Draft date: 6/28/23

Virtual Meeting

CAPITAL ADEQUACY (E) TASK FORCE
Friday, June 30, 2023
12:00 – 1:00 p.m. ET / 11:00 a.m. – 12:00 p.m. CT / 10:00 – 11:00 a.m. MT / 9:00 – 10:00 a.m. PT

ROLL CALL

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	Marlene Caride	New Jersey
Michael Conway	Colorado	Mike Causey	North Carolina
Andrew N. Mais	Connecticut	Jon Godfread	North Dakota
Karima M. Woods	District of Columbia	Glen Mulready	Oklahoma
Michael Yaworsky	Florida	Michael Wise	South Carolina
Dana Popish Severinghaus	Illinois	Cassie Brown	Texas
Amy L. Beard	Indiana	Mike Kreidler	Washington
Doug Ommen	Iowa	Nathan Houdek	Wisconsin
Vicki Schmidt	Kansas		

NAIC Support Staff: Eva Yeung

AGENDA

1. Consider Adoption of Proposal 2023-02-P(MOD) (Underwriting Risk Line 1 Factors)—*Tom Botsko (OH)* — Attachment One

2. Consider Adoption of Proposals 2023-09-IRE (Residual Factor for Life) and 2023-10-IRE (Residual Sensitivity Test Factor for Life)—*Philip Barlow (DC)* — Attachment Two

3. Consider Adoption of the Generator of Economic Scenario (GOES) (E/A) Subgroup Charges)—*Philip Barlow (DC)* — Attachment Three

4. Consider Adoption of Proposal 2022-09-CA (MOD) (Affiliated Investments)—*Tom Botsko (OH)* — Attachment Four

5. Consider Adoption of Proposal 2022-16-CA (Underwriting Risk Factors Investment Income Adjustment)—*Steve Drutz (WA)* — Attachment Five

6. Consider Adoption of Proposal 2023-01-CA (Stop Loss Premiums)—*Steve Drutz (WA)* Attachment Six

7. Discuss the Current Turmoil in the Banking Sector—*Ed Toy (Risk & Regulatory Consulting—RRC)* Attachment Seven

8. Receive an Update from its Risk Evaluation Ad Hoc Group—*Tom Botsko (OH)*

9. Discuss Any Other Matters Brought Before the Task Force—*Tom Botsko (OH)*

10. Adjournment

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
☐ Variable Annuities Capital. & Reserve (E/A) Subgroup	☒ P/C RBC (E) Working Group	☐ RBC Investment Risk & Evaluation (E) Working Group

		FOR NAIC USE ONLY
	DATE: 3/22/23	Agenda Item # 2023-02-P(MOD) Year 2023
CONTACT PERSON:	**Eva Yeung**	**DISPOSITION**
TELEPHONE:	**816-783-8407**	**ADOPTED:** ☐ TASK FORCE (TF) ______ ☐ WORKING GROUP (WF) ______ ☐ SUBGROUP (SG) ______
EMAIL ADDRESS:	**eyeung@naic.org**	**EXPOSED:** ☐ TASK FORCE (TF) ______ ☒WORKING GROUP (WG) 5/15/23 ☐ SUBGROUP (SG) ______
ON BEHALF OF:	**P/C RBC (E) Working Group**	**REJECTED:** ☐ TF ☐ WG ☐ SG ______
NAME:	**Tom Botsko**	**OTHER:** ☐ DEFERRED TO ______ ☐ REFERRED TO OTHER NAIC GROUP ☐ (SPECIFY) ______
TITLE:	**Chair**	
AFFILIATION:	**Ohio Department of Insurance**	
ADDRESS:	**50 West Town Street, Suite 300** **Columbus, OH 43215**	

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)

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

Additional Staff Comments:

4-25-23 TF adopted proposal

5-15-23 PCRBC WG re-expose the proposal for seven days due to the incorrect calculation of H/F, WC, and CMP reserve factors.

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

Schedule P Line of Business	LOB	Proposed for adoption - 2023 Industry Average Development Ratio	2022 Industry Average Development	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
H/F	A	**0.999**	1.001	0.998	0.993	0.989	0.989	0.984	0.972	0.962	0.967
PPA	B	**1.047**	1.022	1.025	1.035	1.026	1.022	1.012	1.002	1.002	0.994
CA	C	**1.106**	1.082	1.083	1.078	1.087	1.060	1.034	1.015	0.987	0.979
WC	D	**0.873**	0.906	0.912	0.916	0.955	0.952	0.971	0.971	0.961	0.986
CMP	E	**1.026**	1.037	0.999	1.016	0.992	0.967	0.956	0.942	0.938	0.941
MM Occurrence	F1	**0.906**	0.887	0.874	0.861	0.864	0.871	0.868	0.841	0.966	0.966
MM Clms Made	F2	**0.984**	0.983	0.973	0.940	0.907	0.886	0.854	0.822	0.839	0.808
SL	G	**0.994**	0.990	0.976	0.963	0.938	0.933	0.926	0.919	0.975	0.990
OL	H	**0.969**	0.995	0.964	0.968	0.971	0.966	0.952	0.929	0.923	0.916
Fidelity / Surety	K	**0.852**	0.842	0.915	0.907	0.995	0.996	1.016	1.035	1.016	1.050
Special Property	I	**0.983**	0.993	0.978	0.977	0.972	0.971	0.982	0.973	0.991	0.992
Auto Physical Damage	J	**1.016**	1.011	0.989	0.993	0.996	1.000	1.001	0.995	0.995	1.005
Other (Credut, A&H)	L	**0.946**	0.955	0.965	0.971	0.973	0.976	0.981	0.986	1.041	1.061
Financial / Mortgage Guaranty	S	**0.674**	0.694	0.723	0.682	0.788	0.870	0.820	0.853	1.185	1.444
Intl	M	**2.414**	3.041	1.104	1.162	1.037	0.851	0.855	0.897	1.350	0.742
Rein. Property & Financial Lines	NP	**0.924**	0.917	0.893	0.886	0.872	0.834	0.814	0.814	1.002	0.976
Rein. Liability	O	**1.024**	1.008	0.989	0.985	0.955	0.945	0.914	0.896	0.938	0.905
PL	R	**0.874**	0.867	0.879	0.900	0.913	0.921	0.935	0.937	1.072	1.018
Warranty	T	**0.995**	0.998	1.007	1.013	1.017	1.015	0.989	0.977	0.994	1.040

Schedule P Line of Business	LOB	Proposed 2023 Industry Average Loss & Expense	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
H/F	A	**0.679**	0.665	0.681	0.678	0.681	0.687	0.688	0.701	0.701	0.713
PPA	B	**0.791**	0.793	0.795	0.810	0.810	0.806	0.800	0.792	0.786	0.780
CA	C	**0.777**	0.761	0.761	0.759	0.737	0.724	0.706	0.689	0.684	0.676
WC	D	**0.651**	0.664	0.682	0.705	0.726	0.744	0.751	0.752	0.751	0.749
CMP	E	**0.671**	0.661	0.673	0.672	0.666	0.664	0.647	0.648	0.655	0.652
MM Occurrence	F1	**0.767**	0.750	0.731	0.726	0.730	0.780	0.777	0.767	0.880	0.883
MM Clms Made	F2	**0.815**	0.829	0.821	0.797	0.768	0.747	0.722	0.691	0.697	0.680
SL	G	**0.578**	0.585	0.593	0.603	0.593	0.569	0.567	0.572	0.630	0.645
OL	H	**0.641**	0.637	0.635	0.639	0.638	0.633	0.629	0.618	0.616	0.617
Fidelity / Surety	K	**0.363**	0.366	0.394	0.384	0.399	0.417	0.430	0.464	0.462	0.473
Special Property	I	**0.550**	0.547	0.559	0.553	0.554	0.563	0.555	0.559	0.571	0.572
Auto Physical Damage	J	**0.727**	0.718	0.726	0.732	0.730	0.732	0.727	0.711	0.703	0.686
Other (Credit, A&H)	L	**0.702**	0.698	0.693	0.684	0.682	0.709	0.712	0.699	0.706	0.754
Financial / Mortgage Guaranty	S	**0.209**	0.203	0.252	0.513	0.811	1.099	1.175	1.293	1.096	1.242
Intl	M	**1.136**	1.166	0.769	0.758	0.795	0.584	0.565	0.607	1.150	1.131
Rein. Property & Financial Lines	NP	**0.578**	0.566	0.558	0.534	0.522	0.486	0.459	0.512	0.723	0.764
Rein. Liability	O	**0.743**	0.725	0.713	0.708	0.679	0.666	0.609	0.600	0.749	0.748
PL	R	**0.597**	0.601	0.617	0.645	0.656	0.671	0.670	0.684	0.715	0.716
Warranty	T	**0.652**	0.665	0.681	0.691	0.695	0.732	0.645	0.611	0.799	0.789

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

	DATE:	**4/20/23**
CONTACT PERSON:	**Dave Fleming**	
TELEPHONE:	**816-783-8121**	
EMAIL ADDRESS:	**dfleming@naic.org**	
ON BEHALF OF:	**RBC Inv. Risk & Eval. (E) Working Group**	
NAME:	**Philip Barlow**	
TITLE:	**Associate Commissioner for Insurance**	
AFFILIATION:	**District of Columbia**	
ADDRESS:	**1050 First Street, NE Suite 801**	
	Washington, DC 20002	

FOR NAIC USE ONLY

Agenda Item # 2023-09-IRE
Year 2023

DISPOSITION

ADOPTED:
☐ TASK FORCE (TF) ______
☒ WORKING GROUP (WG) 6/14
☐ SUBGROUP (SG) ______

EXPOSED:
☐ TASK FORCE (TF) ______
☒ WORKING GROUP (WG) ______
☐ SUBGROUP (SG) ______

REJECTED:
☐ TF ☐ WG ☐ SG ______

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)

This proposal applies a .45 base RBC factor in the life RBC formula for residual tranches.

Additional Staff Comments:

DF – The Working Group adopted a factor of .30 for yearend 2023 to be replaced by .45 beginning with yearend 2024 with consideration of positive or negative adjustment based on additional information.

