Date: 4/1/22

Virtual Meeting

PROPERTY AND CASUALTY RISK-BASED CAPITAL (E) WORKING GROUP

Tuesday, April 26, 2022

1:00 – 2:00 p.m. ET / 12:00 – 100 p.m. CT / 11:00 a.m. – 12:00 p.m. MT / 10:00 – 11:00 a.m. PT

ROLL CALL

Tom Botsko, Chair	Ohio	Anna Krylova	New Mexico
Wanchin Chou, Vice Chair	Connecticut	Halina Smosna	New York
Charles Hale	Alabama	Will Davis	South Carolina
Robert Ridenour	Florida	Miriam Fisk	Texas
Judy Mottar	Illinois	Adrian Jaramillo	Wisconsin

NAIC Support Staff: Eva Yeung

AGENDA

1. Consider Adoption of its Spring National Meeting Minutes—*Tom Botsko (OH)* Attachment A

2. Consider Adoption of Proposal 2021-17-CR (MOD) (Wildfire Information-Only Reporting Exemption)— *Scott Williamson (Reinsurance Association of America—RAA)* Attachment B

3. Consider Adoption of Proposal 2022-01-P (Remove Trend Test Footnote) —*Tom Botsko (OH)* Attachment C

4. Consider Exposure of Proposal 2022-02-P (Underwriting Risk Line 1 Factors) —*Tom Botsko (OH)* Attachment D

5. Consider Exposure of Affiliated Investments Instructions and Structures —*Tom Botsko (OH)* Attachment E

6. Consider Forwarding the Referral Regarding the Reinsurer Designation Equivalent Rating Factors to the Blanks (E) Working Group—*Tom Botsko (OH)* Attachment F

7. Hear Updates on Current Property/Casualty (P/C) Risk-Based Capital (RBC) Projects from the American Academy of Actuaries (Academy)—*David Traugott (Academy)*

8. Discuss Any Other Matters Brought Before the Subgroup—*Tom Botsko (OH)*

9. Adjournment

Draft Pending Adoption

Attachment --
Capital Adequacy (E) Task Force
03/28/22

Draft: 3/28/22

Property and Casualty Risk-Based Capital (E) Working Group
Virtual Meeting (*in lieu of meeting at the 2022 Spring National Meeting*)
March 23, 2022

The Property and Casualty Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met March 23, 2022. The following Working Group members participated: Tom Botsko, Chair, and Dale Bruggeman (OH); Charles Hale (AL); Wanchin Chou, Qing He, Amy Waldhauer, and George Bradner (CT); Robert Ridenour and Virginia Christy (FL); Judy Mottar (IL); Leatrice Geckler (NM); Halina Smosna and HauMichael Ying (NY); Will Davis (SC); Miriam Fisk and Monica Avila (TX); and Adrian Jaramillo and Michael Erdman (WI). Also participating were: Chris Erwin and Leo Liu (AR); Rolf Kaumann (CO); Adrienne Lupo (DE); Patrick P. Lo (HI); Tish Becker (KS); Vanessa Sullivan (ME); Julie Lederer (MO); Justin Schrader and Gordon Hay (NE); Trey Hancock (TN); and Steve Drutz (WA).

1. Adopted Catastrophe Risk (E) Subgroup Feb. 22, 2022; Jan. 25, 2022; and Dec. 16, 2021, Minutes

Mr. Chou said the Catastrophe Risk (E) Subgroup met Feb. 22, 2022; Jan. 25, 2022; and Dec. 16, 2021. During these meetings, the Subgroup took the following action: 1) adopted proposal 2021-15-CR (Adding KCC Models), which the Subgroup exposed for a 30-day public comment period ending Nov. 26, 2021; 2) adopted proposal 2021-17-CR (Adding Wildfire Peril for Informational Purposes Only), which the Subgroup exposed for a 60-day public comment period ending Feb. 13; 3) heard an update from the Catastrophe Model Technical Review Ad Hoc Group. The update included the discussion of the survey questions created by the members within the group, which were based on *Actuarial Standard of Practice (ASOP) No. 38—Catastrophe Modeling (for All Practice Areas)*; 4) discussed three different kinds of catastrophe models that deviate from the vendor models. The Subgroup will focus on discussing the vendor catastrophe models with adjustments or different weight first; 5) discussed the issue of double counting in the R5 component. The Subgroup asked the interested parties to review the current methodology and provide comments in the upcoming meetings; 6) discussed the possibility of adding flood peril in the Rcat component. Industry asked the Subgroup to consider the materiality issue with respect to whether the flood peril is warranted, given the exposure of the industry; and 7) heard a presentation from Milliman on the private flood market.

Mr. Chou made a motion, seconded by Mr. Davis, to adopt the Subgroup's Feb. 22, 2022 (Attachment XXX); Jan. 25, 2022 (Attachment XXX); and Dec. 16, 2021 (Attachment XXX) minutes. The motion passed unanimously.

2. Adopted the Report of the Catastrophe Risk (E) Subgroup

Ms. Smosna said the Subgroup met March 22, 2022, and took the following action: 1) adopted its Feb. 22, 2022; Jan. 25, 2022; and Dec. 16, 2021, minutes; 2) discussed its 2022 working agenda items; 3) discussed the insured loss threshold for wildfire peril; 4) exposed proposal MOD 2021-17-CR (Wildfire Information-Only Reporting Exemption) for a 14-day public comment period ending April 5; 6) discussed the independent model review instruction in the Rcat component; and 7) discussed the issue of double counting in the R5 component.

Mr. Chou made a motion, seconded by Mr. Hale, to adopt the report of the Catastrophe Risk (E) Subgroup. The motion passed unanimously.

3. Adopted Proposal 2021-15-CR (Adding KCC Models)

Mr. Chou said the purpose of this proposal is to include the Karen Clark & Company (KCC) model as one of the approved third-party commercial vendor catastrophe models. The Subgroup received one supporting letter, which encouraged the Subgroup to keep the approval list current with market usage.

Mr. Chou made a motion, seconded by Mr. Ridenour, to adopt proposal 2021-15-CR. The motion passed unanimously.

4. Adopted Proposal 2021-17-CR (Adding Wildfire Peril for Informational Purposes Only)

Mr. Chou said the purpose of this proposal is to include wildfire peril in the Rcat component for informational purposes filing until all the concerns are addressed before incorporated into the risk-based capital (RBC) calculation. He stated that the Subgroup received three comment letters during the exposure period. However, Mr. Chou indicated that the Subgroup agreed to take time to evaluate the impact and allow more time for the modelers to enhance their modeling approach with this new peril.

Mr. Chou made a motion, seconded by Mr. Ridenour, to adopt proposal 2021-17-CR. The motion passed unanimously.

5. Adopted Proposal 2021-14-P (R3 Factor Adjustment)

Mr. Botsko said this proposal intends to eliminate the double-counting effect of the operational risk charge on the component. He said NAIC staff performed an analysis to determine the impact on the RBC action levels by reducing the 2% reinsurance recoverable RBC charge for all reinsurance designation equivalents. The result indicated that the impact is insignificant, as there are only three companies with total adjusted capital (TAC) between zero to 75 million that will change the RBC results from action level to no action. He also stated that the Working Group received no comments during the exposure period.

Mr. Chou made a motion, seconded by Mr. Davis, to adopt proposal 2021-14-P. The motion passed unanimously.

6. Exposed Proposal 2022-01-P (Removing Trend Test for Informational Purposes Only Footnote)

Mr. Botsko said since the trend test has been adopted by every state, the purpose of this proposal is to remove the trend test for information-only wordings in the PR033 footnote.

The Subgroup agreed to expose proposal 2022-01-P for a 30-day public comment period ending April 22.

7. Discussed its Working Agenda

Mr. Botsko summarized the changes of Working Group's 2022 working agenda, which included the following substantial changes: 1) adding the exposure and/or adoption dates to the items of "evaluate other catastrophe risks for possible inclusion in the charge" and "evaluate the possibility of allowing additional third-party models or adjustments to the vendor models to calculate the cat model losses"; 2) changing the expected completion dates for "evaluate the proposed changes from the Affiliated Investment Ad Hoc Group related to P/C RBC Affiliated Investments," "continue working with the Academy to review the methodology and revise the underwriting (Investment Income Adjustment, Loss Concentration, LOB UW risk) charges in the PRBC formula as appropriate," "evaluate if changes should be made to the P/C formula to better assess companies in runoff," and "evaluate the Underwriting Risk Line 1 Factors in the P/C formula" items; 3) removing the "modify instruction to

PR027 Interrogatories that clarify how insurers with no gross exposure to earthquake or hurricane should complete the interrogatories" and "evaluate R3 Adjustment for Operational Risk Charge" items; 4) adding the adoption date to the "implement wildfire peril in the Rcat component (for informational purposes only)" item; and 5) adding "evaluate the possibility of modifying exemption criteria for different cat perils in the PR027 interrogatories," "evaluate the possibility of enhancing the independent model instructions," and "remove the trend test footnote in PR033" items under the new items section.

