NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

Draft date: 10/4/23

Virtual Meeting

CAPITAL ADEQUACY (E) TASK FORCE
Wednesday, October 11, 2023
1:00 – 2:00 p.m. ET / 12:00 – 1:00 p.m. CT / 11:00 a.m. – 12:00 p.m. MT / 10:00 – 11:00 a.m. PT

ROLL CALL

Judith L. French, Chair	Ohio	Sharon P. Clark	Kentucky
Grace Arnold, Vice Chair	Minnesota	Kathleen A. Birrane	Maryland
Mark Fowler	Alabama	Chlora Lindley-Myers	Missouri
Lori K. Wing-Heier	Alaska	Troy Downing	Montana
Peni Itula Sapini Teo	American Samoa	Eric Dunning	Nebraska
Ricardo Lara	California	D.J. Bettencourt	New Hampshire
Michael Conway	Colorado	Justin Zimmerman	New Jersey
Andrew N. Mais	Connecticut	Mike Causey	North Carolina
Karima M. Woods	District of Columbia	Jon Godfread	North Dakota
Michael Yaworsky	Florida	Glen Mulready	Oklahoma
Dana Popish Severinghaus	Illinois	Michael Wise	South Carolina
Amy L. Beard	Indiana	Cassie Brown	Texas
Doug Ommen	Iowa	Mike Kreidler	Washington
Vicki Schmidt	Kansas	Nathan Houdek	Wisconsin

NAIC Support Staff: Eva Yeung

AGENDA

1. Consider Adoption of its 2024 Proposed Charges—*Tom Botsko (OH)* Attachment A

2. Consider Adoption of the Revised Procedures Document—*Tom Botsko (OH)* Attachment B

3. Receive Update from its Risk Evaluation Ad Hoc Subgroups
   a) RBC Purposes & Guidelines Ad Hoc Subgroup—*Rachel Hamphill (TX)*
   b) Asset Concentration Ad Hoc Subgroup—*Kevin Clark (IA) and Ed Toy (Risk & Regulatory Consulting—RRC)*
   c) Geographic Concentration Ad Hoc Subgroup—*Wanchin Chou (CT)*

4. Discuss a Referral from the Statutory Accounting Principles (E) Working Group Regarding Schedule BA Proposal for Non-Bond Debt Securities—*Dale Bruggeman (OH)* Attachment C

5. Consider Exposure of 2023-12-CA (Market Value Excess Affiliated Stocks)   Attachment D
    —*Tom Botsko (OH)*

6. Discuss the RBC Charge for Companies Reported Blank Affiliate Types in
    Details For Affiliated Stocks Page—*Tom Botsko (OH)*

7. Discuss Any Other Matters Brought Before the Working Group—*Tom
    Botsko (OH)*

8. Adjournment

Draft: 9~~8~~/~~13~~12/~~22~~23
Adopted by the Executive (EX) Committee and Plenary, Dec. xx, ~~2022~~2023
Adopted by the Financial Condition (E) Committee, Dec. xx, ~~2022~~2023
Adopted by the Capital Adequacy (E) Task Force, <mark>TBD</mark>

~~2023~~ 2024 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. Evaluate 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.

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 April 30 of the reporting year, and any proposal that affects the 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 super-majority (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).
    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.

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/2023/2023 Proposed Charges.docx

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. http://www.naic.org/committees_e_capad.htm and 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:
   - Any proposal that affects an RBC blank must be exposed by the Task Force or its Working Groups by January 31 of the effective year of the change. In only rare instances, where the structure change is urgent, may the exposure deadline be extended to March 15 for either the Task Force or Working Groups. The proposal must be adopted by the Task Force no later than April 30 of the effective year of the change.
   - Any proposal that only affects the instructions or factors must be exposed by the Task Force / Working Group by April 30 and adopted by the Task Force by June 30 of the current year.
   - Only Tthe Task Force may extend the June 30th adoption deadline for previously considered proposals regarding instructions or factors upon a super majority (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. The super majority consent applies only in the instance of a Task Force vote that is outside of the standard RBC adoption deadlines (April 30 and June 30).