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

OTHER LONG-TERM ASSETS (CONTINUED)

		Annual Statement Source	(1) Book / Adjusted Carrying Value	(2) Unrated Items ‡	(3) RBC Subtotal †		(4) Factor		(5) RBC Requirement
	Schedule BA - Unaffiliated Common Stock								
(42)	Schedule BA Unaffiliated Common Stock-Public	AVR Equity Component Column 1 Line 65				X	§	=	
(43)	Schedule BA Unaffiliated Common Stock-Private	AVR Equity Component Column 1 Line 66				X	0.3000	=	
(44)	Total Schedule BA Unaffiliated Common Stock (pre-MODCO/Funds Withheld)	Line (42) + (43)							
(45)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)							
(46)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)							
(47)	Total Schedule BA Unaffiliated Common Stock (including MODCO/Funds Withheld.)	Lines (44) - (45) + (46)							
	Schedule BA - All Other								
(48.1)	BA Affiliated Common Stock - Life with AVR	AVR Equity Component Column 1 Line 67							
(48.2)	BA Affiliated Common Stock - Certain Other	AVR Equity Component Column 1 Line 68							
(48.3)	Total Schedule BA Affiliated Common Stock - C-1o	Line (48.1) + (48.2)				X	0.3000	=	
(49.1)	BA Affiliated Common Stock - All Other	AVR Equity Component Column 1 Line 69							
(49.2)	Total Sch. BA Affiliated Common Stock - C-1cs	Line (49.1) ~~+ AVR Equity Component Column 1 Line 93~~				X	0.3000	=	
(50)	Schedule BA Collateral Loans	Schedule BA Part 1 Column 12 Line 2999999 + Line 3099999				X	0.0680	=	
(51)	**Total Residual Tranches or Insterests**	**AVR Equity Component Column 1 Line 93**				**X**	**0.3000**	**=**	
(52.1)	NAIC 01 Working Capital Finance Notes	AVR Equity Component Column 1 Line 94				X	0.0050	=	
(52.2)	NAIC 02 Working Capital Finance Notes	AVR Equity Component Column 1 Line 95				X	0.0163	=	
(52.3)	Total Admitted Working Capital Finance Notes	**Line (52.1) + (52.2)**							
(53.1)	Other Schedule BA Assets	AVR Equity Component Column 1 Line 96							
(53.2)	Less NAIC 2 thru 6 Rated/Designated Surplus Notes and Capital Notes	Column (1) Lines (23) through (27) + Column (1) Lines (33) through (37)							
(53.3)	Net Other Schedule BA Assets	**Line (53.1) less (53.2)**				X	0.3000	=	
(54)	Total Schedule BA Assets C-1o (pre-MODCO/Funds Withheld)	Lines (11) + (21) + (31) + (41) + (48.3) + (50)+ **(52.3) + (53.3)**							
(55)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)							
(56)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)							
(57)	Total Schedule BA Assets C-1o (including MODCO/Funds Withheld.)	Lines **(54) - (55) + (56)**							
(58)	Total Schedule BA Assets Excluding Mortgages and Real Estate	Line (47) + (49.2) **+ (51) + (57)**							

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

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

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

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

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

		FOR NAIC USE ONLY
	DATE: 4/20/23	Agenda Item # 2023-10-IRE Year 2023
CONTACT PERSON:	Steve Clayburn	**DISPOSITION**
TELEPHONE:	(202)624-2197	**ADOPTED:**
EMAIL ADDRESS:	steveclayburn@acli.com	☐ TASK FORCE (TF)
ON BEHALF OF:	American Council of Life Insurers (ACLI)	☒ WORKING GROUP (WG) 6/14
NAME:	Steve Clayburn	☐ SUBGROUP (SG) **EXPOSED:**
TITLE:		☐ TASK FORCE (TF) ☒ WORKING GROUP (WG)
AFFILIATION:		☐ SUBGROUP (SG) **REJECTED:**
ADDRESS:		☐ TF ☐ WG ☐ SG **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)

The adoption by the Working Group of proposal 2023-04-IRE provides the structure for this sensitivity test. This proposal is to address the factor to be applied in that test.

Additional Staff Comments:

DF – The Working Group adopted a factor of .15 for yearend 2023.

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

SENSITIVITY TESTS - AUTHORIZED CONTROL LEVEL

	Sensitivity Tests Affecting Authorized Control Level Risk-Based Capital	Source	(1) Statement Value	Additional Sensitivity Factor	(2) Additional RBC	(3) Authorized Control Level Before Test	(4) Authorized Control Level After Test
(1.1)	Other Affiliates: Company	LR042 Summary for Affiliated Investments Column (1) Line (13)		0.700			
(1.2)	Other Affiliates: Subsidiaries	LR038 Additional Information Required Column (1) Line (1.2)		0.700			
(1.99)	Total Other Affiliates			0.700			
(2.1)	Noncontrolled Assets - Company	LR017 Off-Balance Sheet and Other Items Column (1) Line (15)		0.020			
(2.2)	Noncontrolled Assets - Subsidiaries	LR038 Additional Information Required Column (1) Line (2.2)		0.020			
(2.99)	Total Noncontrolled Assets			0.020			
(3.1)	Guarantees for Affiliates: Company	LR017 Off-Balance Sheet and Other Items Column (1) Line (24)		0.020			
(3.2)	Guarantees for Affiliates: Subsidiaries	LR038 Additional Information Required Column (1) Line (3.2)		0.020			
(3.99)	Total Guarantees for Affiliates			0.020			
(4.1)	Contingent Liabilities: Company	LR017 Off-Balance Sheet and Other Items Column (1) Line (25)		0.020			
(4.2)	Contingent Liabilities: Subsidiaries	LR038 Additional Information Required Column (1) Line (4.2)		0.020			
(4.99)	Total Contingent Liabilities			0.020			
(5.1)	Long-Term Leases: Company	LR017 Off-Balance Sheet and Other Items Column (1) Line (26)		0.030			
(5.2)	Long-Term Leases: Subsidiaries	LR038 Additional Information Required Column (1) Line (5.2)		0.030			
(5.99)	Total Long-Term Leases			0.030			
(7.1)	Affiliated Investments†: Company	LR038 Additional Information Required Column (1) Line (7.14)		0.100			
(7.2)	Affiliated Investments†: Subsidiaries	LR038 Additional Information Required Column (1) Line (7.2)		0.100			
(7.99)	Total Affiliated Investments			0.100			
(8.1)	**Total Residual Tranches or Interests**	**LR038 Additional Information Required Column (1) Line (11.1)**		**0.150**			

† Excluding affiliated preferred and common stock

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

1. 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.

Capital Adequacy (E) Task Force

RBC Proposal Form

[x] 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	[ ] P/C RBC (E) Working Group	[ ] Longevity Risk (A/E) Subgroup

		FOR NAIC USE ONLY
	DATE: 8/11/22	Agenda Item # 2022-09-CA MOD
CONTACT PERSON:	**Eva Yeung**	Year 2023
TELEPHONE:	**816-783-8407**	**DISPOSITION**
EMAIL ADDRESS:	**eyeung@naic.org**	[x] ADOPTED 3/23/23
ON BEHALF OF:	**Capital Adequacy (E) Task Force**	[ ] REJECTED
NAME:	**Tom Botsko**	[ ] DEFERRED TO
TITLE:	**Chair**	[ ] REFERRED TO OTHER NAIC GROUP
AFFILIATION:	**Ohio Department of Insurance**	[x] EXPOSED 8/11/22, 6/1/23 (MOD)
ADDRESS:	**50 West Town Street, Suite 300**	[ ] OTHER (SPECIFY)
	Columbus, OH 43215	

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

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

DESCRIPTION OF CHANGE(S)

The proposed change would revise the instructions and structure for the Affiliated Investments for all lines.

MODIFIED: The Health and P/C instructions and blanks have been modified with an editorial change to clarify the examples provided in the Indirectly Owned Alien Insurance Affiliates/Subsidiaries section and add a footnote to the % Owned column in the blank.

REASON OR JUSTIFICATION FOR CHANGE **

The proposed revisions will improve the risk-based capital formulas and provide consistency to the treatment of affiliates for all lines of business.

Additional Staff Comments:

8/11/22 - The Task Force exposed this proposal for a 60-day public comment period ending Oct, 10.
3/23/23 – The Task Force adopted the proposal on 3/23/23
5/17/23 – EDITORIAL CHANGE to Indirectly Owned Alien Insurance Affiliates/Subsidiaries section and % owned column.
6/1/23 – The Task Force exposed this proposal for a 14-day public comment period ending Jun 14.

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

AFFILIATED/SUBSIDIARY STOCKS
XR002 – XR004

There are nine categories of affiliated/subsidiary investments that are subject to Risk-Based Capital requirements 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 and Health Entities Not Subject to RBC
    b. Property and Casualty Insurance Companies Not Subject to RBC
    c. Life Insurance Companies Not Subject to RBC
9. Non-Insurance Affiliates/Subsidiaries Not Subject to RBC
    a. Entities with a capital requirement imposed by a regulatory body
    b. Other Financial Entities without regulatory capital requirements
    c. Other Non-financial entities

Detail Eliminated to Conserve Space

6. <u>Indirectly Owned Alien Insurance Affiliates/Subsidiaries</u>

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 insurer 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 (6) 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 RBC filing insurer and 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 1.0 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 Life 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 Life Insurance Company and the RBC charge for the indirect ownership of the alien insurance affiliate/subsidiary would be $10~~5~~,000,000 (~~0.5~~1.000 times $10,000,000). The risk-based capital charge for the parent insurer preparing the calculation is a 30 percent charge against the holding company value in excess of the indirectly owned insurance affiliates/subsidiaries.

XR002 Columns			
(1)	(2)	(5)	(12)
Affiliate/Subsidiary	Affiliate/Subsidiary Type	Book Adjusted Carrying Value (Statement Value) of Affiliate's Common Stock	RBC Required
Alien Life Insurance Company	6c	10,000,000	10,000,000
Holder Holding Company	3	10,000,000	3,000,000

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 Life Insurance Company and the RBC charge for the indirect ownership of the a~~A~~lien insurance affiliate/subsidiary would be $5,000,000 (1.0 times $5,000,000). Enter information for any indirectly owned alien insurance subsidiaries.