Without hearing any comments from state insurance regulators and industry, Mr. Botsko said the working agenda will be forwarded to the Capital Adequacy (E) Task Force for consideration.

8. Heard Updates on Current P/C RBC Projects from the Academy

Allan Kaufman (American Academy of Actuaries—Academy) said the Academy's Property/Casualty (P/C) Risk-Based Capital Committee provided a report describing the calibration of indicated Line 4 premium and reserve risk factors, which was one of the three reports that the Academy described to the Working Group in 2019. He stated that currently, the Academy has four ongoing projects. First is the second of the three reports, which is the line 7 and line 8 of premium and reserve risk, respectively. Mr. Kaufman said he anticipates that this report would be shared with the Working Group for discussion during the next quarter. Second is the third of the three reports, which is the line 14 (loss and premium concentration factors) of premium and reserve risks. He said he anticipates that this report will be provided to the Working Group by end of 2022. He also stated that the last two projects, which are an update to the factors used to avoid overlap between the line 4 premium risk factor and the separate hurricane and earthquake charges in Rcat and the development of a revised approach of line 1 factor, will be presented to the Working Group by the end of the next quarter and by the end of 2022 or early 2023, respectively.

9. Discussed Other Matters

Mr. Botsko said a response letter to request for input regarding the definition of run-off companies was forwarded to the Restructuring Mechanisms (E) Subgroup in April 2021. The Subgroup planned to schedule a meeting in April to discuss this issue. Mr. Botsko encouraged all the interested parties to participate at the meeting and provide thoughts to the Working Group during the upcoming meeting.

Lastly, Mr. Botsko was pleased to announce that Mr. Chou will be serving as Working Group vice chair.

Having no further business, the Property and Casualty Risk-Based Capital (E) Working Group adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/Spring 2022 National Meeting/Task Forces/CapAdequacy/PCRBCWG/03-23propertyrbcwg.docx

Capital Adequacy (E) Task Force

RBC Proposal Form

[ ] Capital Adequacy (E) Task Force
[ ] Health RBC (E) Working Group
[ ] Life RBC (E) Working Group
[ ] Catastrophe Risk (E) Subgroup
[ ] Investment RBC (E) Working Group
[ ] Longevity Risk (A/E) Subgroup
[ ] C3 Phase II/ AG43 (E/A) Subgroup
[ ] P/C RBC (E) Working Group

DATE:	**3/22/22**
CONTACT PERSON:	**Eva Yeung**
TELEPHONE:	**816-783-8407**
EMAIL ADDRESS:	**eyeung@naic.org**
ON BEHALF OF:	**NAMIC and RAA**
NAME:	**Jonathan Rodgers and Scott Williamson**
TITLE:	
AFFILIATION:	
ADDRESS:	

FOR NAIC USE ONLY

Agenda Item # 2021-17-CR

Year 2022

DISPOSITION

[ ] ADOPTED

[ ] REJECTED

[ ] DEFERRED TO

[ ] REFERRED TO OTHER NAIC GROUP

[x] EXPOSED 3/22/22

[x] OTHER (SPECIFY) MOD 2021-17-CR

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

[ ] Health RBC Blanks
[x] Property/Casualty RBC Blanks
[ ] Life and Fraternal RBC Instructions
[ ] Health RBC Instructions
[ ] Property/Casualty RBC Instructions
[ ] Life and Fraternal RBC Blanks
[ ] OTHER ___________________________

DESCRIPTION OF CHANGE(S)

1) PR027INT: Add C (10) to the PR027INT Interrogatory allowing an exemption for companies that meet the specific requirements.
2) PR027C: Modify PR027C to include disclosure of estimated wildfire risk exposure on a gross and net of reinsurance basis in-lieu of modeled results for companies exempted under C (10).

REASON OR JUSTIFICATION FOR CHANGE **

For those smaller companies, where the modeling requirements would impose a cost and compliance burden that represent an outsized cost relative to the incremental benefit of providing the modeled data for information-only purposes. The exemption option is only intended to apply to the information-only reporting for wildfire, while the Subgroup continues to evaluate materiality and model maturity.

When wildfire is added to RBC as a capital requirement, this exemption option would no longer be available, and all companies would be required to provide modeled exposure data unless they qualify under the existing exemptions listed in PR027 Interrogatory items C (7), (8), or (9).

Additional Staff Comments:

The original proposal was adopted by the Subgroup on 2/22/2022.

This proposal would modify the originally adopted proposal to add a small company in-lieu-of-modeling reporting option.

3/22/22 – The Subgroup exposed the proposal for a 14-day public comment period ending April 5.

3/28/22 – The Subgroup received comments from Julie Lederer (MO).

4/19/22 – The Subgroup adopted this proposal.

****   This section must be completed on all forms.** **Revised 2-2019**

CALCULATION OF CATASTROPHE RISK CHARGE FOR WILDFIRE PR027C FOR INFORMATIONAL PURPOSES ONLY

	Wildfire	Reference	Modeled Losses (1) Direct and Assumed	(2) Net	3† Ceded Amounts Recoverable	(4)†† Ceded Amounts Recoverable with zero Credit Risk Charge
(1)	Worst Year in 50	Company Records				
(2)	Worst Year in 100	Company Records				
(3)	Worst Year in 250	Company Records				
(4)	Worst Year in 500	Company Records				

		(5) Y/N
(5)	Has the company reported above, its modeled wildfire losses using an occurrence exceedance probability (OEP) basis?	

		Reference	(6) Amount	Factor	(7) RBC Requirement (C(6) * Factor)
(6)	Net Wildfire Risk	L(2) C(2)	0	1.000	0
(7)	Contingent Credit Risk for Wildfire Risk	L(2) C(3) - C(4)	0	0.018	0
(8)	Total Wildfire Catastrophe Risk (AEP Basis)	If L(5) C(5) = "N", L(8) C(6) = L(6) C(7)+ L(7) C(7), otherwise "0"	0	1.000	0
(9)	Total Wildfire Catastrophe Risk (OEP Basis)	If L(5) C(5) = "Y", L(9) C(6) = L(6) C(7)+ L(7) C(7), otherwise "0"	0	1.000	0
(10)	Total Wildfire Catastrophe Risk	L(8) C(7) + L(9) C(7)			0

Disclosure in-lieu-of model-based reporting:

		(8) Direct and Assumed	(9) Net
(11)	**For a company qualifying for the exemption under PR027INT C (10), complete 11a through 11c below:**		
	a. Provide the company's gross and net wildfire 1-in-100-year wildfire losses on a best estimate basis in lieu of model-based reporting.		
	b. Provide details on how the company estimated the amounts shown in 11a.		
	c. Provide a narrative disclosure about how the company manages its wildfire risk.		

Lines (1)-(4): Modeled losses to be entered on these lines are to be calculated using one of the following NAIC approved third party commercial vendor catastrophe models - AIR, RMS, or KCC; or a catastrophe model that is internally developed by the insurer and has received permission of use by the lead or domestic state. The insurance company's own insured property exposure information should be used as inputs to the model(s). The insurance company may elect to use the modeled results from any one of the models, or any combination of the results of two or more of the models. Each insurer will not be required to utilize any prescribed set of modeling assumptions, but will be expected to use the same data, modeling, and assumptions that the insurer uses in its own internal catastrophe risk management process. An attestation to this effect and an explanation of the company's key assumptions and model selection may be required, and the company's catastrophe data, assumptions, model and results may be subject to examination.

† Column (3) is modeled catastrophe losses that would be ceded under reinsurance contracts. This should be associated with the Net Modeled Losses shown in Column (2).

††Column (4) is modeled catastrophe losses that would be ceded to the categories of reinsurers that are not subject to the RBC credit risk charge (i.e., U.S. affiliates and mandatory pools, whether authorized, unauthorized, or certified).

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

INTERROGATORY TO SUPPORT EXEMPTION FROM COMPLETING PR027 (To be completed by companies reporting no RBC charge in either Lines 1 through 3) PR027INT

Place an "X" in the appropriate cell for the criteria under which the company is claiming an exemption

A Earthquake Exemption (To be completed by companies reporting no RBC charge in PR027 Line 1) -

(1) The company has not entered into a reinsurance agreement covering earthquake exposure with a non-affiliate or a non-US affiliate and, either

(1a) the company participates in an inter-company pooling arrangement with 0% participation, leaving no net exposure for earthquake risks; Or

(1b) the company cedes 100% of its earthquake exposures to its US affiliate(s), leaving no net exposure for earthquake risks

(2) The Company's Ratio of Insured Value - Property to surplus as regards policyholders is less than 50%

(3) The company has written Insured Value - Property that includes earthquake coverage in the Earthquake-Prone areas representing less than 10% of its surplus as regards policyholders

For any company qualifying for the exemption under 3 provide details about how the "geographic areas in the New Madrid Seismic Zone" were determined.

