 Kansas City, MO 64106-2197

RE: Comments on Exposure Proposal 2024-16-CA (Revised Preamble)

Dear Members of the Task Force:

I am writing to offer my comments on the re-exposed draft of 2024-16-CA (Revised Preamble) (dated April 24, 2024). I am one of the members of the NAIC consumer liaison program and the Director of the Center for Insurance Research. I also serve on the Consumer Advisory Committee of the Interstate Insurance Product Regulation Commission. The Center for Insurance Research (CIR) is a nonprofit, 501(c)(3) public policy and advocacy organization founded in 1991 that represents consumers on insurance matters nationally.

I am writing to express my opposition to the Revised Preamble draft to the extent it criticizes the public disclosure of Total Adjusted Capital and the Authorized Control Level in the Five Year Historical page of the Annual Statement Blank. I believe it is vital to maintain public access to these data elements¹ to consumers and consumer intermediaries (such as CIR and academics who research insurance topics) because: 1) RBC disclosures are an important tool for groups like mine, who use these elements for their intended purposes; 2) transparency of the summary RBC results is necessary to meet the objectives of state insurance regulators, the NAIC and consumer intermediaries in maintaining a strong, state-based system of financial oversight; and 3) access

¹ My comments pertain specifically to the summary ACL and TAC data elements as they appear in the current Annual Statement Blanks. The calculation of these numbers involves confidential, non-public information and CIR does not oppose the confidentiality of formula inputs as necessary to protect trade secrets and regulatory decision-making.

to summary RBC result data is already established in existing state laws and regulations across the country and the contemplated revisions would create gaps and/or conflicts with existing statutory law and complicate the freedom of information obligations of state insurance departments.

As a preliminary matter, I wish to express my agreement with the comments of the industry interested parties:

- TransAmerica/Aegon CIR agrees wholeheartedly that it "is important for investors to have accurate information" and that "Making RBC confidential would make state regulation an outlier and in contravention of international standards."
- American Academy of Actuaries CIR fully endorses the Academy's statement that "maintaining public disclosure of the RBC level of individual insurance companies is beneficial to policyholders, consumers, and other external stakeholders" and that "a transparent basis of evaluating insurance company solvency is essential for an insurance regulatory regime" in accordance with global insurance supervision standards. CIR also agrees that the Exposure does not full highlight "the benefits that RBC has provided to companies, regulators, policyholders, and the industry in general for many years."
- American Council of Life Insurers CIR concurs the "ability of companies to share their RBC ratio in public forums" strengthens public perceptions of the U.S. state-based insurance regulation system. ACLI is also correct in noting that numerous regulatory and statutory standards² require that RBC data be disclosed, such as GAAP rules, foreign jurisdiction requirements for multi-national companies, and IAIS standards. CIR further agrees that removing the RBC data elements could "lead to a significant lack of transparency into an insurer's financial health for

² As the ACLI notes, disclosure is expressly contemplated by the NAIC Model Act – which has been enacted as statutory law in many jurisdictions and removing the disclosure from Annual Statements could lead to serious conflict of laws issues and result in public records law violations for insurance departments as discussed further below.

consumers and policyholders." Furthermore, ACLI is correct in noting that removing the reported data elements would just result in the use of alternate metrics – ones that are not subject to the design and oversight of state insurance regulators – which would not be available to consumers, consumer intermediaries and academics due to prohibitive costs.³

1) RBC disclosures are an important tool for consumers and consumer intermediaries.

While concern about the potential mis-use of RBC data elements is understandable, it does not justify concealing summary RBC data elements from members of the public. As acknowledged in the Exposure itself, there are already existing prohibitions on the mis-use of reported RBC data elements contained in the NAIC Model Risk-Based Capital Acts (Model Acts no. 312 and 315) that expressly prohibit "the making, publishing, disseminating, circulation or placing before the public, ... an advertisement, announcement or statement ... containing an assertion, representation or statement with regard to the RBC levels of any insurer or of any component." These prohibitions have been enacted as statutory law in jurisdictions across the country, so current state laws expressly allow for the disclosure of certain RBC data elements and provide regulators with the authority to curb abuse.