XR002 Columns			
(1)	(2)	(5)	(12)
Affiliate/Subsidiary	Affiliate/Subsidiary Type	Book Adjusted Carrying Value (Statement Value) of Affiliate's Common Stock	RBC Required
Alien Life Insurance Company	6c	5,000,000	5,000,000
Holder Holding Company	3	15,000,000	4,500,000

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.

Detail Eliminated to Conserve Space

Attachment Four

~~AFFILIATED COMPANIES RISK - DETAILS~~

DETAILS FOR AFFILIATED STOCKS

	(1) Name of Affiliate	(2) Affil Type ~~Code~~	(3) NAIC Company Code or Alien ID Number	(4) Affiliate's RBC after Covariance Before Basic Operational Risk XR025 Line (37) PR032 Line (67) LR031 Line (67) + (71)	(5) Book/Adjusted Carrying Value (statement value) of Affiliate's Common Stock	(6) Valuation Basis of Col (5) M - Market Value after any "discount" A - All Other	(7) Total Value of Affiliate's Outstanding Common Stock	(8) ~~Total~~ Statutory Surplus of Affiliate Subject to RBC (Adjusted for % Owned)	(9) Book/Adjusted Carrying Value (statement value) of Affiliate's Preferred Stock	(10) Total Value of Affiliate's Outstanding Preferred Stock	(11) Percent Owned* (Cols 5 + 9) / (Cols 7 + 10)	(12) RBC Required (H0 Compoenent)	(13) Market Value Excess Component Affiliated Common Stock RBC Required (H1 Component)
(01)											100.000%		
(02)											100.000%		
(03)											100.000%		
(04)											100.000%		
(05)											100.000%		
(06)											100.000%		
(07)											100.000%		
(08)											100.000%		
(09)											100.000%		
(10)											100.000%		
(11)											100.000%		
(12)											100.000%		
(13)											100.000%		
(14)											100.000%		
(15)											100.000%		
(16)											100.000%		
(17)											100.000%		
(18)											100.000%		
(19)											100.000%		
(20)											100.000%		
(21)											100.000%		
(22)											100.000%		
(23)											100.000%		
(24)											100.000%		
(25)											100.000%		
(26)											100.000%		
(27)											100.000%		
(28)											100.000%		
(29)											100.000%		
(30)											100.000%		
(31)											100.000%		
(32)											100.000%		
(33)											100.000%		
(34)											100.000%		
(35)											100.000%		
(36)											100.000%		
(37)											100.000%		
(38)											100.000%		
(39)											100.000%		
(40)											100.000%		
(41)											100.000%		
(42)											100.000%		
(43)											100.000%		
(44)											100.000%		
(45)											100.000%		
(46)											100.000%		
(47)											100.000%		
(48)											100.000%		
(49)											100.000%		
(50)											100.000%		
(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.**

~~If Col (2) < 5 and Col (6) = F Do Calculation~~

~~Calculation~~

~~Col (12) = Min [Col (4) x Col (11), Col (8) x Col (11)]~~

~~If Col (5) + Col (9) > Max [Col (4) x Col (11), Col (8) x Col (11)] then~~

~~Col (13) = Max{[Col (5) + Col (9) - Col (8) x Col (11)] x .225, [Col (4) - Col (8)] x Col (11)}~~

~~If Col (4) x Col (11) > Col (5) + Col (9) > Col (8) x Col (11) then~~

~~Col (13) = Col (5) + Col (9) - Col (8) x Col (11)~~

~~Otherwise~~

~~Col (13) = 0~~

~~Col (12) and (13) cannot be less than 0~~

SUBSIDIARY, CONTROLLED AND AFFILIATED INVESTMENTS
~~AFFILIATED COMPANIES RISK~~

	~~Type of Affiliate~~ Affiliate Type	Type Code	Basis	(1) Number of Companies	(2) Total RBC Required
(1)	Directly Owned Health Insurance Companies or Health Entities	1a	~~Affiliate's RBC*~~ Sub's RBC After Covariance	0	$0
(2)	Directly Owned Property and Casualty Insurance Affiliates	1b	~~Affiliate's RBC*~~ Sub's RBC After Covariance	0	$0
(3)	Directly Owned Life Insurance Affiliates	1c	~~Affiliate's RBC*~~ Sub's RBC After Covariance	0	$0
(4)	Indirectly Owned Health Insurance Companies or Health Entities	2a	~~Affiliate's RBC*~~ 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	0.300	0	$0
(8)	Investment Subsidiary	4	0.300	0	$0
(9)	Directly Owned Alien Health Insurance Companies or Health Entities	5a	1.000	0	$0
(10)	Directly Owned Alien Property and Casualty Insurance Affiliates	5b	1.000	0	$0
(11)	Directly Owned Alien Life Insurance Affiliates	5c	1.000	0	$0
(12)	Indirectly Owned Alien Health Insurance Companies or Health Entities	6a	1.000	0	$0
(13)	Indirectly Owned Alien Property and Casualty Insurance Affiliates	6b	1.000	0	$0
(14)	Indirectly Owned Alien Life Insurance Affiliates	6c	1.000	0	$0
(15)	Investment in Upstream Affiliate (Parent)	7	0.300	0	$0
(16)	Directly Owned Health Insurance Companies or Health Entities Not Subject to RBC	8a	0.300	0	$0
(17)	Directly Owned Property and Casualty Insurance Companies Not Subject to RBC	8b	0.300	0	$0
(18)	Directly Owned Life Insurance Companies Not Subject to RBC	8c	0.300	0	$0
(19)	Non-Insurance Entities with a Capital Eequirement Imposed by a Eegulatory Body	9a	0.300	0	$0
(20)	Non-Insurance Other Financial Entities without Regulatory Capital Requirements	9b	0.300	0	$0
(21)	Other Non-financial Entites	9c	0.300	0	$0
(22)	Total			0	$0

~~CROSSCHECKING FOR AFFILIATED INVESTMENTS~~

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

	Affiliated Preferred Stock Schedule D Part 6 Section 1 C7	Annual Statement Line Number	(1) Annual Statement Total Preferred Stock	(2) Total From RBC Report	(3) Difference
(1)	Parent	0199999	0		0
(2)	U.S. P&C Insurer	0299999	0		0
(3)	U.S. Life Insurer	0399999	0		0
(4)	U.S. Health Insurer	0499999	0		0
(5)	Alien Insurer	0599999	0		0
(6)	Non-Insurer Which Controls Insurer	0699999	0		0
(7)	Investment Subsidiary	0799999	0		0
(8)	Other Affiliates	0899999			0
(9)	Subtotal	0999999	0	0	0

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

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	$0
(2)	NAIC 02 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.010	$0
(3)	NAIC 03 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.020	$0
(4)	NAIC 04 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.045	$0
(5)	NAIC 05 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.100	$0
(6)	NAIC 06 Preferred Stock	Included in Schedule D, Part 2, Section 1		0.300	$0
(7)	Total - Unaffiliated Preferred Stock	Sum of Lines (1) through (6)	$0		$0
	(Should equal Page 2, Column 3, Line 2.1 less Sch D Sum, Column 1, Line 18)				
COMMON STOCK - UNAFFILIATED					
(8)	Federal Home Loan Bank Stock	Company Records		0.023	$0
(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	0.150	$0
(12)	**Market Value Excess Affiliated Common Stock**	**XR002 C(13) L(9999999)**			$0
(13)	Total Unaffiliated Common Stock	Lines (8) + (11) **+ (12)**	$0		$0

CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE

			(1) RBC Amount
H0 - INSURANCE AFFILIATES AND MISC. OTHER AMOUNTS			
(1)	Off-Balance Sheet Items	XR005, Off-Balance Sheet Page, Line (21)	$0
(2)	**Directly Owned Health Insurance Companies or Health Entities**	**XR003, Affiliates Page, Column (2), Line (1)**	$0
(3)	**Directly Owned Property and Casualty Insurance Affiliates**	**XR003, Affiliates Page, Column (2), Line (2)**	$0
(4)	**Directly Owned Life Insurance Affiliates**	**XR003, Affiliates Page, Column (2), Line (3)**	$0
(5)	**Indirectly Owned Health Insurance Companies or Health Entities**	**XR003, Affiliates Page, Column (2), Line (4)**	$0
(6)	**Indirectly Owned Property and Casualty Insurance Affiliates**	**XR003, Affiliates Page, Column (2), Line (5)**	$0
(7)	**Indirectly Owned Life Insurance Affiliates**	**XR003, Affiliates Page, Column (2), Line (6)**	$0
(8)	**Affiliated Alien Insurers - Directly Owned**	**XR003, Affiliates Page, Column 2, Line (9) + (10) + (11)**	**$0**
(9)	**Affiliated Alien Insurers - Indirectly Owned**	**XR003, Affiliates Page, Column 2, Line (12) + (13) + (14)**	**$0**
(10)	Total H0	**Sum Lines (1) through (9)**	$0
H1 - ASSET RISK - OTHER			
~~(11)~~	~~Investment Affiliates~~	~~XR003, Affiliates Page, Line (5)~~	~~$0~~
~~(12)~~	~~Holding Company Excess of Subsidiaries~~	~~XR003, Affiliates Page, Line (6)~~	~~$0~~
~~(13)~~	~~Investment in Parent~~	~~XR003, Affiliates Page, Line (9)~~	~~$0~~
~~(14)~~	~~Other Affiliates~~	~~XR003, Affiliates Page, Line (10)~~	~~$0~~
~~(15)~~	~~Fair Value Excess Affiliate Common Stock~~	~~XR003, Affiliates Page, Line (11)~~	~~$0~~
(11)	**Holding Company in Excess of Indirect Subs**	**XR003, Affiliates Page, Column (2), Line (7)**	$0
(12)	**Investment Subsidiary**	**XR003, Affiliates Page, Column (2), Line (8)**	$0
(13)	**Investment in Upstream Affiliate (Parent)**	**XR003, Affiliates Page, Column (2), Line (15)**	$0
(14)	**Directly Owned Health Insurance Companies or Health Entities Nc**	**XR003, Affiliates Page, Column (2), Line (16)**	$0
(15)	**Directly Owned Property and Casualty Insurance Companies Not S**	**XR003, Affiliates Page, Column (2), Line (17)**	$0
(16)	**Directly Owned Life Insurance Companies Not Subject to RBC**	**XR003, Affiliates Page, Column (2), Line (18)**	$0
(17)	Affiliated Non-Insurer	**XR003, Affiliates Page, Column 2, Line (19) + (20) + (21)**	$0
(18)	Fixed Income Assets	XR006, Off-Balance Sheet Collateral, Lines (27) + (37) + (38) + (39) + XR008, Fixed Income Assets Page Line (51)	$0
(19)	Replication & Mandatory Convertible Securities	XR009, Replication/MCS Page, Line (9999999)	$0
(20)	Unaffiliated Preferred Stock	XR006, Off-Balance Sheet Collateral, Line (34) + XR010, Equity Assets Page, Line (7)	$0
(21)	Unaffiliated Common Stock	XR006, Off-Balance Sheet Collateral, Line (35) + XR010, Equity Assets Page, **Line (13)**	$0
(22)	Property & Equipment	XR006, Off-Balance Sheet Collateral, Line (36) + XR011, Prop/Equip Assets Page, Line (9)	$0
(23)	Asset Concentration	XR012, Grand Total Asset Concentration Page, Line (27)	$0
(24)	Total H1	**Sum Lines (11) through (23)**	$0
H2 - UNDERWRITING RISK			
(25)	Net Underwriting Risk	XR013, Underwriting Risk Page, Line (21)	$0
(26)	Other Underwriting Risk	XR015, Underwriting Risk Page, Line (25.3)	$0
(27)	Disability Income	XR015, Underwriting Risk Page, Lines (26.3) + (27.3) + (28.3) + (29.3) + (30.6) + (31.3) + (32.3)	$0
(28)	Long-Term Care	XR016, Underwriting Risk Page, Line (41)	$0
(29)	Limited Benefit Plans	XR017, Underwriting Risk Page, Lines (42.2) + (43.6) + (44)	$0
(30)	Premium Stabilization Reserve	XR017, Underwriting Risk Page, Line (45)	$0
(31)	Total H2	**Sum Lines (25) through (30)**	$0