(3a) What resource was used to define the New Madrid Seismic Zone?

(3b) Was exposure determined based on zip codes or counties in the zone, was it based on all of the earthquake exposure in the identified states or was another methodology used? Describe any other methodology used.

Note: "Earthquake-Prone areas" include any of the following states or commonwealths: Alaska, Hawaii, Washington, Oregon, California, Idaho, Nevada, Utah, Arizona, Montana, Wyoming, Colorado, New Mexico, Puerto Rico, and geographic areas in the following states that are in the New Madrid Seismic Zone - Missouri, Arkansas, Mississippi, Tennessee, Illinois and Kentucky.

B Hurricane Exemption (To be completed by companies reporting no RBC charge in PR027 Line 2) -

(4) The company has not entered into a reinsurance agreement covering hurricane exposure with a non-affiliate or a non-US affiliate and, either

(4a) the company participates in an inter-company pooling arrangement with 0% participation, leaving no net exposure for hurricane risks; Or

(4b) the company cedes 100% of its hurricane exposures to its US affiliate(s), leaving no net exposure for hurricane risks

(5) The Company's Ratio of Insured Value - Property to surplus as regards policyholders is less than 50%

(6) The company has written Insured Value - Property that includes hurricane coverage in the Hurricane-Prone areas representing less than 10% of its surplus as regards policyholders

Note: "Hurricane-Prone areas" include Hawaii, District of Columbia and states and commonwealths bordering on the Atlantic Ocean, and/or Gulf of Mexico including Puerto Rico.

C Wildfire Exemption (To be completed by companies reporting no RBC charge in PR027 Line 3) -

(7) The company has not entered into a reinsurance agreement covering wildfire exposure with a non-affiliate or a non-US affiliate and, either

(7a) the company participates in an inter-company pooling arrangement with 0% participation, leaving no net exposure for wildfire risks; Or

(7b) the company cedes 100% of its wildfire exposures to its US affiliate(s), leaving no net exposure for wildfire risks

(8) The Company's Ratio of Insured Value - Property to surplus as regards policyholders is less than 50%

(9) The company has written Insured Value - Property that includes wildfire coverage in the wildfire-Prone areas representing less than 10% of its surplus as regards policyholders

(10) The sum of the direct and assumed premium written in wildfire-prone areas across the following Annual Statement lines is less than $50 million:Fire, Allied Lines, Earthquake, Farmowners, Homeowners, and Commercial Multi-Peril; and the company does not currently utilize NAIC approved third party commercial vendor wildfire catastrophe models.

Note: "Wildfire-Prone areas" include any of the following states: California, Idaho, Montana, Oregon, Nevada, Wyoming, Colorado, New Mexico, Washington, Arizona, and Utah.

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

* Item C is for informational purposes only.

From: Lederer, Julie <Julie.Lederer@insurance.mo.gov>
Sent: Monday, March 28, 2022 9:11 PM
To: Yeung, Eva K. <EYeung@naic.org>
Cc: Rehagen, John <John.Rehagen@insurance.mo.gov>
Subject: Catastrophe Risk Subgroup: Comments on 2021-17-CR (MOD)

Hi Eva,

The proposal 2021-17-CR (MOD) seems reasonable. I have a few minor comments and points of clarification:

1. On PR027C, item 11a says, "Provide the company's gross and net wildfire 1-in-100-year equivalent exposure on a best estimate basis in-lieu-of model-based reporting." I'm not sure what "equivalent exposure" means here. Does this mean losses? (I.e., provide the estimated gross and net 1-in-100-year losses?)

2. On PR027C, the "in-lieu-of" in item 11a does not need hyphens.

3. On PR027C, I believe item 11b is asking the company to describe how it estimated the dollar amounts in 11a. If that is the case, clearer wording might be "Provide details on how the company estimated the amounts shown in 11a." Otherwise, it's not clear how 11b and 11c are different.

4. On PR027C, the "it's" in item 11c should be "its" (with no apostrophe).

5. PR027INT item C(10) says, "The company writes less than $50 million in direct and assumed premium (gross premium written) in the following Annual Statement lines – Fire, Allied Lines, Earthquake,…" Does the proposal intend for a company to sum its gross premium across the listed annual statement lines (in wildfire-prone areas) and compare the total to $50 million? If so, maybe wording such as the following would be clearer: "The sum of the direct and assumed premium written in wildfire-prone areas across the following Annual Statement lines is less than $50 million: Fire, Allied Lines, Earthquake, Farmowners, Homeowners, and Commercial Multiple Peril; and the company does not currently…"

Thanks for letting me provide comments.

Best regards,

Julie

Julie Lederer, FCAS, MAAA
Property and Casualty Actuary
Missouri Department of Commerce and Insurance
816-889-2219
Julie.Lederer@insurance.mo.gov
Sign up for DCI news

Capital Adequacy (E) Task Force

RBC Proposal Form

[ ] Capital Adequacy (E) Task Force [ ] Health RBC (E) Working Group [ ] Life RBC (E) Working Group
[ ] Catastrophe Risk (E) Subgroup [ ] Investment RBC (E) Working Group [ ] Operational Risk (E) Subgroup
[ ] C3 Phase II/ AG43 (E/A) Subgroup [x] P/C RBC (E) Working Group [ ] Longevity Risk (A/E) Subgroup

		FOR NAIC USE ONLY
DATE:	3/23/2022	Agenda Item # 2022-01-P
CONTACT PERSON:	Eva Yeung	Year 2022
TELEPHONE:	816-783-8407	DISPOSITION
EMAIL ADDRESS:	eyeung@naic.org	[ ] ADOPTED
ON BEHALF OF:	P/C RBC (E) Working Group	[ ] REJECTED
NAME:	Tom Botsko	[ ] DEFERRED TO
TITLE:	Chair	[ ] REFERRED TO OTHER NAIC GROUP
AFFILIATION:	Ohio Department of Insurance	[x] EXPOSED 3/23/22
ADDRESS:	50 W. Town Street, Third Floor – Suite 300 Columbus, OH 43215	[ ] OTHER (SPECIFY)

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

[ ] Health RBC Blanks [x] Property/Casualty RBC Blanks [ ] Life and Fraternal RBC Instructions
[ ] Health RBC Instructions [ ] Property/Casualty RBC Instructions [ ] Life and Fraternal RBC Blanks
[ ] OTHER ___________________________

DESCRIPTION OF CHANGE(S)

The proposed change would remove the trend test for information only footnote in PR033.

REASON OR JUSTIFICATION FOR CHANGE **

All States in U.S are in compliance on PC Trend Test. This became part of the Accreditation Standards effective Jan 1, 2012.

Additional Staff Comments:

3/23/22 - The Working Group exposed this proposal for a 30-day public comment period ending April 22.

**** This section must be completed on all forms.** **Revised 2-2019**

TREND TEST PR033

		Annual Statement Source	(1) Amount	(2) Result
	Original RBC % Before Applying Trend Test			
(1)	Authorized Control Level Risk-Based Capital Including Basic Operational Risk	PR032, C(1) L(72)	0	
(2)	Total Adjusted Capital	PR029, C(2) L(14)	0	
(3)	RBC %	L(2)C(1) / L(1)C(1)	0.000%	
	Combined Ratio Data			
(4)	Premiums Earned	Pg 4, Col 1, L 1	0	
(5)	Losses Incurred	Pg 4, Col 1, L 2	0	
(6)	Loss Expenses Incurred	Pg 4, Col 1, L 3	0	
(7)	Other Underwriting Expenses Incurred	Pg 4, Col 1, L 4	0	
(8)	Aggregate Write-ins for Underwriting Deductions	Pg 4, Col 1, L 5	0	
(9)	Dividends to Policyholders	Pg 4, Col 1, L 17	0	
(10)	Net Written Premiums	Pg 8, Col 6, L 35	0	
	Combined Ratio Calculation			
(11)	Loss Ratio	[Pg 4, Col 1, L 2 + Pg 4, Col 1, L 3] / Pg 4, Col 1, L 1	0.000%	
(12)	Dividend Ratio	Pg 4, Col 1, L 17 / Pg 4, Col 1, L 1	0.000%	
(13)	Expenses Ratio	[Pg 4, Col 1, L 4 + Pg 4, Col 1, L 5] / Pg 8, Col 6, L 35	0.000%	
(14)	Combined Ratio	L(11) + L(12) + L(13)	0.000%	
(15)	Trend Test Result †	If L(3) Between 200% & 300% & L(14) >120%, L(15), YES, Otherwise, NO		

†The Trend Test applies only if L(15) = YES
‡If result = YES, the company triggers regulatory attention at the Company Action Level based on the trend test.