   An illustration of the proposed change to the RBC blank or instructions should accompany the Proposal Form. In addition, an impact analysis will be required 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 whether to reject the proposal. The comment period ends at least 10 3 business days prior to the next designated national or interim meeting 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 there is general consensus among members that the proposal has merit but warrants additional work or input. However, the Task Force will limit the number of deferrals to two. The proposal must be acted upon upon by the third meeting after the second deferral, and or absent action, the proposal is deemed to have been rejected and will be removed from the agenda. 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, the proposal will be reprioritized on the working agenda and will be considered again in the form of a modified or new proposal after comments/recommendations are received. The Task Force will review and adopt the- working agenda at each National Meeting, if necessary, to ensure all items designated as a priority 1 are being addressed, to add or delete items that have been addressed or to reprioritize the remaining items on the working agenda.

3. Interested Party Pproposals 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 twentyten days prior to the meeting. Items filed less than twenty days prior to a regularly scheduled meeting will be considered at the following regularly scheduled meeting.

4. The NAIC staff support shall prepare the meeting an materials including agenda ofall suggested proposals. Interim meeting materials willThe agenda will be posted no later than one weekthree business days prior to the scheduled meeting on the NAIC website. Initial national meeting materials will be posted ten business days before the first day of each National Meeting on the NAIC website.

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 ~~present to the Task Force/ Working Group a list of necessary~~incorporate any non-substantive changes discovered in the annual updates of the RBC formulas ~~process of implementing proposals,~~ e.g., reference changes due to new SSAPs or ~~required changes discovered in the process of implementing proposals~~annual statement references. These changes will be reflected in RBC newsletters that will be presented to T~~t~~he~~he Task Force/~~ Working Group ~~will review these changes and may adopt the appropriate items at any regularly scheduled meeting. Such actions will be documented in the minutes of the Task Force/Working Group~~for adoption at the Summer National Meeting. ~~–~~NAIC staff support may also request that the Task Force/Working Group reconsider items adopted, if these items contain substantial errors.

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 each agenda approximately one week prior to each interim or national meeting (including proposals received for comment and comments received) on the NAIC Web site.~~

9. ~~The NAIC will retain all current and subsequent adopted proposals on the Task Force website up to the publication date of November 1 for current and subsequent years.~~

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 ~~NAIC staff support will~~ be posted to the NAIC Web site:
   - ~~any subsequent corrections to these publications.~~
   - 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 National Meeting)
   - Any subsequent corrections to these publications (as needed)

MEMORANDUM

TO: Carrie Mears, Chair Representative, Valuation of Securities (E) Task Force
                    Tom Botsko, Chair Representative, Capital Adequacy (E) Task Force

FROM: Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group
                    Kevin Clark, Vice-Chair of the Statutory Accounting Principles (E) Working Group

DATE: August 28, 2023

RE: SAPWG Schedule BA Proposal for Non-Bond Debt Securities

The purpose of this referral is to notify the Valuation of Securities (E) Task Force and Capital Adequacy (E) Task Force of the Statutory Accounting Principles (E) Working Group's (SAPWG) proposal to report debt securities that do not qualify as bonds on Schedule BA. A key component of this notice is to highlight that the proposal uses existing Schedule BA reporting provisions for SVO-Assigned NAIC designations in determining RBC.

As preliminary information, as part of the bond project (Ref #2019-21) the SAPWG has been working on a revised bond definition to determine the structures that qualify for bond reporting, either as an issuer credit obligation on a new Schedule D-1-1 or as an asset-backed security on Schedule D-1-2. The new definition and the resulting statutory accounting guidance in *SSAP No. 26R—Bonds* and *SSAP No. 43R—Asset-Backed Securities* was adopted during the 2023 NAIC Summer National Meeting with an effective date of January 1, 2025. Revised bond reporting schedules are currently exposed by the Blanks (E) Working Group and those are anticipated to be considered for adoption by the end of the year. Also, during the 2023 Summer National Meeting, the SAPWG exposed accounting and reporting guidance for debt securities that do not qualify as bonds in *SSAP No. 21R—Other Admitted Assets* and received direction to sponsor a blanks proposal to capture these securities in new reporting lines on Schedule BA - Other Long Term Invested Assets.