CALCULATION OF TOTAL RISK-BASED CAPITAL AFTER COVARIANCE

			(1) RBC Amount
H3 - CREDIT RISK			
(32)	Total Reinsurance RBC	XR020, Credit Risk Page, Line (17)	$0
(33)	Intermediaries Credit Risk RBC	XR020, Credit Risk Page, Line (24)	$0
(34)	Total Other Receivables RBC	XR021, Credit Risk Page, Line (30)	$0
(35)	Total H3	**Sum Lines (32) through (34)**	$0
H4 - BUSINESS RISK			
(36)	Administrative Expense RBC	XR022, Business Risk Page, Line (7)	$0
(37)	Non-Underwritten and Limited Risk Business RBC	XR022, Business Risk Page, Line (11)	$0
(38)	Premiums Subject to Guaranty Fund Assessments	XR022, Business Risk Page, Line (12)	$0
(39)	Excessive Growth RBC	XR022, Business Risk Page, Line (19)	$0
(40)	Total H4	**Sum Lines (36) through (39)**	$0
(41)	RBC after Covariance Before Basic Operational Risk	H0 + Square Root of $(H1^2 + H2^2 + H3^2 + H4^2)$	$0
(42)	Basic Operational Risk	0.030 x Line **(41)**	$0
(43)	C-4a of U.S. Life Insurance Subsidiaries	Company Records	
(44)	Net Basic Operational Risk	Line **(42) - (43)** (Not less than zero)	$0
(45)	RBC After Covariance Including Basic Operational Risk	**Lines (41) + (44)**	$0
(46)	Authorized Control Level RBC	.50 x Line **(45)**	$0

CALCULATION OF TOTAL ADJUSTED CAPITAL

		Annual Statement Source	(1) Amount	Factor	(2) Adjusted Capital
Company Amounts					
(1)	Capital and Surplus	Page 3, Column 3, Line 33		1.000	$0
Subsidiary Adjustments					
(2)	AVR - Life Subs	Affiliate's Statement §		1.000	$0
(3)	Dividend Liability - Life Subsidiaries	Affiliate's Statement		0.500	$0
(4)	Tabular Discounts - P&C Subsidiaries	Affiliate's Statement		-1.000	$0
(5)	Non-Tabular Discounts - P&C Subsidiaries	Affiliate's Statement		-1.000	$0
(6)	**Carrying Value of Non-Admitted Insurance Affiliates**	**Included in XR002 Column 5 and Column 9**	0	**1.000**	**$0**
(7)	Total Adjusted Capital, Post-Deferred Tax				$0
SENSITIVITY TEST:					
(8)	DTA Value for Company	Page 2, Column 3, Line 18.2		1.000	$0
(9)	DTL Value for Company	Page 3, Column 3, Line 10.2		1.000	$0
(10)	DTA Value for Insurance Subsidiaries	Company Records		1.000	$0
(11)	DTL Value for Insurance Subsidiaries	Company Records		1.000	$0
(12)	Total Adjusted Capital, Pre-Deferred Tax (Sensitivity)	**Lines (7) - (8) + (9) - (10) + (11)**			$0
Ex DTA ACL RBC Ratio Sensitivity Test					
(13)	Deferred Tax Asset	Page 2 Column 3, Line 18.2		1.000	$0
(14)	Total Adjusted Capital Less Deferred Tax Asset	**Lines (7) less (13)**			$0
(15)	Authorized Control Level RBC	XR027 Comparison of Total Adjusted Capital to Risk-Based Capital Line (4)			$0
(16)	Ex DTA ACL RBC Ratio	**Line (14)/(15)**			0.000%

§ 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.

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

Detail Eliminated to Conserve Space

6. <u>Indirectly Owned Alien Insurance Affiliates/Subsidiaries</u>

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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 Life 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 Life Insurance Company and the RBC charge for the indirect ownership of the a~~A~~lien 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.

PR003 Columns			
(1)	(2)	(5)	(12)
Affiliate/Subsidiary	Affiliate/Subsidiary Type	Book Adjusted Carrying Value (Statement Value) of Affiliate's Common Stock	RBC Required
Alien Life Insurance Company	6c	10,000,000	5,000,000
Holder Holding Company	3	10,000,000	2,250,000

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 Life 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 Columns			
(1)	(2)	(5)	(12)
Affiliate/Subsidiary	Affiliate/Subsidiary Type	Book Adjusted Carrying Value (Statement Value) of Affiliate's Common Stock	RBC Required
Alien Life Insurance Company	6c	5,000,000	2,500,000
Holder Holding Company	3	15,000,000	3,375,000

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.

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%	0	0
0000002											100.000%	0	0
0000003											100.000%	0	0
0000004											100.000%	0	0
0000005											100.000%	0	0
0000006											100.000%	0	0
0000007											100.000%	0	0
0000008											100.000%	0	0
0000009											100.000%	0	0
0000010											100.000%	0	0
0000011											100.000%	0	0
0000012											100.000%	0	0
0000013											100.000%	0	0
0000014											100.000%	0	0
0000015											100.000%	0	0
0000016											100.000%	0	0
0000017											100.000%	0	0
0000018											100.000%	0	0
0000019											100.000%	0	0
0000020											100.000%	0	0
0000021											100.000%	0	0
0000022											100.000%	0	0
0000023											100.000%	0	0
0000024											100.000%	0	0
0000025											100.000%	0	0
0000026											100.000%	0	0
0000027											100.000%	0	0
0000028											100.000%	0	0
0000029											100.000%	0	0
0000030											100.000%	0	0
0000031											100.000%	0	0
0000032											100.000%	0	0
0000033											100.000%	0	0
0000034											100.000%	0	0
0000035											100.000%	0	0
0000036											100.000%	0	0
0000037											100.000%	0	0
0000038											100.000%	0	0
0000039											100.000%	0	0
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

* **Only applies to Affiliate Type 1 and 2.**

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 Eequirement Imposed by a Eegulatory 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 Schedule D Part 6 Section 1 C7	Annual Statement Line Number	(1) Annual Statement Total Preferred Stock	(2) Total From RBC Report	(3) 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 Schedule D Part 6 Section 1 C7	Annual Statement Line Number	(1) Annual Statement Total Common Stock	(2) Total From RBC Report	(3) 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)	0
(10)	Misc Off-Balance Sheet - Guarantees for Affiliates	PR014 L(16) C(3)	0
(11)	Misc Off-Balance Sheet - Contingent Liabilities	PR014 L(17) C(3)	0
(12)	Misc Off-Balance Sheet - SSAP No.101 Par. 11A DTA	PR014 L(19) C(3)	0
(13)	Misc Off-Balance Sheet - SSAP No.101 Par. 11B DTA	PR014 L(20) C(3)	0
(14)	Total R0	L(1)+L(2)+L(3)+L(4)+L(5)+L(6)+L(7)+L(8)+L(9)+L(10)+L(11)+L(12)+L(13)	0
R1 - Asset Risk - Fixed Income			
(15)	Bonds Subject to Size Factor	PR006 L(27)C(5)	0
(16)	Bond Size Factor RBC	PR006 L(30)C(5)	0
(17)	Off-balance Sheet Collateral & Sch DL, PT1 - Total Bonds	PR015 L(27)C(4)	0
(18)	Off-balance Sheet Collateral & Sch DL, PT1 - Cash, & Short-Term Investments and Mort Loans on Real Est.	PR015 L(38)+(39)C(4)	0
(19)	Other Long- Term Assets - Mortgage Loans, LIHTC & WCFI	PR008 L(10)+L(13)+L(14)+L(15)+L(16)+L(17)+L(20)+L(21)C(2)	0
(20)	Misc Assets - Collateral Loans	PR009 L(13)C(2)	0
(21)	Misc Assets - Cash	PR009 L(3)C(2)	0
(22)	Misc Assets - Cash Equivalents	PR009 L(7)C(2)	0
(23)	Misc Assets - Other Short-Term Investments	PR009 L(10)C(2)	0
(24)	Replication -Synthetic Asset: One Half	PR010 L(9999999)C(7)	0
(25)	Asset Concentration RBC - Fixed Income	PR011 L(21)C(3) Grand Total Page	0
(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)	0