~~**NOTE:** This page is for information only until the modifications made by Capital Adequacy Task Force to the *Risk-Based Capital (RBC) for Insurers Model Act* are implemented by states.~~

Capital Adequacy (E) Task Force

RBC Proposal Form

[ ] Capital Adequacy (E) Task Force	[ ] Health RBC (E) Working Group	[ ] Life RBC (E) Working Group
[ ] Catastrophe Risk (E) Subgroup	[ ] Investment RBC (E) Working Group	[ ] Operational Risk (E) Subgroup
[ ] C3 Phase II/ AG43 (E/A) Subgroup	[x] P/C RBC (E) Working Group	[ ] Longevity Risk (A/E) Subgroup

		FOR NAIC USE ONLY
DATE:	**4/26/22**	Agenda Item # 2022-02-P
CONTACT PERSON:	**Eva Yeung**	Year 2022
TELEPHONE:	**816-783-8407**	**DISPOSITION**
EMAIL ADDRESS:	**eyeung@naic.org**	[ ] ADOPTED ________
ON BEHALF OF:	**P/C RBC (E) Working Group**	[ ] REJECTED ________
NAME:	**Tom Botsko**	[ ] DEFERRED TO ________
TITLE:	**Chair**	[ ] REFERRED TO OTHER NAIC GROUP
AFFILIATION:	**Ohio Department of Insurance**	[ ] EXPOSED ________
ADDRESS:	**50 West Town Street, Suite 300**	[ ] OTHER (SPECIFY) ________
	Columbus, OH 43215	

IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

[ ] Health RBC Blanks	[x] Property/Casualty RBC Blanks	[ ] Life and Fraternal RBC Instructions
[ ] Health RBC Instructions	[ ] Property/Casualty RBC Instructions	[ ] Life and Fraternal RBC Blanks
[ ] OTHER ____________________________		

DESCRIPTION OF CHANGE(S)

The proposed change would update the Line 1 Factors for PR017 and PR018.

REASON OR JUSTIFICATION FOR CHANGE **

The proposed change would provide routine annual update of the industry underwriting factors (premium and reserve) in the PCRBC formula.

Additional Staff Comments:

**** This section must be completed on all forms.** **Revised 2-2019**

Attachment D

Schedule P Line of Business	LOB	Proposed for adoption - 2022 Industry Average Development Ratio	2021 Industry Average Development	2020 Industry Average Development	2019 Industry Average Development	2018 Industry Average Development	2017 Industry Average Development	2016 Industry Average Development	2015 Industry Average Development	2014 Industry Average Development	2013 Industry Average Development	2012 Industry Average Development	2011 Industry Average Development	2010 Industry Average Development	2009 Industry Average Development	2008 Industry Average Development	2007 Industry Average Development
H/F	A	**1.001**	0.998	0.993	0.989	0.989	0.984	0.972	0.962	0.967	0.960	0.949	0.962	0.984	0.983	0.983	0.995
PPA	B	**1.022**	1.025	1.035	1.026	1.022	1.012	1.002	1.002	0.994	0.986	0.991	0.989	0.992	0.998	1.003	1.007
CA	C	**1.082**	1.083	1.078	1.087	1.060	1.034	1.015	0.987	0.979	0.986	0.998	0.992	1.015	1.031	1.045	1.062
WC	D	**0.906**	0.912	0.916	0.955	0.952	0.971	0.971	0.961	0.986	0.980	0.990	0.999	1.005	1.016	1.033	1.051
CMP	E	**1.037**	0.999	1.016	0.992	0.967	0.956	0.942	0.938	0.941	0.927	0.932	0.952	0.962	0.993	1.034	1.037
MM Occurrence	F1	**0.887**	0.874	0.861	0.864	0.871	0.868	0.841	0.966	0.966	0.991	1.072	1.048	1.213	1.251	1.343	1.333
MM Clms Made	F2	**0.983**	0.973	0.940	0.907	0.886	0.854	0.822	0.839	0.808	0.824	0.887	0.925	0.981	1.033	1.083	1.140
SL	G	**0.990**	0.976	0.963	0.938	0.933	0.926	0.919	0.975	0.990	0.954	0.942	0.931	0.998	1.043	1.060	1.108
OL	H	**0.995**	0.964	0.968	0.971	0.966	0.952	0.929	0.923	0.916	0.919	0.914	0.954	0.959	0.963	1.006	1.015
Fidelity / Surety	K	**0.842**	0.915	0.907	0.995	0.996	1.016	1.035	1.016	1.050	1.126	1.194	1.191	1.253	1.247	1.290	1.274
Special Property	I	**0.993**	0.978	0.977	0.972	0.971	0.982	0.973	0.991	0.992	1.035	1.113	1.097	1.144	1.097	1.102	1.102
Auto Physical Damage	J	**1.011**	0.989	0.993	0.996	1.000	1.001	0.995	0.995	1.005	1.054	1.105	1.105	1.155	1.107	1.110	1.106
Other (Credut, A&H)	L	**0.955**	0.965	0.971	0.973	0.976	0.981	0.986	1.041	1.061	1.113	1.138	1.177	1.277	1.262	1.325	1.282
Financial / Mortgage Guaranty	S	**0.694**	0.723	0.682	0.788	0.870	0.820	0.853	1.185	1.444	1.256	1.087	1.276	0.841	0.893	1.483	1.495
Intl	M	**3.041**	1.104	1.162	1.037	0.851	0.855	0.897	1.350	0.742	0.813	0.869	1.015	1.102	1.181	1.175	1.291
Rein. Property & Financial Lines	NP	**0.917**	0.893	0.886	0.872	0.834	0.814	0.814	1.002	0.976	0.934	0.921	0.937	0.965	0.969	1.025	1.048
Rein. Liability	O	**1.008**	0.989	0.985	0.955	0.945	0.914	0.896	0.938	0.905	1.009	1.089	1.169	1.304	1.259	1.314	1.296
PL	R	**0.867**	0.879	0.900	0.913	0.921	0.935	0.937	1.072	1.018	0.981	0.978	1.009	1.063	1.073	1.109	1.112
Warranty	T	**0.998**	1.007	1.013	1.017	1.015	0.989	0.977	0.994	1.040	1.082	1.197	1.268	1.717	1.634	n/a	n/a

Intl 1.21 Weighted average with 3 largest removed — 3 largest have 85% of ultimate and 63% of data