CIR has never used the RBC data elements reported in statutory annual statements to "rank" insurers or to develop financial strength comparisons for use by consumers. Nor is CIR aware of any other consumer group that has used RBC data elements for these purposes.

³ For example, the A.M. Best Company calculates its own financial solvency score (as do other rating agencies) called BCAR. Based on our review, BCAR seems to produce similar results as the RBC calculation, but is instead a proprietary method owned by a private company that charges tens of thousands of dollars for access to its data. While an expense of that magnitude may be acceptable to corporations (though ultimately paid by policyholder premiums), it is beyond the means of individual consumers, academics and consumer groups. Thus, removing RBC summary results from the annual statement blank will prevent transparency to policyholders and consumers who lack the resources to pay exorbitant sums to private data providers.

I can state that RBC data elements – and particularly those reported on the 5 Year Historical Page – have been vital in reviewing proposed corporate transactions such as mutual to stock conversions, mergers and acquisitions that impact insurance policyholders. CIR has acquired a certain level of expertise in evaluating corporate reorganizations and how they might impact insurance policyholders through our work on demutualizations and other transactions. As such, we are often consulted by other non-profits across the country about reviewing proposed reorganizations including mergers, MHC reorganizations, mutual to stock conversions, and the acquisition and/or conversion of non-profit health plans (like Blue Cross and Blue Shield plans). Typically, in seeking policyholder approval (and/or customer disclosures distributed to explain the nature of the transaction), a reorganizing company will provide numerous rationales for proposed changes in their corporate or financial structure. Often this includes statements regarding the need for additional capital or financial flexibility because of potential market pressures on current capital resources. In order for policyholders to fairly evaluate these potential benefits (just as investors are entitled to financial transparency as noted by the industry commentators), they must be able review the basic financial data – and the Five Year Historical page of the Annual Statement and the existing RBC disclosures in particular are a valuable resource. By consulting the Five Year Historical exhibit, consumers and consumer intermediaries like myself can get a five year snapshot of the finances of a company. The RBC elements are not being used to compare one company to another, or rank different companies, but instead to monitor and review the trends of a single company which the consumer does business with. If the Five Year Historical exhibit shows a trend in the RBC calculations, it informs consumers that capital flexibility might in fact be an important issue in support of a corporate transaction – but if it does not then policyholders can learn that it is a potential benefit of a transaction, but not the most immediately impactful aspect of a reorganization. This is clearly an appropriate use of summary RBC data elements. Consumers should not be left in the dark about the finances of companies that they rely upon to protect their property and loved ones, particularly in light of the fact that an insurance contract can be a decades long commitment between a policyholder and their insurance carrier.

2) Transparency of RBC results is necessary to maintain a strong, state-based system of financial oversight as acknowledged by the NAIC.

The NAIC and state regulators have made RBC the centerpiece of the modern state-based financial regulation system. RBC is a crucial component of the Group Capital Calculation (GCC) developed by insurance regulators to provide a state-focused method of solvency regulation comparable to solvency regulation systems in other jurisdictions – particularly the the IAIS. This permits industry to operate world-wide without becoming subject to duplicative and unnecessary levels of financial regulation. With the RBC being so vital to the state-based financial solvency system, it is inappropriate (especially in the modern data age) to withhold summary RBC results from the public.

The importance of demonstrating and explaining the RBC system to the public to build confidence in the state based financial regulation system has been recently acknowledged by the NAIC. In February, the Executive Committee created a new task force directly under EX to further enhance and develop the RBC system – the Risk-Based Capital Model Governance (EX) Task Force. On February 9, 2025, the RBC Capital Model Governance Task Force released a memorandum detailing its duties which noted (in relevant part):

- "... as the insurance market has become more global and large insurers have become internationally active, there has been an increase in the need for global insurance supervisors to understand differences across regulatory jurisdictions to effectively supervise these groups. Through these collaborative efforts, U.S. regulators and NAIC staff continue to engage with international stakeholders in efforts to improve understanding and knowledge of the U.S. state-based regulatory system, including the role of RBC. In short, this initiative will not only serve as an opportunity for an update to RBC governance; it is also an opportunity to define and communicate the strengths of the RBC framework to a global audience."
- "Oversee the development of an <u>education and public messaging</u> <u>campaign to highlight the benefits and strengths of the RBC framework as</u> an important part of the U.S. state-based insurance regulatory system."