#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)~~	~~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~~
(34)	Unaffiliated Preferred Stock	PR007 L(7)C(2)+PR015 L(34)C(4)	0
(35)	Unaffiliated Common Stock	PR007 L(13)C(2)+PR015 L(35)C(4)	0
(36)	Other Long -Term Assets - Real Estate	PR008 L(7)C(2)	0
(37)	Other Long-Term Assets - Schedule BA Assets	PR008 L(19)C(2)+PR015 L(36)+L(37)C(4)	0
(38)	Misc Assets - Receivable for Securities	PR009 L(1)C(2)	0
(39)	Misc Assets - Aggregate Write-ins for Invested Assets	PR009 L(2)C(2)	0
(40)	Misc Assets - Derivatives	PR009 L(14)C(2)	0
(41)	Replication - Synthetic Asset: One Half	PR010 L(9999999)(7)	0
(42)	Asset Concentration RBC - Equity	PR011 L(33)C(3) Grand Total Page	0
(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)~~**	0
R3 - Asset Risk - Credit			
(44)	Other Credit RBC	PR012 L(8))-L(1)-L(2)C(2)	0
(45)	One half of Rein Recoverables	0.5 x (PR012 L(1)+L(2)C(2))	0
(46)	Other half of Rein Recoverables	**If R4 L(51)>(R3 L(45) + R3 L(46)), 0, otherwise, R3 L(46)**	0
(47)	Health Credit Risk	PR013 L(12)C(2)	0
(48)	Total R3	**L(45) + L(46) + L(47) + L(48)**	0

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	0
(50)	Total Adjusted Unpaid Loss/Expense Reserve RBC	PR0017 L(15)C(20)	0
(51)	Excessive Premium Growth - Loss/Expense Reserve	PR016 L(13) C(8)	0
(52)	A&H Claims Reserves Adjusted for LCF	PR024 L(5) C(2) + PR023 L(6) C(4)	0
(53)	Total R4	**L(50)+L(51)+L(52)+L(53)**	0
R5 - Underwriting Risk - Net Written Premium			
(54)	Total Adjusted NWP RBC	PR018 L(15)C(20)	0
(55)	Excessive Premium Growth - Written Premiums Charge	PR016 L(14)C(8)	0
(56)	Total Net Health Premium RBC	PR022 L(21)C(2)	0
(57)	Health Stabilization Reserves	PR025 L(8)C(2) + PR023 L(3) C(2)	0
(58)	Total R5	**L(54)+L(56)+L(57)+L(58)**	0
Rcat- Catastrophe Risk			
(59)	Total Rcat	PR027 L(3) C(1)	0
(60)	Total RBC After Covariance Before Basic Operational Risk = R0+SQRT(R1^2+R2^2+R3^2+R4^2+R5^2+Rcat^2)		0
(61)	BasicOperational Risk = 0.030 x L(**61**)		0
(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)**		0
(64)	**Total RBC After Covariance including Basic Operational Risk = L(61)+ L(64)**		0
(65)	Authorized Control Level RBC including Basic Operational Risk = .5 x L(65)		0

Capital Adequacy (E) Task Force

RBC Proposal Form

[x] 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
[ ] Variable Annuities Capital. & Reserve (E/A) Subgroup	[ ] P/C RBC (E) Working Group	[ ] RBC Investment Risk & Evaluation (E) Working Group

	DATE: **01-30-23**	**FOR NAIC USE ONLY**
CONTACT PERSON:	**Crystal Brown**	Agenda Item # 2022-16-CA
TELEPHONE:	**816-783-8146**	Year 2023
EMAIL ADDRESS:	**cbrown@naic.org**	**DISPOSITION**
ON BEHALF OF:	**Health Risk-Based Capital (E) Working Grp**	[ ] ADOPTED
NAME:	**Steve Drutz**	[ ] REJECTED
TITLE:	**Chief Financial Analyst/Chair**	[ ] DEFERRED TO
AFFILIATION:	**WA Office of Insurance Commissioner**	[ ] REFERRED TO OTHER NAIC GROUP
ADDRESS:	**5000 Capitol Blvd SE**	[x] EXPOSED 2-7-23
	Tumwater, WA 98501	[ ] OTHER (SPECIFY)

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

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

DESCRIPTION OF CHANGE(S)

Update the underwriting factors for Comprehensive Medical, Medicare Supplement and Dental & Vision on pages XR013, LR019, LR020, PR019 and PR020 for the investment income adjustment.

REASON OR JUSTIFICATION FOR CHANGE **

Annual update of the underwriting factors for Comprehensive Medical, Medicare Supplement and Dental & Vision for investment income adjustment.

Additional Staff Comments:

2-7-23 cgb Exposed for 30-day comment period ending on March 9.
2-28-23 cgb EDITORIAL CHANGE: An editorial correction was made to the Health portion of the instructions to change the investment income adjustment reference from 0.5% to 5.0%.
3-9-23 cgb No comments received.
3-21-23 cgb The WG agreed to refer the proposal to the CapAd TF for exposure for all lines of business.

AMERICAN ACADEMY of ACTUARIES

February 2, 2023

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

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

Dear Mr. Drutz:

On behalf of the American Academy of Actuaries[1] Health Solvency Subcommittee (the subcommittee), I am pleased to provide this response letter to the NAIC's Health Risk-Based Capital (E) Working Group request to provide additional investment return scenarios within the subcommittee's summary of the Investment Income Adjusted Health H2 Experience Fluctuation Risk Factors. These factors are included within the table below.

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

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

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

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

*****

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

Sincerely,

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

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

HEALTH

UNDERWRITING RISK - L(1) THROUGH L(21)

XR013

Detail Eliminated to Conserve Space

Line (13) Underwriting Risk Factor. A weighted average factor based on the amount reported in Line (6), Underwriting Risk Revenue. The factors for Column (1) through (3) have incorporated an investment income yield of 5.0~~0.5~~%.

	$0 – $3 Million	$3 – $25 Million	Over $25 Million
Comprehensive Medical & Hospital	0.1434~~93~~	0.1434~~93~~	0.0838~~93~~
Medicare Supplement	0.0980~~1043~~	0.0603~~63~~	0.0603~~63~~
Dental & Vision	0.1148~~95~~	0.0711~~55~~	0.0711~~55~~
Stand-Alone Medicare Part D Coverage	0.251	0.251	0.151
Other Health	0.130	0.130	0.130
Other Non-Health	0.130	0.130	0.130

The investment income yield was incorporated into the Comprehensive Medical & Hospital, Medicare Supplement and Dental & Vision lines of business. The purpose was to incorporate an offset to reduce the underwriting risk factor for investment income earned by the insurer. The Working Group incorporated a 0.5% income yield that was based on the yield of a 6-month US Treasury Bond. Each year, the Working Group will identify the yield of the 6-month Treasury bond (U.S. Department of the Treasury) on each Monday through the month of January and determine if further modifications to the 5.0~~0.5~~% adjustment is~~are~~ needed. Any adjustments will be rounded up to the nearest 0.5%.

Detail Eliminated to Conserve Space

LIFE

Underwriting Risk – Experience Fluctuation Risk

LR020

Detail Eliminated to Conserve Space

Line (10) Underwriting Risk Factor

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

	$0 - $3 Million	$3 - $25 Million	Over $25 Million
Comprehensive Medical	0.1434~~93~~	0.1434~~93~~	0.0838~~93~~
Medicare Supplement	0.0980~~1043~~	0.0603~~63~~	0.0603~~63~~
Dental	0.1148~~95~~	0.0711~~55~~	0.0711~~55~~
Stand-Alone Medicare Part D Coverage	0.251	0.251	0.151

Detail Eliminated to Conserve Space

PROPERTY/CASUALTY

LRBC FORMULA APPLICATION FOR P&C COMPANY'S A&H BUSINESS
PR019 – PR026

Detail Eliminated to Conserve Space

Line (10) Underwriting Risk Factor
A weighted average factor based on the amount reported in Line (5), Underwriting Risk Revenue.

	$0 - $3 Million	$3-$25 Million	Over $25 Million
Comprehensive Medical	0.1434~~93~~	0.1434~~93~~	0.0838~~93~~
Medicare Supplement	0.0980~~1043~~	0.0603~~33~~	0.0603~~63~~
Dental & Vision	0.1148~~95~~	0.0711~~55~~	0.0711~~55~~
Stand-Alone Medicare Part D Coverage	0.251	0.251	0.151

Detail Eliminated to Conserve Space

UNDERWRITING RISK

Experience Fluctuation Risk

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

TIERED RBC FACTORS*

	Comprehensive Medical	Medicare Supplement	Dental & Vision	Stand-Alone Medicare Part D Coverage	Other Health	Other Non-Health
$0 - $3 Million	~~0.1493~~ 0.1434	~~0.1043~~ 0.0980	~~0.1195~~ 0.1148	0.251	0.130	0.130
$3 - $25 Million	~~0.1493~~ 0.1434	~~0.0663~~ 0.0603	~~0.0755~~ 0.0711	0.251	0.130	0.130
Over $25 Million	~~0.0893~~ 0.0838	~~0.0663~~ 0.0603	~~0.0755~~ 0.0711	0.151	0.130	0.130

ALTERNATE RISK CHARGE**

** The Line (18) Alternate Risk Charge is calculated as follows:

LESSER OF:	$1,500,000 or 2 x Maximum Individual Risk	$50,000 or 2 x Maximum Individual Risk	$50,000 or 2 x Maximum Individual Risk	$150,000 or 6 x Maximum Individual Risk	$50,000 or 2 x Maximum Individual Risk	N/A

Denotes items that must be manually entered on filing software.

† The Annual Statement Sources are found on page XR014.