Intl 1.14 Average of capped ratios

PR018 Line 1 Premiums

Attachment D

Schedule P Line of Business	LOB	Proposed 2022 Industry Average Loss & Expense Ratio	2021 Industry Average Loss & Expense Ratio	2020 Industry Average Loss & Expense Ratio	2019 Industry Average Loss & Expense Ratio	2018 Industry Average Loss & Expense Ratio	2017 Industry Average Loss & Expense Ratio	2016 Industry Average Loss & Expense Ratio	2015 Industry Average Loss & Expense Ratio	2014 Industry Average Loss & Expense Ratio	2013 Industry Average Loss & Expense Ratio	2012 Industry Average Loss & Expense Ratio	2011 Industry Average Loss & Expense Ratio	2010 Industry Average Loss & Expense Ratio	2009 Industry Average Loss & Expense Ratio	2008 Industry Average Loss & Expense Ratio	2007 Industry Average Loss & Expense Ratio
H/F	A	**0.665**	0.681	0.678	0.681	0.687	0.688	0.701	0.701	0.713	0.725	0.728	0.726	0.736	0.737	0.742	0.750
PPA	B	**0.793**	0.795	0.810	0.810	0.806	0.800	0.792	0.786	0.780	0.784	0.792	0.804	0.815	0.821	0.831	0.836
CA	C	**0.761**	0.761	0.759	0.737	0.724	0.706	0.689	0.684	0.676	0.668	0.669	0.679	0.705	0.737	0.763	0.784
WC	D	**0.664**	0.682	0.705	0.726	0.744	0.751	0.752	0.751	0.749	0.750	0.755	0.766	0.78	0.805	0.83	0.847
CMP	E	**0.661**	0.673	0.672	0.666	0.664	0.647	0.648	0.655	0.652	0.653	0.644	0.654	0.674	0.695	0.710	0.727
MM Occurrence	F1	**0.750**	0.731	0.726	0.730	0.780	0.777	0.767	0.880	0.883	0.874	0.916	0.952	1.031	1.104	1.195	1.231
MM Clms Made	F2	**0.829**	0.821	0.797	0.768	0.747	0.722	0.691	0.697	0.680	0.695	0.718	0.771	0.860	0.928	1.003	1.091
SL	G	**0.585**	0.593	0.603	0.593	0.569	0.567	0.572	0.630	0.645	0.649	0.597	0.599	0.582	0.673	0.709	0.732
OL	H	**0.637**	0.635	0.639	0.638	0.633	0.629	0.618	0.616	0.617	0.620	0.637	0.662	0.687	0.714	0.738	0.758
Fidelity / Surety	K	**0.366**	0.394	0.384	0.399	0.417	0.430	0.464	0.462	0.473	0.496	0.528	0.555	0.584	0.586	0.583	0.582
Special Property	I	**0.547**	0.559	0.553	0.554	0.563	0.555	0.559	0.571	0.572	0.574	0.562	0.559	0.565	0.575	0.590	0.568
Auto Physical Damage	J	**0.718**	0.726	0.732	0.730	0.732	0.727	0.711	0.703	0.686	0.681	0.683	0.681	0.692	0.697	0.705	0.716
Other (Credit, A&H)	L	**0.698**	0.693	0.684	0.682	0.709	0.712	0.699	0.706	0.754	0.778	0.794	0.786	0.691	0.697	0.737	0.789
Financial / Mortgage Guaranty	S	**0.203**	0.252	0.513	0.811	1.099	1.175	1.293	1.096	1.242	1.271	1.206	1.142	0.738	0.605	0.805	0.827
Intl	M	**1.166**	0.769	0.758	0.795	0.584	0.565	0.607	1.150	1.131	1.093	0.931	0.937	0.954	0.956	0.930	0.874
Rein. Property & Financial Lines	NP	**0.566**	0.558	0.534	0.522	0.486	0.459	0.512	0.723	0.764	0.766	0.757	0.805	0.828	0.924	0.977	0.994
Rein. Liability	O	**0.725**	0.713	0.708	0.679	0.666	0.609	0.600	0.749	0.748	0.782	0.841	0.915	1.010	1.107	1.165	1.164
PL	R	**0.601**	0.617	0.645	0.656	0.671	0.670	0.684	0.715	0.716	0.683	0.697	0.714	0.747	0.780	0.802	0.822
Warranty	T	**0.665**	0.681	0.691	0.695	0.732	0.645	0.611	0.799	0.789	0.864	0.862	0.916	0.860	0.800	n/a	n/a

AFFILIATED/SUBSIDIARY STOCKS
PR003 – PR005

There are nine categories of affiliated/subsidiary investments that are subject to Risk-Based Capital requirement for common stock and preferred stock holdings. Those nine 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 or 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. Other Non-financial entities

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 1899999.

Affiliated/Subsidiary investments fall primarily 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. A third category of Affiliates/Subsidiaries, publicly traded insurance affiliates/subsidiaries held at market value, has characteristics of both broader categories. As a result, it has 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 (9), the total outstanding common stock in Column (7) and the total outstanding preferred stock of that affiliate/subsidiary in Column (10) of the appropriate worksheet. The percentage of ownership is calculated by summing the book/adjusted carrying values of the owned preferred and common stock and dividing that amount by the sum of all outstanding preferred and common stock.

Insurance Affiliates/Subsidiaries that are Subject to RBC

1. Directly Owned U.S. Affiliates/Subsidiaries:

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 subsidiary, prorated for the percent of ownership of that affiliate/subsidiary.

For purposes of Affiliate/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 (XR025, Line (37).
b. For a P/C affiliate/subsidiary RBC filing, Total Risk-Based Capital After Covariance before Basic Operational Risk (PR032, Line (68).
c. For a Life affiliate/subsidiary RBC filing, the sum of
   i. Total Risk-Based Capital After Covariance before Basic Operational Risk (LR031, Line (67); and
   ii. Primary Security shortfalls for all cessions covered by Actuarial Guideline XLVIII (AG 48) multiplied by two (LR031, Line (71).

For RBC purposes, the reporting insurer must determine the carrying value and the RBC requirement of a directly owned RBC filing affiliate/subsidiary company, even if the RBC filing affiliate/subsidiary is non-admitted for financial reporting purposes. The value reported in annual statement Schedule D, Part 6, Section 1 will be used for RBC purposes. In addition to RBC, the carrying value of the RBC filer must be reported in total adjusted capital 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 XXX of the Calculation of Total Adjusted Capital page to satisfy these instructions.

Equity method Insurance Affiliates/Subsidiaries: Equity method is defined in SSAP 97, Paragraph 8b. 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 R_0 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 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, 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. In this case, the addition 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.

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 companies. 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 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.

3. Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries

The carrying value of a U.S. Insurance Affiliate/Subsidiary that is subject to RBC is deducted from the value of the directly held holding company or other entity that in turn directly owns the U.S. Insurance Affiliate/Subsidiary that is subject to RBC, based on the value reported for each insurance subsidiary on the downstream immediate holding company or non-insurance owner's balance sheet. That value is prescribed by the NAIC Accounting Practices and Procedures Manual (SSAP No. 97, paragraph 22.a.). A similar exercise is required for each RBC filing insurer and each non-U.S. insurer in order to determine the remaining excess value of the holding company.

The remaining value of the directly held holding company is then subject to a charge that is calculated in accordance with the instructions for Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries as specified in the RBC formula. If the holding company is not admitted, report the excess carrying value as zero and the corresponding RBC charge will also be zero. If a negative excess value for the downstream holding company results from removing the value of U.S. RBC filing insurers from the downstream holding company's reported value, then the value of that holding company will be floored at zero and the corresponding RBC charge will also be zero.

The following hypothetical Balance Sheet indicates the view of a Holding Company - Holder, Inc. which is 100% owned by MEGA P&C Insurance Company (it assumes that 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):

	Balance Sheet				
	Holder, Inc.				
	12/31/XXXX				
Cm Stk:	ABC Life Company	10,000,000		Long Term Debt	5,000,000
	XYZ Casualty Company	15,000,000		Other Liabilities	2,000,000
	ANH Health Company	3,000,000			
	Other Common Stock	17,000,000		Total Liabilities	7,000,000
	Cash	7,000,000			
	Other Assets	5,000,000		Equity	50,000,000
	Total Assets	57,000,000		Total Liabilities & Equity	57,000,000

The RBC calculation for Holder, Inc.'s value in excess of the indirectly owned insurance affiliates/subsidiaries is as follows:

Company	**Stat. Book value**	**Source:**
Holder, Inc.	50,000,000	MEGA P&C Sch D - Part 6, Section 1
Holder, Inc. Aff/subs subject to RBC		
ABC Life Company	10,000,000	Holder, Inc. Stat. balance sheet
XYZ Casualty Company	15,000,000	Holder, Inc. Stat. balance sheet
ANH Health Company	3,000,000	Holder, Inc. Stat. balance sheet
subtotal	28,000,000	
Holder, Inc. excl. RBC aff/subs	22,000,000	*(amount subject to the 22.5% factor for Holding Company Value in Excess of Indirectly Owned Insurance Affiliates/Subsidiaries)*

The following table shows the PR003 entries that MEGA P&C Insurance Company (which owns 100% owns of Holder, Inc.) would report for the indirectly owned insurance Affiliates/subsidiaries under Holder, Inc. This table assumes that Holder, Inc. owns 40%, 50% and 25% of ABC Life, XYZ Casualty, and ANH Health, respectively. The table also assumes that the RBC values shown for these affiliates/subsidiaries at the 100% level are the correct RBC After Covariance but Before Operational Risk.

		PR003 Column					
		4	**5**	**7**	**8**	**9**	**13**
Affiliates/Subsidiaries	**Affiliates/Subsidiaries Type**	**100% RBC**	**Book Adjusted Carrying Value**	**Total Value of Affiliates/Subsidiaries**	**Statutory Surplus of Affiliates/Subsidiaries**	**% Owned**	**RBC Required**
ABC Life Company	Indirect U.S. Life Aff/Sub	5,000,000	10,000,000	25,000,000	25,000,000	40%	2,000,000
XYZ Casualty Company	Indirect U.S. P&C Aff/Sub	12,000,000	15,000,000	30,000,000	30,000,000	50%	6,000,000
ANH Health Company	Indirect U.S. Health Aff/Sub	6,000,000	3,000,000	12,000,000	12,000,000	25%	1,500,000

The risk-based capital charge for the parent insurer preparing the calculation is a 22.5 percent charge against the holding company value in excess of the indirectly owned insurance affiliates/subsidiaries as calculated in the prior example. Enter information in the appropriate columns of the worksheet, omitting those columns that do not apply (Column (3) – NAIC Company Code or Alien ID Number and Column (4) Affiliate's RBC After Covariance).