The key aspect of this referral is to highlight that the blanks proposal for the new reporting lines intends to divide the debt securities that do not qualify as bonds into separate reporting lines based on whether they have NAIC designations assigned by the SVO from those securities with NAIC designations not assigned by the SVO or that do not have designations. The intent of this reporting is to permit debt securities that do not qualify as bonds, for which the SVO has assigned an NAIC designation, to receive the RBC factor that would have been received if the security had been reported on the bond schedule with an equivalent designation. Although the debt security does not qualify for reporting as a bond due to structure, if the SVO has assessed credit quality with the issuance of an NAIC designation, then the proposed reporting allows for a fixed income RBC factor.

To illustrate an example where a debt security may not meet the bond definition but may warrant a fixed income RBC factor, one of the key principles is that, for debt securities that rely on underlying collateral for repayment,

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underlying collateral must produce meaningful cash flows to service the debt to qualify as a bond. If the debt security relies on the underlying collateral retaining its **value** to repay the debt (e.g. through sale of collateral or refinancing), then it does not qualify to be reported as a bond. For example, a debt security could be secured by non-cashflow-producing real estate at a 50% loan-to-value. While it would not qualify to be reported as a bond, its characteristics are consistent with that of a mortgage loan, and may warrant a fixed income RBC charge.

This proposal does not intend to hinder the Capital Adequacy (E) Task Force's ability to assess these debt securities and determine the appropriate RBC factor, it simply intends to allow an avenue for certain assets to receive a fixed income factor until the Capital Adequacy (E) Task Force decides if a separate project is needed to review and assess RBC factors for these debt securities. As noted, it is only proposed to be provided for the securities that have an SVO-assigned designation, which is consistent with other Schedule BA lines for which designations influence RBC. Note also that prior to the effective date of the bond definition, these securities are reported as bonds on Schedule D and receive bond RBC factors based on NAIC designation (whether from a credit rating provider for filing exempt securities, or an SVO assigned designation). After adoption, non-qualifying debt securities with NAIC designations that are not assigned by the SVO or that do not have designations are proposed to receive the RBC factor for "other" Schedule BA assets. This is also consistent with the Schedule BA lines that have these separate reporting determinants. Since only reporting entities that file using the life blank can receive RBC reductions for reporting SVO-assigned NAIC designations on Schedule BA, this provision is intended to only apply to those entities until / unless the Capital Adequacy (E) Task Force, and related RBC Working Groups, incorporate changes to provide those capabilities to non-life entities.

The intent of this referral is to inform the Task Forces of the current reporting proposal and request the Valuation of Securities (E) Task Force to assess whether additional guidance is needed within the *Purposes and Procedures Manual of the NAIC Investment Analysis Office* to permit or govern the assignment of SVO-Assigned NAIC Designations for debt securities that do not qualify as bonds.

The following illustrates the proposed Schedule BA reporting lines for these debt securities. A blanks proposal will be developed and exposed by the Blanks (E) Working Group to incorporate these revisions, as well as changes to the AVR with instructions that specifies the mapping from Schedule BA to the AVR for life RBC purposes.

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
            Affiliated
        NAIC Designation Not Assigned by the Securities Valuation Office (SVO)
            Unaffiliated
            Affiliated

    Debt Securities That Lack Substantive Credit Enhancement
        NAIC Designation Assigned by the Securities Valuation Office (SVO)
            Unaffiliated
            Affiliated
         NAIC Designation Not Assigned by the Securities Valuation Office (SVO)
            Unaffiliated
            Affiliated

Debt Securities That Do Not Qualify as Bonds Solely to a Lack Of Meaningful Cash Flows

NAIC Designation Assigned by the Securities Valuation Office (SVO)

Unaffiliated
Affiliated

NAIC Designation Not Assigned by the Securities Valuation Office (SVO)

Unaffiliated
Affiliated

The Working Group appreciates your time and looks forward to your response. If you have any questions, please contact Dale Bruggeman, or Kevin Clark, SAPWG Chair and Vice Chair, with any questions.