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

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

UNDERWRITING RISK

Experience Fluctuation Risk

	Line of Business	(1) Comprehensive Medical	(2) Medicare Supplement	(3) Dental & Vision	(4) Stand-Alone Medicare Part D Coverage	(5) Total
(1.1)	Premium – Individual					
(1.2)	Premium – Group					
(1.3)	Premium – Total = Line (1.1) + Line (1.2)					
(2)	Title XVIII-Medicare†		XXX			
(3)	Title XIX-Medicaid†		XXX			
(4)	Other Health Risk Revenue†		XXX			
(5)	Underwriting Risk Revenue = Lines (1.3) + (2) + (3) + (4)					
(6)	Net Incurred Claims					
(7)	Fee-for-Service Offset†		XXX			
(8)	Underwriting Risk Incurred Claims = Line (6) – Line (7)					
(9)	Underwriting Risk Claims Ratio = Line (8) / Line (5)					XXX
(10.1)	Underwriting Risk Factor for Initial Amounts Of Premium‡	~~0.1493~~ 0.1434	~~0.1043~~ 0.0980	~~0.1195~~ 0.1148	0.251	XXX
(10.2)	Underwriting Risk Factor for Excess of Initial Amount‡	~~0.0893~~ 0.0838	~~0.0663~~ 0.0603	~~0.0755~~ 0.0711	0.151	XXX
(10.3)	Composite Underwriting Risk Factor					XXX
(11)	Base Underwriting Risk RBC = Line (5) x Line (9) x Line (10.3)					
(12)	Managed Care Discount Factor = LR022 Line (17)					XXX
(13)	Base RBC After Managed Care Discount = Line (11) x Line (12)					
(14)	RBC Adjustment For Individual = [{Line(1.1) x 1.2 + Line (1.2)} / Line (1.3)] x Line (13)§					
(15)	Maximum Per-Individual Risk After Reinsurance†					XXX
(16)	Alternate Risk Charge*					
(17)	Net Alternate Risk Charge£					
(18)	Net Underwriting Risk RBC (Maximum of Line (14) or Line (17))					

† Source is company records unless already included in premiums.

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

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

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

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

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

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

UNDERWRITING RISK - PREMIUM RISK FOR COMPREHENSIVE MEDICAL, MEDICARE SUPPLEMENT AND DENTAL & VISION PR020

(Experience Fluctuation Risk in Life RBC Formula)

		(1) Comprehensive Medical	(2) Medicare Supplement	(3) Dental & Vision	(4) Stand-Alone Medicare Part D Coverage	(5) TOTAL
(1.1)	Premium – Individual	0	0	0	0	0
(1.2)	Premium – Group	0	0	0	0	0
(1.3)	Premium – Total = Line (1.1) + Line (1.2)	0	0	0	0	0
(2)	Title XVIII-Medicare†	0	XXX	XXX	XXX	0
(3)	Title XIX-Medicaid†	0	XXX	XXX	XXX	0
(4)	Other Health Risk Revenue†	0	XXX	0	0	0
(5)	Underwriting Risk Revenue = Lines (1.3) + (2) + (3) + (4)	0	0	0	0	0
(6)	Net Incurred Claims	0	0	0	0	0
(7)	Fee-for-Service Offset†	0	XXX	0	0	0
(8)	Underwriting Risk Incurred Claims = Line (6) – Line (7)	0	0	0	0	0
(9)	Underwriting Risk Claims Ratio = Line (8) / Line (5)	0.0000	0.0000	0.0000	0.000	XXX
(10.1)	Underwriting Risk Factor for Initial Amounts Of Premium‡	~~0.1493~~ 0.1434	~~0.1043~~ 0.0980	~~0.1195~~ 0.1148	0.251	XXX
(10.2)	Underwriting Risk Factor for Excess of Initial Amount‡	~~0.0893~~ 0.0838	~~0.0663~~ 0.0603	~~0.0755~~ 0.0711	0.151	XXX
(10.3)	Composite Underwriting Risk Factor	0.0000	0.0000	0.0000	0.000	XXX
(11)	Base Underwriting Risk RBC = Line (5) x Line (9) x Line (10.3)	0	0	0	0	0
(12)	Managed Care Discount Factor = PR021 Line (12)	0.0000	0.0000	0.0000	0.000	XXX
(13)	Base RBC After Managed Care Discount = Line (11) x Line (12)	0	0	0	0	0
(14)	RBC Adjustment For Individual = [{Line(1.1) x 1.2 + Line (1.2)} / Line (1.3)] x Line (13)§	0	0	0	0	0
(15)	Maximum Per-Individual Risk After Reinsurance†	0	0	0	0	XXX
(16)	Alternate Risk Charge*	0	0	0	0	0
(17)	Net Alternate Risk Charge£	0	0	0	0	0
(18)	Net Underwriting Risk RBC (Maximum of Line (14) or Line (17))	0	0	0	0	0

† Source is company records unless already included in premiums.

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

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

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

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

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

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

Capital Adequacy (E) Task Force

RBC Proposal Form

[x] 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
[ ] Variable Annuities Capital. & Reserve (E/A) Subgroup	[ ] P/C RBC (E) Working Group	[ ] RBC Investment Risk & Evaluation (E) Working Group

	DATE: **03-03-23**	**FOR NAIC USE ONLY**
CONTACT PERSON:	**Crystal Brown**	Agenda Item # 2023-01-CA
TELEPHONE:	**816-783-8146**	Year 2023
EMAIL ADDRESS:	**cbrown@naic.org**	**DISPOSITION**
ON BEHALF OF:	**Health Risk-Based Capital (E) Working Grp**	[ ] ADOPTED
NAME:	**Steve Drutz**	[ ] REJECTED
TITLE:	**Chief Financial Analyst/Chair**	[ ] DEFERRED TO
AFFILIATION:	**WA Office of Insurance Commissioner**	[ ] REFERRED TO OTHER NAIC GROUP
ADDRESS:	**5000 Capitol Blvd SE**	[x] EXPOSED 4-10-23
	Tumwater, WA 98501	[ ] OTHER (SPECIFY)

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

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

DESCRIPTION OF CHANGE(S)

Clarify the instructions for stop loss premiums in the Underwriting Risk – Experience Fluctuation Risk, Other Underwriting Risk and Stop Loss Interrogatories.

REASON OR JUSTIFICATION FOR CHANGE **

Provide clarity on reporting stop loss premiums in the RBC formula.

Additional Staff Comments:

3-21-23 cgb The Working Group exposed the proposal for a 20-day comment period ending on 4/10/23.
3-24-23 cgb Editorial changes to: 1) replace i.e. with e.g. and 2) corrected the reference from “treaty” to “contract” in the example provided under the Calendar Year changes.
3-28-23 cgb Editorial correction to proposal # on proposal form from 2022-17-CA to 2023-01-CA

**** This section must be completed on all forms.** **Revised 7-2022**

Detail Eliminated to Conserve Space

UNDERWRITING RISK - L(1) THROUGH L(21)
XR013

Underwriting Risk is the largest portion of the risk-based capital charge for most reporting entities. The Underwriting Risk page generates the RBC requirement for the risk of fluctuations in underwriting experience. The credit that is allowed for managed care in this page comes from the Managed Care Credit Calculation page.

Underwriting risk is present when the next dollar of unexpected claim payments comes directly out of the reporting entity's capital and surplus. It represents the risk that the portion of premiums intended to cover medical expenses will be insufficient to pay such expense. For example, a reporting entity may charge an individual $100 in premium in exchange for a guaranty that all medical costs will be paid by that reporting entity. If the individual incurs $101 in claims costs, the reporting entity's surplus will decline because it did not charge a sufficient premium to pick up the additional risk for that individual.

There are other arrangements where the reporting entity is not at risk for excessive claims payments, such as when an HMO agrees to serve as a third-party administrator for a self-insured employer. The self-insured employer pays for actual claim costs, so the risk of excessive claims experience is borne by the self-insured employer, not the reporting entity. The underwriting risk section of the formula, therefore, requires some adjustments to remove non-underwriting risk business (both premiums and claims) before the RBC requirement is calculated. Appendix 1 contains commonly used terms for general types of health insurance. Refer to INT 05-05: Accounting for Revenue under Medicare Part D Cover for terms specifically used with respect to Medicare Part D coverage of prescription drugs.

Claims Experience Fluctuation

The RBC requirement for claims experience fluctuation is based on the <u>greater</u> of the following calculations:

A. Underwriting risk revenue, times the underwriting risk claims ratio, times a set of tiered factors. The tiered factors are determined by the underwriting risk revenue volume.

or

B. An alternative risk charge that addresses the risk of catastrophic claims on any single individual. The alternative risk charge is equal to multiple of the maximum retained risk on any single individual in a claims year. The maximum retained risk (level of potential claim exposure) is capped at $750,000 per individual and $1,500,000 total for medical coverage; $25,000 per individual and $50,000 total for all other coverage except Medicare Part D coverage and $25,000 per individual and $150,000 total for Medicare Part D coverage. Additionally, for multi-line organizations (e.g., writing more than one coverage type), the alternative risk charge for each subsequent line of business is reduced by the amount of the highest cap. For example, if an organization is writing both comprehensive medical (with a cap of $1,500,000) and dental (with a cap of $50,000), then only the larger alternative risk charge is considered when calculating the RBC requirement (i.e., the alternative risk charges for each line of business are not cumulative).

For RBC reports to be filed by a health organization commencing operations in this reporting year, the health organization shall estimate the initial RBC levels using operating (revenue and expense) projections (considering managed care arrangements) for its first full year (12 months) of managed care operations. The projections, including the risk-based capital requirement, should be the same as those filed as part of a comprehensive business plan that is submitted as part of the application for licensure. The Underwriting, Credit (capitation risk only), and Business Risk sections of the first RBC report submitted shall be completed using the health organization's actual operating data for the period from the commencement of operations until year-end, plus projections for the number of months necessary to provide 12 months of data. The affiliate, asset and portions of the credit risk section that are based on balance sheet information shall be reported using actual data. For subsequent years' reports, the RBC results for all of the formula components shall be calculated using actual data.

L(1) through L(21)

There are six lines of business used in the formula for calculating the RBC requirement for this risk: (1) Comprehensive Medical and Hospital; (2) Medicare Supplement; (3) Dental/Vision; (4) Stand-Alone Medicare Part D Coverage; ~~and~~ (5) Other Health; and (6) Other Non-Health. Each of these lines of business has its own column in the Underwriting Risk – Experience Fluctuation Risk table. The categories listed in the columns of this page include all risk revenue and risk revenue that is received from another reporting entity in exchange for medical services provided to its members. The descriptions of the items are described as follows:

Column (1) - Comprehensive Medical & Hospital. Includes policies providing for medical coverages including hospital, surgical, major medical, Medicare risk coverage (but NOT Medicare Supplement), and Medicaid risk coverage. This category DOES NOT include administrative services contracts (ASC), administrative services only (ASO) contracts, or any non-underwritten business. These programs are reported in the Business Risk section of the formula. Neither does it include Federal Employees Health Benefit Plan (FEHBP) or TRICARE, which are handled in Line 24 of this section. Medicaid Pass-Through Payments reported as premiums should also be excluded from this category and should be reported in Line 25.2 of this section. The alternative risk charge, which is twice the maximum retained risk after reinsurance on any single individual, cannot exceed $1,500,000. Prescription drug benefits included in major medical insurance plans (including Medicare Advantage plans with prescription drug coverage) should be reported in this line. These benefits should also be included in the Managed Care Credit calculation.