Affiliates/Subsidiaries that are Not Subject to RBC

4. Investment Subsidiaries

An investment subsidiary is a subsidiary that exists only to invest the funds of the parent company. The term investment subsidiary is defined in the annual statement instructions as any subsidiary, other than a holding company, engaged or organized primarily to engage in the ownership and management of investments for the insurer. An investment subsidiary shall not include any broker-dealer or a money management fund managing funds other than those of the parent company. The risk-based capital for an investment in an investment subsidiary is 22.5 percent of the carrying value of the common and preferred stock.

5. Directly Owned Alien Insurance Affiliates/Subsidiaries

For purposes of this formula, the Risk-Based Capital (RBC) of each directly owned alien insurance affiliate/subsidiary is the annual statement book adjusted carrying value of the reporting company's interest in the affiliate multiplied by 0.500. Enter information for any non-U.S. insurance affiliate/subsidiary: life, property and casualty, and health insurers.

For each affiliate/subsidiary, enter the following information:

- Company Name,
- Alien Insurer Identification Number,
- Book Adjusted carrying value of common and preferred stock,
- Total Outstanding value of common and preferred stock,
- Book/adjusted carrying value of the common and preferred stock from Schedule D, Part 6, Section 1, Line 1499999. If no value is reported in the Total Value of Affiliate's common and preferred stock columns (7) and (11), the program will assume 100 percent ownership.

6. Indirectly Owned Alien Insurance Affiliates/Subsidiaries

For Indirectly Owned Alien. Insurance Affiliates/Subsidiaries, the carrying value and RBC charge is calculated in a similar manner as for directly owned Alien Insurance Affiliates/Subsidiaries.

SSAP No. 97 provides guidance for the reporting and admittance requirements of SCAs. Accordingly, there may be cases where an indirectly owned Alien insurers 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 Alien insurer), 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 charge that would be imposed had the alien insurance affiliate/subsidiary companies been directly held by the reporting insurer. This involves looking down to the first alien insurer affiliate/subsidiary, unless there is an RBC filer in between and adjusting for percentage ownership of the intermediate entity directly owning the RBC filing affiliate/subsidiary. Both the RBC charge and carrying value of the alien insurer 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 XXX of the Calculation of Total Adjusted Capital page to satisfy these instructions.

The carrying value of an alien insurance Affiliate/Subsidiary is deducted from the value of the directly held holding company or other entity that in turn directly owns the U.S. Insurance Affiliate/Subsidiary that is subject to RBC, based on the value reported for each insurance subsidiary on the downstream immediate holding company or non-insurance owner's balance sheet. That value is prescribed by the NAIC Accounting Practices and Procedures Manual (SSAP No. 97, paragraph 22.a.). A similar exercise is required for each non-U.S. insurer in order to determine the remaining excess value of the holding company.

The RBC charge to be applied to each indirectly owned alien insurance affiliate/subsidiary is the annual statement book adjusted carrying value of the reporting company's interest in the affiliate/subsidiary multiplied by 0.500 and adjusted to reflect the reporting company's ownership on the holding company. For example, assume NEWBIE Insurance Company acquired 100 percent shares of Holder (a holding company), and Holder owns an Alien Insurance Company, which represents 50 percent of the book adjusted carrying value of Holder. If Holder has a book adjusted carrying value of $20,000,000, NEWBIE Insurance Company would enter $10,000,000 (1/2 of $20,000,000) as the carrying value of the Alien Insurance Company and the RBC charge for the indirect ownership of the Alien insurance affiliate/subsidiary would be $5,000,000 (0.500 times $10,000,000). The risk-based capital charge for the parent insurer preparing the calculation is a 22.5 percent charge against the holding company value in excess of the indirectly owned insurance affiliates/subsidiaries.

If NEWBIE Insurance Company only acquired 50 percent shares of Holder, NEWBIE Insurance Company would enter $5,000,000 (50 percent of 1/2 of $20,000,000) as the carrying value of the Alien Insurance Company and the RBC charge for the indirect ownership of the Alien insurance affiliate/subsidiary would be $2,500,000 (0.500 times $5,000,000). Enter information for any indirectly owned alien insurance subsidiaries.

		PR003 Column				
		4	**5**	**7**	**9**	**13**
Affiliates/Subsidiaries	**Affiliates/Subsidiaries Type**	**100% RBC**	**Book Adjusted Carrying Value**	**Total Value of Affiliates/Subsidiaries**	**% Owned**	**RBC Required**
Alien Insurance Company	Indirect Alien Life Aff/Sub	5,000,000	10,000,000	20,000,000	50%	2,500,000

For each affiliate/subsidiary enter the following information:

- Company Name,
- Alien Insurer Identification Number,
- Book Adjusted carrying value of common and preferred stock,
- Total Outstanding value of common and preferred stock,
- Book/adjusted carrying value of the common and preferred stock from Schedule D, Part 6, Section 1, Line 1499999. If no value is reported in the Total Value of Affiliate's Common and preferred stock column.

7. Investment in Upstream Affiliate (Parent)

The Risk-Based Capital (RBC) for an investment in an upstream parent is 22.5 percent of the book/adjusted carrying value of the common and preferred stock, regardless of whether that upstream parent is subject to RBC. Report the appropriate information from Schedule D, Part 6, Section 1, Lines 0199999 and 1099999 in Columns (1) through (10).

For each affiliate, enter the following information:

- Company Name,
- Affiliate Type Code,
- NAIC Company Code,
- Book Adjusted carrying value of common stock
- Book Adjusted carrying value of preferred stock,
- Total Outstanding value of common and preferred stock.

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, such as title insurers, monoline financial guaranty insurers, and monoline mortgage guarantee insurers
   c. Life Insurance Companies Not Subject to RBC, such as life insurance subsidiary exempted from RBC

The risk-based capital for insurers not subject to RBC is based on the underlying statute, regulation, or rule governing capital requirements for such entities. If not otherwise specified by statute regulation or rule, the risk-based capital for an investment in a U.S. insurer that is not required to file an RBC formula is 22.5 percent of the book/adjusted carrying value of the common and preferred stock.

9. Non-Insurance Affiliates/Subsidiaries Not Subject to RBC

   a. Financial entities with a capital requirement imposed by a regulatory body (e.g., a bank)
   b. Other financial entities without regulatory capital requirements
   c. Other Non-financial entities

The risk-based capital for entity types a, b, and c is 22.5 percent of the book/adjusted carrying value of the common and preferred stock. The affiliate/subsidiary code for Non-Insurance Affiliates/Subsidiaries Not Subject to RBC is “9”. Reported amounts use Schedule D, part 6, Schedule 1, Line 0899999, and Line 1799999 as the basis of reporting.

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 9) by the percentage of ownership (found in Schedule D – Part 6 – Section 1, Column 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	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

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 L67 + L71 PR032 L67 XR025 L37	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 Stock RBC Required (R2 Component)
0000001											100.000%		
0000002											100.000%		
0000003											100.000%		
0000004											100.000%		
0000005											100.000%		
0000006											100.000%		
0000007											100.000%		
0000008											100.000%		
0000009											100.000%		
0000010											100.000%		
0000011											100.000%		
0000012											100.000%		
0000013											100.000%		
0000014											100.000%		
0000015											100.000%		
0000016											100.000%		
0000017											100.000%		
0000018											100.000%		
0000019											100.000%		
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0000035											100.000%		
0000036											100.000%		
0000037											100.000%		
0000038											100.000%		
0000039											100.000%		
0000040											100.000%	0	0
0000041											100.000%	0	0
0000042											100.000%	0	0
0000043											100.000%	0	0
0000044											100.000%	0	0
0000045											100.000%	0	0
0000046											100.000%	0	0
0000047											100.000%	0	0
0000048											100.000%	0	0
0000049											100.000%	0	0
0000050											100.000%	0	0
(9999999)	Total	XXX	XXX	0	0	XXX	XXX	XXX	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

Note: PR007 L12 should now refers to PR003 C(13) L9999999

#REF!