Cc: Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr, Wil Oden, Charles Therriault, Marc Pearlman, Eva Yeung, Dave Fleming, Crystal Brown, Maggie Chang

https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/Stat Acctg_Statutory_Referrals/2023/SAPWG to VOSTF & CAPTF - Schedule BA.docx

Capital Adequacy (E) Task Force
<u>RBC Proposal Form</u>

☒ Capital Adequacy (E) Task Force   ☐ Health RBC (E) Working Group   ☐ Life RBC (E) Working Group

☐ Catastrophe Risk (E) Subgroup   ☐ P/C RBC (E) Working Group   ☐ Longevity Risk (A/E) Subgroup

☐ Variable Annuities Capital. & Reserve   ☐ Economic Scenarios (E/A) Subgroup   ☐ RBC Investment Risk & Evaluation
     (E/A) Subgroup   (E) Working Group

DATE: _____ **10-10-23** _____	**FOR NAIC USE ONLY**
CONTACT PERSON: **Eva Yeung**	Agenda Item # _2023-12-CA_ Year _2024_
TELEPHONE: **816-783-8407**	**DISPOSITION**
EMAIL ADDRESS: **eyeung@naic.org**	**ADOPTED:** ☐ TASK FORCE (TF) _____ ☐ WORKING GROUP (WG) _____
ON BEHALF OF: **Capital Adequacy (E) Task Force**	☐ SUBGROUP (SG) _____
NAME: **Tom Botsko**	**EXPOSED:**
TITLE: **Chair**	☒ TASK FORCE (TF) _10/11/23_ ☐ WORKING GROUP (WG) _____
AFFILIATION: **Ohio Department of Insurance**	☐ SUBGROUP (SG) _____
ADDRESS: **50 West Town Street, Suite 300**	**REJECTED:** ☐ TF ☐ WG ☐ SG _____
Columbus, OH 43215	**OTHER:** ☐ DEFERRED TO _____ ☐ REFERRED TO OTHER NAIC GROUP ☐ (SPECIFY) _____

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 _____

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

Health: Modified page XR002 to remove the word "Common" the heading of Column (13) and updated page XR010 and XR024 to clarify the line for the Market Value in Excess Affiliated Stocks. This line includes the affiliated amounts for both preferred and common stock.

P/C: Modified PR003 to remove the word "Common" the heading of Column (13) and updated pages PR007 & PR031 to clarify PR007, Line 12 includes the Market Value in Excess affiliated amounts for both preferred and common stocks.

Additional Staff Comments:

The purpose of this proposal is to clarify that both common and preferred stock are included in the calculation of Market Value in Excess of Stocks for the affiliated investments in Column (13).

_____

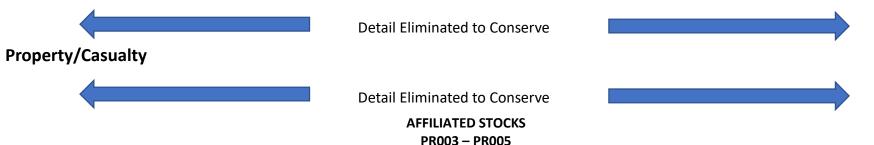**** This section must be completed on all forms.**   **Revised 2-2023**

Health

AFFILIATED/SUBSIDIARY STOCKS
XR002–XR004

Detail Eliminated to Conserve

Market Value (including discounted market value) Insurance Affiliates/Subsidiaries (See SSAP No. 97, Paragraph 8a.): If the affiliate/subsidiary's common stock is publicly traded and the reporting company carries the affiliate/subsidiary at market value, after any "discount," there are generally two components to the reporting company's RBC generated by the affiliate/subsidiary. The ~~-~~prorated portion is the percentage of ownership of total common and preferred stock. The smaller of the prorated portion of the affiliate/subsidiary's own statutory surplus or the prorated portion of its RBC after covariance is added to the H_0 component of the reporting company. ~~In the normal case,~~ Normally, the common and preferred stock book/adjusted carrying value of the affiliate/subsidiary exceeds the prorated portion of the larger of its statutory surplus and its RBC after covariance, an additional charge is applied to H_1. ~~In this case, t~~The additional charge to the H_1 component is the larger of a) 22.5 percent of the affiliate/subsidiary's common and preferred stock book/adjusted carrying value in excess of the prorated portion of the affiliate's/subsidiary's statutory surplus or b) the prorated portion of the affiliate's/subsidiary's RBC after covariance in excess of the prorated portion of its statutory surplus. If the affiliate/subsidiary's common and preferred stock book/adjusted carrying value is less than the prorated portion of its RBC after covariance, but greater than the prorated portion of its statutory surplus, 100 percent of the common and preferred stock book/adjusted carrying value in excess of the prorated portion of the affiliate/subsidiary's statutory surplus is added to the reporting company's H_1 component. If the affiliate/subsidiary's common and preferred stock book/adjusted carrying value is less than the prorated portion of the affiliate/subsidiary statutory surplus, there is no addition to the H_1 component.