Column (2) - Medicare Supplement. This is business reported in the Medicare Supplement Insurance Experience Exhibit of the annual statement and includes Medicare Select. Medicare risk business is reported under comprehensive medical and hospital.

Column (3) - Dental & Vision. This is limited to policies providing for dental-only or vision-only coverage issued as a stand-alone policy or as a rider to a medical policy, which is not related to the medical policy through deductibles or out-of-pocket limits.

Column (4) - Stand-Alone Medicare Part D Coverage. This includes both individual coverage and group coverage of Medicare Part D coverage where the plan sponsor has risk corridor protection. See INT 05-05: Accounting for Revenue under Medicare Part D Coverage for definition of these terms. Medicare drug benefits included in major medical plans or benefits that do not meet the above criteria are not to be included in this line. Supplemental benefits within Medicare Part D (benefits in excess of the standard benefit design) are addressed separately on page XR015. Employer-based Part D coverage that is in an uninsured plan as defined in *SSAP No. 47—Uninsured Plans* is not to be included here.

Column (5) – Other Health Coverages. This includes other health coverages such as other stand-alone prescription drug benefit plans, ~~**NOT INCLUDED ABOVE**~~ that have not been specifically addressed in ~~the other~~ ~~c~~Columns (1) through (4) listed above and those lines of business addressed separately on page XR015, such as stop loss. Stop loss premiums are addressed separately in Line (25) on page XR015.~~.~~

Column (6) - Other Non-Health Coverages. This includes life and property and casualty coverages.

The following paragraphs explain the meaning of each line of the table for computing the experience fluctuation underwriting risk RBC.

Line (1) Premium. This is the amount of money charged by the reporting entity for the specified benefit plan. It is the earned amount of prepayments (usually on a per member per month basis) made by a covered group or individual to the reporting entity in exchange for services to be provided or offered by such organization. However, it does not include receipts under administrative services only (ASO) contracts; or administrative services contracts (ASC); or any non-underwritten business. Nor does it include federal employees health benefit programs (FEHBP) and TRICARE. Report premium net of payments for stop-loss or other reinsurance. The amounts reported in the individual columns should come directly from Analysis of Operations by Lines of Business, Page 7, Lines 1 and 2 of the annual statement. For Stand-Alone Medicare Part D Coverage the premium includes beneficiary premium (standard coverage portion), direct subsidy, low-income subsidy (premium portion), Part D payment demonstration amounts and risk corridor payment adjustments. See INT 05-05: Accounting for Revenue under Medicare Part D Coverage for definition of these terms. It does not include revenue received for reinsurance payments or low-income subsidy (cost-sharing portion), which are considered funds received for uninsured plans in accordance with Emerging Accounting Issues Working Group (EAIWG) INT. No. 05-05. Also exclude the beneficiary premium (supplemental benefit portion) for Stand-Alone Medicare Part D coverage.

> **NOTE**: Where premiums are paid on a monthly basis, they are generally fully earned at the end of the month for which coverage is provided. In cases where the mode of payment is less frequent than monthly, a portion of the premium payment will be unearned at the end of any given reporting period.

Line (2) Title XVIII Medicare. This is the earned amount of money charged by the reporting entity (net of reinsurance) for Medicare risk business where the reporting entity, for a fee, agrees to cover the full medical costs of Medicare subscribers. This includes the beneficiary premium and federal government's direct subsidy for prescription drug coverage under MA-PD plans. The total of this line will tie to the Analysis of Operations by Lines of Business, Page 7, Lines 1 and 2 of the annual statement.

Line (3) Title XIX Medicaid. This is the earned amount of money charged by the reporting entity for Medicaid risk business where the reporting entity, for a fee, agrees to cover the full medical costs of Medicaid subscribers. The total of this line will tie to the Analysis of Operations by Lines of Business, Page 7, Lines 1 and 2 of the annual statement. Stand-Alone Medicare Part D coverage of low-income enrollees is not included in this line.

Line (4) Other Health Risk Revenue. This is earned amounts charged by the reporting entity as a provider or intermediary for specified medical (e.g., full professional, dental, radiology, etc.) services provided to the policyholders, or members of another insurer or health entity. Unlike premiums, which are collected from an employer group or individual member, risk revenue is the prepaid (usually on a capitated basis) payments, made by another insurer or health entity to the reporting entity in exchange for services to be provided or offered by such organization. Payments to providers under risk revenue arrangements are included in the RBC calculation as underwriting risk revenue and are included in the calculation of managed care credits. Exclude fee-for-service revenue received by the reporting entity from another reporting entity. This revenue is reported in the Business Risk section of the formula as non-underwritten and limited risk revenue. The amounts reported in the individual columns will come directly from Page 7, Line 4 of the annual statement.

Line (5) Medicaid Pass-Through Payments Reported as Premiums. Medicaid Pass-Through Payments that are included as premiums in the Analysis of Operations by Lines of Business, Page 7, Lines 1 and 2 should be reported in this line.

Line (6) Underwriting Risk Revenue. The sum of Lines (1) through (4) minus Line (5).

Line (7) Net Incurred Claims. Claims incurred (paid claims + change in unpaid claims) during the reporting year (net of reinsurance) that are arranged for or provided by the reporting entity. Paid claims include capitation and all other payments to providers for services to members of the reporting entity, as well as reimbursement directly to members for covered services. Paid claims also include salaries paid to reporting entity employees that provide medical services to members and related expenses. Do not include ASC payments or federal employees health benefit program (FEHBP) and TRICARE claims. These amounts are found on Page 7, Line 17 of the annual statement.

For Stand-Alone Medicare Part D Coverage, net incurred claims should reflect claims net of reinsurance coverage (as defined in INT 05-05: Accounting for Revenue under Medicare Part D Coverage). Where there has been prepayment under the reinsurance coverage, paid claims should be offset from the cumulative deposits. Unpaid claims liabilities should reflect expected recoveries from the reinsurance coverage, for claims unpaid by the PDP or for amounts covered under the reinsurance coverage that exceed the cumulative deposits. Where there has not been any prepayment under the reinsurance coverage, unpaid claim liabilities should reflect expected amounts still due from CMS. Exclude the beneficiary incurred claims (supplemental benefit portion) for Stand-Alone Medicare Part D coverage and report the incurred claims amount (supplemental benefit portion) on Line (25.1) of page XR015.

Line (8) Medicaid Pass-Through Payments Reported as Claims. Medicaid Pass-Through Payments that are included as claims in the Analysis of Operations by Lines of Business, Page 7, Line 17 should be reported in this line.

Line (9) Total Net Incurred Claims Less Medicaid Pass-Through Payments Reported as Claims. Line (7) minus Line (8).

Line (10) Fee-for-Service Offset. Report fee for service revenue that is directly related to medical expense payments. The fee for service line does not include revenue where there is no associated claim payment (e.g., fees from non-member patients where the provider receives no additional compensation from the reporting entity) and when such revenue was excluded from the pricing of medical benefits. The amounts reported in the individual columns should come directly from Page 7, Line 3 of the annual statement.

Line (11) Underwriting Risk Incurred Claims. Line (9) minus Line (10).

Line (12) Underwriting Risk Claims Ratio**.** For Columns (1) through (5), Line (11) / Line (6). If either Line (6) or Line (11) is zero or negative, Line (12) is zero.

Line (13) Underwriting Risk Factor**.** A weighted average factor based on the amount reported in Line (6), Underwriting Risk Revenue. The factors for Column (1) through (3) have incorporated an investment income yield of 0.5%.

	$0 – $3 Million	$3 – $25 Million	Over $25 Million
Comprehensive Medical & Hospital	0.1493	0.1493	0.0893
Medicare Supplement	0.1043	0.0663	0.0663
Dental & Vision	0.1195	0.0755	0.0755
Stand-Alone Medicare Part D Coverage	0.251	0.251	0.151
Other Health	0.130	0.130	0.130
Other Non-Health	0.130	0.130	0.130

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

Line (14) Base Underwriting Risk RBC. Line (6) x Line (12) x Line (13).

Line (15) Managed Care Discount. For Comprehensive Medical & Hospital, Medicare Supplement (including Medicare Select) and Dental/Vision*,* a managed care discount, based on the type of managed care arrangements an organization has with its providers, is included to reflect the reduction in the uncertainty about future claim payments attributable to the managed care arrangements. The discount factor is from Column (3), Line (17) of the Managed Care Credit Calculation page. An average factor based on the combined results of these three categories is used for all three.

For Stand-Alone Medicare Part D Coverage, a separate managed care discount (or federal program credit) is included to reflect only the reduction in uncertainty about future claims payments attributable to federal risk arrangements. The discount factor is from Column (4), Line (17) of the Managed Care Credit Calculation page.

There is no discount given for the Other Health and Other Non-Health lines of business.

Line (16) RBC After Managed Care Discount*.* Line (14) x Line (15).

Line (17) Maximum Per-Individual Risk After Reinsurance. This is the maximum after-reinsurance loss for any single individual. Where specific stop-loss reinsurance protection is in place, the maximum per-individual risk after reinsurance is equal to the highest attachment point on such stop-loss reinsurance, subject to the following:

- Where coverage under the stop-loss protection (plus retention) with the highest attachment point is capped at less than $750,000 per member, the maximum retained loss will be equal to such attachment point plus the difference between the coverage (plus retention) and $750,000.

- Where the stop-loss layer is subject to participation by the reporting entity, the maximum retained risk as calculated above will be increased by the reporting entity's participation in the stop-loss layer (up to $750,000 less retention).

If there is no specific stop-loss or reinsurance in place, enter $9,999,999.