See NAIC Memorandum Re: Risk-Based Capital Model Governance (EX) Task Force (February 9, 2025) (https://content.naic.org/sites/default/files/inline-files/2025%20Task%20Force%20Memo.pdf) (emphasis added). This public messaging and education about RBC and the state-based insurance regulation system was also acknowledged in a press release issued by the NAIC and newly formed Task Force later in February about the charges of the Task Force:

- The Task Force will "design a communication campaign highlighting the RBC formulas' strengths in the U.S. state-based system of financial regulation and solvency oversight."
- Wisconsin Insurance Commissioner Nathan Houdek was quoted: "The new RBC Task Force will not only serve as an opportunity for state regulators to enhance RBC; it is also an opportunity to reinforce the global competitiveness of the U.S. RBC framework as we educate international stakeholders on these guidance updates."
- "Oversee the <u>development of an education and public messaging</u> campaign to highlight the benefits and strengths of the RBC framework as an important part of the U.S. state-based insurance regulatory system."

See NAIC Executive Committee Launches Risk Based Capital Task Force to Improve Governance NAIC News Release (Feb. 20, 2025) (https://content.naic.org/article/naic-executive-committee-launches-risk-based-capital-task-force-improve-governance) (emphasis added).

Given the importance of the RBC to determination of the GCC and its importance in establishing the ability of the state-based regulatory system to be accepted internationally (so that U.S. based insurers can operate world-wide), and the fact that the Executive Committee of the NAIC has recently formed a new task force expressly charged with developing a public messaging and education system around the use of RBC as the cornerstone of the U.S. state-based financial regulation system, it would be counter-productive for the Capital Adequacy Task Force to recommend removing summary RBC data elements from the annual statement blanks.

If the Task Force has not done so already, any decision on this matter should be delayed pending a potential referral to the new RBC Capital Model Governance (EX) Task Force to ensure such a change would not be undermining

the work of the newly formed Capital Model Governance Task Force. If the Executive Committee has determined that public messaging and education about the RBC system are necessary for the continuation of the state-based regulatory system, then this Task Force should not be removing RBC information from the public purview.

3) Removing summary RBC data element disclosures is contrary to existing state statutes and could create gaps and/or conflicts that could create unnecessary FOIA compliance work and potential FOIA liability for insurance departments.

As ACLI has noted, the NAIC Model Acts governing RBC (which have been enacted as statutes in accredited states) expressly contemplate public disclosure of summary RBC data elements and rather prohibit misuse of RBC numbers to promote insurers or other communications. This is the law of the land in virtually every jurisdiction, and removing RBC data elements from the annual statement blanks will not alter the laws of each individual state (nor could it), but rather only make it more difficult for insurance departments to comply with open records laws in their states.

In the current environment, a consumer or consumer intermediary need only consult an annual statement to find the summary RBC data elements, many of which are easily accessible through company or department websites without the need to engage in the time-consuming process of submitting a FOIA and spending department resources in responding to information requests. However, if the summary RBC data elements are stripped from the annual statement, organizations like mine will be forced to submit more frequent FOIA requests to departments. Altering the Preamble also creates the specter of a conflict of laws. If the Preamble suggests that summary RBC data elements are non-public, but state law provides they are appropriate for public disclosure (so long as they are not mis-used), then insurance department staff may be placed n the difficult position of choosing which to comply with. And violation of public information laws can have serious consequences for state agencies. Public records laws in many jurisdictions convey strict fines and penalties for noncompliant agencies. There is no need to create this sort of confusion or exposure risk for state insurance departments when it is established law that there are valid uses of summary RBC data elements and when it would undermine the stated goals of the Executive Committee to make the RBC system understood and accepted in the global marketplace.

For foregoing reasons, I recommend this Task Force reject the proposed revisions to the Preamble that suggest or imply the summary RBC data elements are non-public and should be removed from the annual statement blanks.

Thank you for the consideration of these comments.

Sincerely,

/s/

Brendan Bridgeland Director insuranceresearch@comcast.net