Detail Eliminated to Conserve

Property/Casualty

Detail Eliminated to Conserve

AFFILIATED STOCKS
PR003 – PR005

Market Value (including discounted market value) Insurance Affiliates/Subsidiaries (See SSAP No. 97, Paragraph 8a.): If the affiliate/subsidiary's common stock is publicly traded and the reporting company carries the affiliate/subsidiary at market value, after any "discount," there are generally two components to the reporting company's RBC generated by the affiliate/subsidiary. The prorated portion is the percentage of ownership of the total common and preferred stock. The smaller of the prorated portion of the affiliate/subsidiary's own statutory surplus or the prorated portion of its RBC after covariance is added to the R_0 component of the reporting company. ~~In the normal case,~~Normally, the common and preferred stock book/adjusted carrying value of the affiliate/subsidiary exceeds the prorated portion of the larger of its statutory surplus and its RBC after covariance an additional charge is applied to R_2. ~~In this case, t~~The additional charge to the R_2 component is the larger of a) 22.5 percent of the affiliate/subsidiary's common and preferred

stock book/adjusted carrying value in excess of the prorated portion of the affiliate/subsidiary's statutory surplus or b) the prorated portion of the affiliate/subsidiary's RBC after covariance in excess of the prorated portion of its statutory surplus. If the affiliate/subsidiary's common and preferred stock book/adjusted carrying value is less than the prorated portion of its RBC after covariance, but greater than the prorated portion of its statutory surplus, 100 percent of the common and preferred stock book/adjusted carrying value in excess of the prorated portion of the affiliate/subsidiary's statutory surplus is added to the reporting company's R_2 component. If the affiliate/subsidiary's common and preferred stock book/adjusted carrying value is less than the prorated portion of the affiliate/subsidiaries' s statutory surplus, there is no addition to the R_2 component.

Detail Eliminated to Conserve

DETAILS FOR AFFILIATED STOCKS

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	Name of Affiliate	Affil Type	NAIC Company Code or Alien ID Number	Affiliate's RBC after Covariance Before Basic Operational Risk XR025 Line (41) PR032 Line (60) LR031 Line (69) + (73)	Book/Adjusted Carrying Value (Statement Value) of Affiliate's Common Stock	Valuation Basis of Col (5) M - Market Value after any "discount" A - All Other	Total Value of Affiliate's Outstanding Common Stock	Statutory Surplus of Affiliate Subject to RBC (Adjusted for % Owned)	Book/Adjusted Carrying Value (Statement Value) of Affiliate's Preferred Stock	Total Value of Affiliate's Outstanding Preferred Stock	Percent Owned *	RBC Required (H0 Component)	Market Value Excess Conponent Affiliated ~~Common~~ Stock~~s~~ RBC Required (H1 Component)
(01)													
(02)													
(03)													
(04)													
(05)													
(06)													
(07)													
(08)													
(09)													
(10)													
(11)													
(12)													
(13)													
(14)													
(15)													
(16)													
(9999999)	Total	XXX	XXX			XXX					XXX		

[red shaded box] Denotes items that must be manually entered on filing software.

Remark: Subcategory 8a, 8b and 8c are referring to the directly owned insurance affiliates not subject to RBC look-through

                    Indirectly owned insurance affiliate not subject to RBC will be included Category 4

*   Only applies to Affiliate Type 1 and 2

EQUITY ASSETS

		Annual Statement Source	(1) Bk/Adj Carrying Value	Factor	(2) RBC Requirement
PREFERRED STOCK - UNAFFILIATED					
(1)	NAIC 01 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.003	
(2)	NAIC 02 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.010	
(3)	NAIC 03 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.020	
(4)	NAIC 04 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.045	
(5)	NAIC 05 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.100	
(6)	NAIC 06 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.300	
(7)	Total - Unaffiliated Preferred Stock	Sum of Lines (1) through (6)			

(Should equal Page 2, Column 3, Line 2.1 less Sch D Sum, Column 1, Line 18)