SUBSIDIARY, CONTROLLED AND AFFILIATED INVESTMENTS PR004

	Affiliate Types	Affil Code	RBC Basis	(1) Number of Companies	(2) Total RBC Required
(1)	Directly Owned Health Insurance Companies or Health Entities	1a	Sub's RBC After Covariance	0	0
(2)	Directly Owned Property and Casualty Insurance Affiliates	1b	Sub's RBC After Covariance	0	0
(3)	Directly Owned Life Insurance Affiliates	1c	Sub's RBC After Covariance	0	0
(4)	Indirectly Owned Health Insurance Companies or Health Entities	2a	Sub's RBC After Covariance	0	0
(5)	Indirectly Owned Property and Casualty Insurance Affiliates	2b	Sub's RBC After Covariance	0	0
(6)	Indirectly Owned Life Insurance Affiliates	2c	Sub's RBC After Covariance	0	0
(7)	Holding Company in Excess of Indirect Subs	3	0.225	0	0
(8)	Investment Subsidiary	4	0.225	0	0
(9)	Directly Owned Alien Health Insurance Companies or Health Entities	5a	0.5	0	0
(10)	Directly Owned Alien Property and Casualty Insurance Affiliates	5b	0.5	0	0
(11)	Directly Owned Alien Life Insurance Affiliates	5c	0.5	0	0
(12)	Indirectly Owned Alien Health Insurance Companies or Health Entities	6a	0.5	0	0
(13)	Indirectly Owned Alien Property and Casualty Insurance Affiliates	6b	0.5	0	0
(14)	Indirectly Owned Alien Life Insurance Affiliates	6c	0.5	0	0
(15)	Investment in Upstream Affiliate (Parent)	7	0.225	0	0
(16)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	8a	0.225	0	0
(17)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	8b	0.225	0	0
(18)	Directly Owned Life Insurance Companies Not Subject to RBC	8c	0.225	0	0
(19)	Non-Insurance Entities with a Capital Equirement Imposed by a Egulatory Body	9a	0.225	0	0
(20)	Non-Insurance Other Financial Entities without Regulatory Capital Requirements	9b	0.225	0	0
(21)	Other Non-financial Entites	9c	0.225	0	0
(22)	Total			0	0

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

	Affiliated Preferred Stock		(1)	(2)	(3)
	Schedule D Part 6 Section 1 C7	Annual Statement Line Number	Annual Statement Total Preferred Stock	Total From RBC Report	Difference
(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
(9)	Subtotal	0999999	0	0	0

	Affiliated Common Stock		(1)	(2)	(3)
	Schedule D Part 6 Section 1 C7	Annual Statement Line Number	Annual Statement Total Common Stock	Total From RBC Report	Difference
(10)	Parent	1099999		0	0
(11)	U.S. P&C Insurer	1199999		0	0
(12)	U.S. Life Insurer	1299999		0	0
(13)	U.S.Health Insurer	1399999		0	0
(14)	Alien Insurer	1499999		0	0
(15)	Non-Insurer Which Controls Insurer	1599999		0	0
(16)	Investment Subsidiary	1699999		0	0
(17)	Other Affiliates	1799999		0	0
(18)	Subtotal	1899999	0	0	0

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	PR003 C(**13**) L(9999999)			0
(13)	Total Unaffiliated Common Stock	L(11) + L(12)	0		0

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

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CALCULATION OF TOTAL ADJUSTED CAPITAL PR029

		Annual Statement Reference	(1) Statement Value*	Factor	(2) Adjusted Capital
(1)	Capital and Surplus	P3 C1 L37	0	1.000	0
(2)	Non-Tabular Discount - Losses	Sch P P1-Sum C32 L12	0	1.000	0
(3)	Non-Tabular Discount - Expense	Sch P P1-Sum C33 L12	0	1.000	0
(4)	Discount on Medical Loss Reserves Reported as Tabular in Schedule P	Company Records	0	1.000	0
(5)	Discount on Medical Expense Reserves Reported as Tabular in Schedule P	Company Records	0	1.000	0
(6)	P&C Subs Non-Tabular Discount - Losses	Subs' Sch P Pt1-Sum C32 L12	0	1.000	0
(7)	P&C Subs Non-Tabular Discount - Expense	Subs' Sch P Pt1-Sum C33 L12	0	1.000	0
(8)	P&C Subs Discount on Medical Loss Reserves Reported as Tabular in Schedule P	Subs' Company Records	0	1.000	0
(9)	P&C Subs Discount on Medical Expense Reserves Reported as Tabular in Schedule P	Subs' Company Records	0	1.000	0
(10)	AVR - Life Subs §	Subs P3 C1 L24.01 §	0	1.000	0
(11)	Dividend Liability - Life Subs	Subs P3 C1 L6.1 + L6.2	0	0.500	0
(12)	Carrying Value of Non-Admitted Insurance Affiliates	Included in PR003 Column 5 and Column 9	0	1.000	0
(13)	Total Adjusted Capital Before Capital Notes	L(1)-L(2)-L(3)-L(4)-L(5)-L(6)-L(7)-L(8)-L(9)+L(10)+L(11)-L(12)			0
	Credit for Capital Notes				
(14.1)	Surplus Notes	Page 3 Column 1 Line 33	0		
(14.2)	Limitation on Capital Notes	0.5x[Line(13)-Line(14.1)]-Line 14.1, but not less than zero	0		
(14.3)	Capital Notes Before Limitation	PR028 Column (4) Line (18)	#REF!		
(14.4)	Credit for Capital Notes	Lesser of Column (1) Line(14.2) or Line (14.3)			#REF!
(15)	Total Adjusted Capital (Post-Deferred Tax)	Line (13) + Line (14.4)			#REF!
	Sensitivity Test :				
(16)	Deferred Tax Assets	Page 2, Column 3, Line 18.2	0	1.000	0
(16.1)	Deferred Tax Liabilities	Page 3, Column 1, Line 7.2	0	1.000	0
(17)	Deferred Tax Assets for Subsidiary	Company Record	0	1.000	0
(17.1)	Deferred Tax Liabilities for Subsidiary	Company Record	0	1.000	0
(18)	Total Adjusted Capital For Sensitivity Test	Line (15) - Line (16)+(16.1)-(17)+(17.1)			#REF!
	Ex DTA ACL RBC Ratio Sensitivity Test				
(19)	Deferred Tax Asset	Page 2 Column 3 Line 18.2	0	1.000	0
(20)	Total Adjusted Capital Less Deferred Tax Asset	Line (15) less Line (19)			#REF!
(21)	Authorized Control Level RBC	PR034 Comparison of Total Adjusted Capital to Risk-Based Capital Line (4)			#REF!
(22)	Ex DTA ACL RBC Ratio	Line (20) / Line (21)			#REF!

* Report amounts in this column as whole dollars.

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

§ 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.

CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE PR030 R0-R1

			(1)
R0 -–Subsidiary Insurance Companies and Misc. Other Amounts		PRBC O&I Reference	RBC Amount
(1)	Affiliated US P&C Insurers - Directly Owned	PR004 L(2)C(2)	0
(2)	Affiliated US P&C Insurers - Indirectly Owned	PR004 L(5)C(2)	0
(3)	Affiliated US Life Insurers - Directly Owned	PR004 L(3)C(2)	0
(4)	Affiliated US Life Insurers - Indirectly Owned	PR004 L(6)C(2)	0
(5)	Affiliated US Health Insurer - Directly Owned	PR004 L(1)C(2)	0
(6)	Affiliated US Health Insurer - Indirectly Owned	PR004 L(4)C(2)	0
(7)	Affiliated Alien Insurers - Directly Owned	PR004 L(9)+L(10)+L(11)C(2)	0
(8)	Affiliated Alien Insurers - Indirectly Owned	PR004 L(12)+L(13)+L(14)C(2)	0
(9)	Misc Off-Balance Sheet - Non-Controlled Assets	PR014 L(15) C(3)	#REF!
(10)	Misc Off-Balance Sheet - Guarantees for Affiliates	PR014 L(16) C(3)	#REF!
(11)	Misc Off-Balance Sheet - Contingent Liabilities	PR014 L(17) C(3)	#REF!
(12)	Misc Off-Balance Sheet - SSAP No.101 Par. 11A DTA	PR014 L(19) C(3)	#REF!
(13)	Misc Off-Balance Sheet - SSAP No.101 Par. 11B DTA	PR014 L(20) C(3)	#REF!
(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(	#REF!
R1 - Asset Risk - Fixed Income			
(15)	Bonds Subject to Size Factor	PR006 L(27)C(5)	#REF!
(16)	Bond Size Factor RBC	PR006 L(30)C(5)	#REF!
(17)	Off-balance Sheet Collateral & Sch DL, PT1 - Total Bonds	PR015 L(27)C(4)	#REF!
(18)	Off-balance Sheet Collateral & Sch DL, PT1 - Cash, & Short-Term Investments and Mort Loans on Real Est.	PR015 L(38)+(39)C(4)	#REF!
(19)	Other Long- Term Assets - Mortgage Loans, LIHTC & WCFI	PR008 L(10)+L(13)+L(14)+L(15)+L(16)+L(17)+L(20)+L(21)C(2)	#REF!
(20)	Misc Assets - Collateral Loans	PR009 L(13)C(2)	#REF!
(21)	Misc Assets - Cash	PR009 L(3)C(2)	#REF!
(22)	Misc Assets - Cash Equivalents	PR009 L(7)C(2)	#REF!
(23)	Misc Assets - Other Short-Term Investments	PR009 L(10)C(2)	#REF!
(24)	Replication -Synthetic Asset: One Half	PR010 L(9999999)C(7)	#REF!
(25)	Asset Concentration RBC - Fixed Income	PR011 L(21)C(3) Grand Total Page	#REF!
(26)	Total R1	L(15)+L(16)+L(17)+L(18)+L(19)+L(20)+L(21)+L(22)+L(23)+L(24)+L(25)	#REF!