		Annual Statement Source	(1) Bk/Adj Carrying Value	Factor	(2) RBC Requirement
COMMON STOCK - UNAFFILIATED					
(8)	Federal Home Loan Bank Stock	Company Records		0.023	
(9)	Total Common Stock	Schedule D, Summary, Column 1, Line 25			
(10)	Affiliated Common Stock	Schedule D, Summary, Column 1, Line 24			
(11)	Other Unaffiliated Common Stock	Lines (9) - (8) - (10)		0.150	
(12)	**Market Value Excess Affiliated Stocks**	XR002 C(13) L(9999999)			
(13)	**Total Unaffiliated Common Stock and Market Value Excess Affiliated Stocks**	Lines (8) + (11) + (12)			

Denotes items that must be manually entered on filing software.

CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE

<div align="right">
(1)
<u>RBC Amount</u>
</div>

H0 - INSURANCE AFFILIATES AND MISC. OTHER AMOUNTS

(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 (24)	
(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/Equip Assets Page, Line (9)	
(23)	Asset Concentration	XR012, Grand Total Asset Concentration Page, Line (27)	
(24)	Total H1	Sum Lines (11) through (23)	

H2 - UNDERWRITING RISK

(25)	Net Underwriting Risk	XR013, Underwriting Risk Page, Line (21)	
(26)	Other Underwriting Risk	XR015, 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)	

Denotes items that must be manually entered on filing software.

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DETAILS FOR AFFILIATED STOCKS   PR003

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	Name of Affiliate	Affil Type	NAIC Company Code or Alien ID Number	Affiliate's RBC After Covariance before Basic Operational Risk LR031 L(69) + L(73) PR032 L(60) XR025 L(41)	Book/Adjusted Carrying Value (statement value) of Affiliate's Common Stock	Valuation Basis of Column (5) M - Market Value after any "discount" A - All Other	Total Value of Affiliate's Outstanding Common Stock	Statutory Surplus of Affiliate Subject to RBC (Adjusted for % Owned)	Book/Adjusted Carrying Value (statement value) of Affiliate's Preferred Stock	Total Value of Affiliate's Outstanding Preferred Stock	Percent Owned*	RBC Required (R0 Component)	Market Value Excess Component Affiliate ~~Common~~ Stocks RBC Required (R2 Component)
0000001											0.000%	0	0
0000002											0.000%	0	0
0000003											0.000%	0	0
0000004											0.000%	0	0
0000005											0.000%	0	0
0000006											0.000%	0	0
0000007											0.000%	0	0
0000008											0.000%	0	0
0000009											0.000%	0	0
0000010											0.000%	0	0
0000011											0.000%	0	0
0000012											0.000%	0	0
0000013											0.000%	0	0
0000014											0.000%	0	0
0000015											0.000%	0	0
0000016											0.000%	0	0
0000017											0.000%	0	0
0000018											0.000%	0	0
0000019											0.000%	0	0
0000020											0.000%	0	0
0000021											0.000%	0	0
0000022											0.000%	0	0
0000023											0.000%	0	0
0000024											0.000%	0	0
0000025											0.000%	0	0
0000026											0.000%	0	0
0000027											0.000%	0	0
0000028											0.000%	0	0
0000029											0.000%	0	0
0000030											0.000%	0	0
0000031											0.000%	0	0
0000032											0.000%	0	0
0000033											0.000%	0	0
0000034											0.000%	0	0
0000035											0.000%	0	0
0000036											0.000%	0	0
0000037											0.000%	0	0
0000038											0.000%	0	0
0000039											0.000%	0	0
0000040											0.000%	0	0
0000041											0.000%	0	0
0000042											0.000%	0	0
0000043											0.000%	0	0
0000044											0.000%	0	0
0000045											0.000%	0	0
0000046											0.000%	0	0
0000047											0.000%	0	0
0000048											0.000%	0	0
0000049											0.000%	0	0
0000050											0.000%	0	0
(9999999) Total	XXX	XXX		0	0	XXX	0	0	0	0	XXX	0	0

Remark: Subcategory 8a, 8b and 8c are referring to the directly owned insurance affiliates not subject to RBC look-through
Indirectly owned insurance affiliate not subject to RBC will be included Category 4
*   Only applies to Affiliate Type 1 and 2.

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

UNAFFILIATED PREFERRED AND COMMON STOCK   PR007

	Unaffiliated Preferred Stock	Annual Statement Source	(1) Book/Adjusted Carrying Value	Factor	(2) 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 (should equal P2 L2.1 C3 less Sch D-Sum C1 L18)	Sum of Ls (1) through (6)	0		0
	Unaffiliated Common Stock				
(8)	Total Common Stock	Sch D - Summary C1 L25	0		
(9)	Affiliated Common Stock	Sch D - Summary C1 L24	0		
(10)	Non-Admitted Unaffilated Common Stock	P2 C2 L2.2 - Sch D Pt6 Sn1 C9 L1899999	0		
(11)	Admitted Unaffiliated Common Stock	L(8) - L(9) - L(10)	0	0.150	0
(12)	Market Value Excess Affiliated ~~Common~~ Stock**s**	PR003 C(14) L(9999999)			0
(13)	Total Unaffiliated Common Stock **and MarketValue Excess Affiliated Stocks**	L(11) + L(12)	0		0

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

PR007

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

R2 - Asset Risk - Equity		PRBC O&I Reference	RBC Amount (1)
(27)	Common - Affiliate Investment Subsidiary	PR004 L(7)C(2)	0
(28)	Common - Affiliate Hold. Company. in excess of Ins. Subs.	PR004 L(10)C(2)	0
(29)	Common - Investment in Parent	PR004 L(11)C(2)	0
(30)	Common - Aff'd US P&C Not Subj to RBC	PR004 L(12)C(2)	0
(31)	Common - Affil US Life Not Subj to RBC	PR004 L(13)C(2)	0
(32)	Common - Affil US Health Insurer Not Subj to RBC	PR004L(14)C(2)	0
(33)	Common - Aff'd Non-insurer	PR004 L(15)C(2)	0
(34)	Preferred - Aff'd Invest Sub	PR004 L(7)C(3)	0
(35)	Preferred - Aff'd Hold. Co. in excess of Ins. Subs.	PR004 L(10)C(3)	0
(36)	Preferred - Investment in Parent	PR004 L(11)C(3)	0
(37)	Preferred - Affil US P&C Not Subj to RBC	PR004 L(12)C(3)	0
(38)	Preferred - Affil US Life Not Subj to RBC	PR004 L(13)C(3)	0
(39)	Preferred - Affil US Health Insurer Not Subj to RBC	PR004 L(14)C(3)	0
(40)	Preferred - Affil Non-insurer	PR004 L(15)C(3)	0
(41)	Unaffiliated Preferred Stock	PR007 L(7)C(2)+PR015 L(34)C(4)	0
(42)	**Total Unaffiliated Common Stock and Fair Value Excess Affiliated Stocks**	PR007 L(13)C(2)+PR015 L(35)C(4)	0
(43)	Other Long -Term Assets - Real Estate	PR008 L(7)C(2)	0
(44)	Other Long -Term Assets - Schedule BA Assets	PR008 L(19)C(2)+PR015 L(36)+L(37)C(4)	0
(45)	Misc Assets - Receivable for Securities	PR009 L(1)C(2)	0
(46)	Misc Assets - Aggregate Write-ins for Invested Assets	PR009 L(2)C(2)	0
(47)	Misc Assets - Derivatives	PR009 L(14)C(2)	0
(48)	Replication - Synthetic Asset: One Half	PR010 L(9999999)C(7)	0
(49)	Asset Concentration RBC - Equity	PR011 L(33)C(3) Grand Total Page	0
(50)	Total R2	L(27)+L(28)+L(29)+L(30)+L(31)+L(32)+L(33)+L(34)+L(35)+L(36)+L(37)+L(38)+L(39)+L(40)+L(41)+L(42)+L(43)+L(44)+L(45)+L(46)+L(47)+L(48)+L(49)	0
R3 - Asset Risk - Credit			
(51)	Other Credit RBC	PR012 L(8)-L(1)-L(2)C(2)	0
(52)	One half of Rein Recoverables	0.5 x (PR012 L(1)+L(2)C(2))	0
(53)	Other half of Rein Recoverables	If R4 L(57)>(R3 L(51) + R3 L(52)), 0, otherwise, R3 L(52)	0
(54)	Health Credit Risk	PR013 L(12)C(2)	0
(55)	Total R3	L(51) + L(52) + L(53) + L(54)	0

PR031