#REF!

CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE PR031 R2-R3

R2 - Asset Risk - Equity		PRBC O&I Reference	RBC Amount
(27)	Common & Preferred- Affiliate Investment Subsidiary	PR004 L(8)C(2)	0
(28)	Common & Preferred- Affiliate Hold. Company. in excess of Ins. Subs.	PR004 L(7)C(2)	0
(29)	Common & Preferred- Investment in Parent	PR004 L(15)C(2)	0
(30)	Common & Preferred- Aff'd US P&C Not Subj to RBC	PR004 L(17)C(2)	0
(31)	Common & Preferred- Affil US Life Not Subj to RBC	PR004 L(18)C(2)	0
(32)	Common & Preferred- Affil US Health Insurer Not Subj to RBC	PR004 L(16)C(2)	0
(33)	Common & Preferred- Aff'd Non-insurer	PR004 L(19)+L(20)+L(21)C(2)	0
~~**(34)**~~	~~Preferred - Aff'd Invest Sub~~	~~PR004 L(7)C(3)~~	~~#REF!~~
~~**(35)**~~	~~Preferred - Aff'd Hold. Co. in excess of Ins. Subs.~~	~~PR004 L(10)C(3)~~	~~#REF!~~
~~**(36)**~~	~~Preferred - Investment in Parent~~	~~PR004 L(11)C(3)~~	~~#REF!~~
~~**(37)**~~	~~Preferred - Affil US P&C Not Subj to RBC~~	~~PR004 L(12)C(3)~~	~~#REF!~~
~~**(38)**~~	~~Preferred - Affil US Life Not Subj to RBC~~	~~PR004 L(13)C(3)~~	~~#REF!~~
~~**(39)**~~	~~Preferred - Affil US Health Insurer Not Subj to RBC~~	~~PR004 L(14)C(3)~~	~~#REF!~~
~~**(40)**~~	~~Preferred - Affil Non-insurer~~	~~PR004 L(15)C(3)~~	~~#REF!~~
(34)	Unaffiliated Preferred Stock	PR007 L(7)C(2)+PR015 L(34)C(4)	#REF!
(35)	Unaffiliated Common Stock	PR007 L(13)C(2)+PR015 L(35)C(4)	#REF!
(36)	Other Long -Term Assets - Real Estate	PR008 L(7)C(2)	#REF!
(37)	Other Long-Term Assets - Schedule BA Assets	PR008 L(19)C(2)+PR015 L(36)+L(37)C(4)	#REF!
(38)	Misc Assets - Receivable for Securities	PR009 L(1)C(2)	#REF!
(39)	Misc Assets - Aggregate Write-ins for Invested Assets	PR009 L(2)C(2)	#REF!
(40)	Misc Assets - Derivatives	PR009 L(14)C(2)	#REF!
(41)	Replication - Synthetic Asset: One Half	PR010 L(9999999)(7)	#REF!
(42)	Asset Concentration RBC - Equity	PR011 L(33)C(3) Grand Total Page	#REF!
(43)	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)~~**	#REF!
R3 - Asset Risk - Credit			
(44)	Other Credit RBC	PR012 L(8))-L(1)-L(2)C(2)	#REF!
(45)	One half of Rein Recoverables	0.5 x (PR012 L(1)+L(2)C(2))	#REF!
(46)	Other half of Rein Recoverables	**If R4 L(51)>(R3 L(45) + R3 L(46)), 0, otherwise, R3 L(46)**	#REF!
(47)	Health Credit Risk	PR013 L(12)C(2)	#REF!
(48)	Total R3	**L(45) + L(46) + L(47) + L(48)**	#REF!

CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE PR032 R4-Rcat

			(1)
R4 - Underwriting Risk - Reserves		PRBC O&I Reference	RBC Amount
(49)	One half of Reinsurance RBC	If R4 L(**51**)>(R3 L(45) + R3 L(46)), R3 L(46), otherwise, 0	#REF!
(50)	Total Adjusted Unpaid Loss/Expense Reserve RBC	PR0017 L(15)C(20)	#REF!
(51)	Excessive Premium Growth - Loss/Expense Reserve	PR016 L(13) C(8)	#REF!
(52)	A&H Claims Reserves Adjusted for LCF	PR024 L(5) C(2) + PR023 L(6) C(4)	#REF!
(53)	Total R4	**L(50)+L(51)+L(52)+L(53)**	#REF!
R5 - Underwriting Risk - Net Written Premium			
(54)	Total Adjusted NWP RBC	PR018 L(15)C(20)	#REF!
(55)	Excessive Premium Growth - Written Premiums Charge	PR016 L(14)C(8)	#REF!
(56)	Total Net Health Premium RBC	PR022 L(21)C(2)	#REF!
(57)	Health Stabilization Reserves	PR025 L(8)C(2) + PR023 L(3) C(2)	#REF!
(58)	Total R5	**L(551)+L(56)+L(57)+L(58)**	#REF!
Rcat- Catastrophe Risk			
(59)	Total Rcat	PR027 L(3) C(1)	#REF!
(60)	Total RBC After Covariance Before Basic Operational Risk = R0+SQRT(R1^2+R2^2+R3^2+R4^2+R5^2+Rcat^2)		#REF!
(61)	BasicOperational Risk = 0.030 x L(**61**)		#REF!
(62)	C-4a of U.S. Life Insurance Subsidiaries (from Company records)		0
(63)	**Net Basic Operational Risk = Line (62) - Line (63) (Not less than zero)**		#REF!
(64)	**Total RBC After Covariance including Basic Operational Risk = L(61)+ L(64)**		#REF!
(65)	Authorized Control Level RBC including Basic Operational Risk = .5 x L(65)		#REF!

NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

MEMORANDUM

TO: Pat Gosselin (NH), Chair of the Blanks (E) Working Group

FROM: Tom Botsko (OH), Chair of the Property and Casualty Risk-Based Capital (E) Working Group

DATE: April 1, 2022

RE: Reinsurer Designation Equivalent Rating Factors

When the reinsurance recoverable credit risk charge was implemented in 2018, a load of operational risk was embedded in the charge. Now that the operational risk is separately addressed in risk-based capital (RBC) as a standard-alone capital add-on, it results with duplication of the operational risk charge on the reinsurance recoverable component in the RBC report. An RBC proposal was developed to remove the embedded 2% operational risk contained in the R3 credit risk component, and it was adopted during the Capital Adequacy (E) Task Force meeting on March 28. The following factor changes should be made to the Annual Statement, Schedule F, Part 3, as the R3 charge is derived from the Schedule F, Part 3, Columns 35 and 36, Line 9999999.

Description	Secure 1	Secure 2	Secure 3	Secure 4	Secure 5	Vulnerable 6 or Unrated
AM Best	A++	A+	A	A-	B++, B+	B, B-, C++, C+, C, C-, D, E, F
Standard & Poor's 500 index	AAA	AA+, AA, AA-	A+, A	A-	BBB+, BBB, BBB-	BB+, BB, BB-, B+, B, B-, CCC, CC, C, D, R
Moody's Investors Service	Aaa	Aa1, Aa2, Aa3	A1, A2	A3	Baa1, Baa2, Baa3	Ba1, Ba2, Ba3, B1, B2, B3, Caa, Ca, C
Fitch Ratings	AAA	AA+, AA, AA-	A+, A	A-	BBB+, BBB, BBB-	BB+, BB, BB-, B+, B, B-, CCC, CC, C, D, R
Collateralized Amounts Factors	**1.6%**	**2.1%**	**2.8%**	**3%**	**3%**	**3%**
Uncollateralized Amounts Factors	**1.6%**	**2.1%**	**2.8%**	**3.3%**	**5.1%**	**12%**

If you have any questions regarding the suggested modification, please contact Eva K. Yeung at eyeung@naic.org.

cc: Mary K. Caswell, Eva K. Yeung