Examples of the calculation are presented below:

EXAMPLE 1 (Reporting entity provides Comprehensive Care):

Highest Attachment Point (Retention)	$100,000	
Reinsurance Coverage	90% of $500,000 in excess of $100,000	
Maximum reinsured coverage	$600,000 ($100,000 + $500,000)	
Maximum Ret. Risk =	$100,000	deductible
	+ $150,000	($750,000 – $600,000)
	+ $ 50,000	(10% of ($600,000 – $100,000) coverage layer)
	= $300,000	

EXAMPLE 2 (Reporting entity provides Comprehensive Care):

Highest Attachment Point (Retention)	$75,000	
Reinsurance Coverage	90% of $1,000,000 in excess of $75,000	
Maximum reinsured coverage	$1,075,000 ($75,000 + $1,000,000)	
Maximum Ret. Risk =	$ 75,000	deductible
	+ 0	($750,000 – $1,075,000)
	+ $ 67,500	(10% of ($750,000 –$75,000)) coverage layer)
	= $142,500	

Line (18) Alternate Risk Charge. This is twice the amount in Line (17) for columns (1), (2), (3) and (5) and Column (4) is six times the amount in Line (17), subject to a maximum of $1,500,000 for Column (1), $50,000 for Columns (2), (3) and (5) and $150,000 for Column (4). Column (6) is excluded from this calculation.

Line (19) Alternate Risk Adjustment. This line shows the largest value in Line (18) for the column and all columns left of the column. Column (6) is excluded from this calculation.

Line (20) Net Alternate Risk Charge. This is the amount in Line (18), less the amount in the previous column of Line (19), but not less than zero. Column (6) is excluded from this calculation.

Line (21) Net Underwriting Risk RBC**.** This is the maximum of Line (16) and Line (20) for each of columns (1) through (5). This is the amount in Line (14), Column (6). The amount in Column (7) is the sum of the values in Columns (1) through (6).

OTHER UNDERWRITING RISK – L(22) THROUGH L(45)
XR015–XR017

In addition to the general risk of fluctuations in the claims experience, there is an additional risk generated when reporting entities guarantee rates for extended periods beyond one year. If rate guarantees are extended between 15 and 36 months from policy inception, a factor of 0.024 is applied against the direct premiums earned for those guaranteed policies. Where a rate guaranty extends beyond 36 months, the factor is increased to 0.064. This calculation only applies to those lines of accident and health business, which include a medical trend risk, (i.e., Comprehensive Medical, Medicare Supplement, Dental/Vision, Stand-Alone Medicare Part D Coverage, Supplemental benefits within Medicare Part D Coverage, Stop-Loss, and Minimum Premium). Premiums entered should be earned premium for the current calendar year period and not for the entire period of the rate guarantees. Premium amounts should be shown net of reinsurance only when the reinsurance ceded premium is also subject to the same rate guarantee.

A separate risk factor has been established to recognize the reduced risk associated with safeguards built into the Federal Employees Health Benefit Program (FEHBP) created under Section 8909(f)(1) of Title 5 of the United States Code and TRICARE business. Claims incurred are multiplied by two percent to determine total underwriting RBC on this business.

The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group in 2016 to apply a tiered risk factor approach to the Stop-Loss Premium. The premiums for this coverage should not be included within Comprehensive Medical or Other Health Coverages (Page XR013)~~.~~ It is not expected that the transfer of risk through the various managed care credits will reduce the risk of stop-loss coverage. Medical Stop-Loss exhibits a much higher variability than Comprehensive Medical. A factor of 35 percent will be applied to the first $25,000,000 in premium and a factor of 25 percent will be applied to premium in excess of $25,000,000. Stop loss premiums should be reported on a net basis.

Line (25.1) Supplemental Benefits within Stand-Alone Medicare Part D Coverage. A separate risk factor has been established to recognize the different risk (as described in INT 05-05: Accounting for Revenue under Medicare Part D Coverage) for the incurred claims associated with the beneficiaries for these supplemental drug benefits.

Line (25.2) Medicaid Pass-Through Payments Reported as Premium. The treatment of Medicaid Pass-Through Payments varies from state to state, and in some instances is treated as premium. The Health Risk-Based Capital Working Group however, determined that the risk associated with these payments is more administrative in nature and similar to uninsured plans. As such, the Working Group determined that the charge should follow that of the uninsured plans (ASC and ASO) and apply a 2 percent factor charge to those Medicaid Pass-Through Payments reported as premiums. This amount should be equal to the amount reported on page XR013, Column (1), Line (5).

Lines (26) through (32) Disability Income. Disability Income Premiums are to be separately entered depending upon category (Individual and Group). For Individual Disability Income, a further split is between noncancellable (NC) or other (guaranteed renewable, etc.). For Group Disability Income, the further splits are between Credit Monthly Balance, Credit Single Premium (with additional reserves), Credit Single Premium (without additional reserves), Group Long-Term (benefit periods of two years or longer) and Group Short-Term (benefit periods less than two years). The RBC factors vary by the amount of premium reported such that a higher factor is applied to amounts below $50,000,000 for similar types. In determining the premiums subject to the higher factors, Individual Disability Income NC and Other are combined**.** All types of Group and Credit Disability Income are combined in a different category from Individual.

STOP LOSS ELECTRONIC ONLY TABLES

The Health Risk-Based Capital (E) Working Group revised the stop loss factors in 2017. The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group and suggested that the factors be revised based on data from 1998-2008. The Health Risk-Based Capital (E) Working Group agreed to continue analyzing the stop loss factors as a result of the changes to life-time maximum amounts included in the Federal Affordable Care Act.

Electronic Table 1 – Stop Loss Interrogatories

The interrogatories are designed to gather the information by product type and will be reviewed on a go-forward basis. The data will be used in the continued evaluation of the factors. The data collected will be collected on a one-year run-out basis. For example, the RBC filed at year-end 2019, will reflect the incurred data for calendar year 2018 run-out through December 31, 2019.

For those insurers where the stop loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 1.

The categories used in the interrogatories are separated as follows:

Product Type

Specific Stop Loss = (including aggregating specific). This coverage was included in the 1998 to 2008 factor development.
Aggregate Stop Loss = This coverage was included in the 1998 to 2008 factor development.
HMO Reinsurance = specific reinsurance of an HMO's commercial, Medicare, Medicaid or Point of Service products. This coverage was not included in the 1998 to 2008 factor development.
Provider Excess = specific excess written on Providers including IPAs, hospitals, clinics. This coverage was not included in the 1998 to 2008 factor development.
Medical Excess Reinsurance = specific reinsurance of an insurance company's medical business (first dollar or self-insured). This coverage was not included in the 1998 to 2008 factor development.

Do not include quota share or excess reinsurance written on Stop Loss business.

Calendar Year - Submit experience information for the calendar year preceding the year for which the RBC report is being filed, e.g., the RBC report filed for 2019 should provide experience information for calendar year 2018 with run-out through December 31, 2019. If the contract year does not follow a calendar year (i.e. 7/1-6/30), the impact on the interrogatories would be spread across two years in the same manner it would be reported in two annual statements (i.e., half of premium and ~~roughly half~~the applicable portion of the liability/expense would hit the first year, the remainder would hit the second year). Report based on the calendar year even if the calendar year includes two separate contracts (For example: Contract 1 started on 7/1/2017 and ran through 6/30/2018. Contract 2 started on 7/1/2018 and ran through 6/30/2019. The 2018 calendar year experience information would be comprised of the experience information in Contract 1 from 1/1/2018 through 6/30/2018 AND Treaty 2 from 7/1/2018 to 12/31/2018.). Contracts that do not follow a calendar year should NOT be excluded.

Total [Gross/Net] Premium - This is the [gross/net] premium revenue, [before/after] ceded reinsurance and including commissions. Report the data as reported for the prior calendar year including amounts paid for the prior year through the end of the current calendar year. Do not adjust for any anomalies in the experience.

Total Gross Claims + Expenses =

Total Gross Claims – These are the gross incurred claims, before ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining gross claim liability.

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Expenses – These are the gross incurred expense during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Gross Combined Ratio - This is equal to (Total Gross Claims + Expenses) / Total Gross Premium.

Premiums Net of Reinsurance – This is the net premium revenue, net of reinsurance. Report data as reported in the annual statement and do not adjust for any anomalies in the experience.
Total Net Claims + Expenses =
Total Net Claims – These are the net incurred claims after ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining net claim liability.
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Expenses – These are the net incurred expenses during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Net Combined Ratio – This is equal to (Total Net Claims + Expenses)/Premiums Net of Reinsurance.

Electronic Table 2a – Calendar Year Specific Stop Loss Contracts by Group Size and Table 2b – Calendar Year Aggregate Stop Loss Contracts by Group Size

For those insurers where the stop loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 2.

Table 2a should reflect the specific stop loss data and Table 2b should reflect the aggregate stop loss data.

Report the number of groups, average specific attachment point and average aggregate attachment as of December 31st of the calendar (reporting) year. If the contract does not follow a calendar year (i.e. 7/1-6/30), report the policies written during the year of the annual statement and in effect at the end of the calendar year.

The number of covered lives in a group (group size) should be based on the size of the group as of December 31 of the calendar year. The number of covered lives counted should include all enrolled members (that is, total number of lives insured, including dependents).

Number of Groups – list the number of groups for each stop-loss contract based on the number of covered lives in the group.

Average Specific Attachment Point (Table 2a) – The average should be weighted by the number of covered lives in the respective group size bracket, excluding the count of covered lives within the denominator where specific/aggregate coverage was not provided.

Example: Average Specific Attachment Point ($) (Table 2a, 50-99 Covered Lives in Group) =
(Sum of Specific Attachment Points X Reported Lives) / (Sum of Reported Lives)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Number of Lives	Include Exclude	Reason to Exclude
1	$200,000	115%	90	Include	
2	$100,000	120%	60	Include	
3	$50,000	140%	40	Exclude	Not in Group Size Band

4	$120,000	N/A	50	Include

Calculation: (200,000 x 90 + 100,000 x 60 + 120,000 x 50) / (90 + 60 + 50) = $150,000

Average Aggregate Attachment Percentage (Table 2b) – Is based on expected claims. Subgroups that have separate stop loss contracts should be aggregated in terms of determining the group size. The average should be weighted by expected claims in the respective group size bracket, excluding the expected claims within the denominator where aggregate coverage was not provided.

Example: Average Aggregate Attachment Percentage (%) (Table 2b, 50-99 Covered Lives in Group) =

(Sum of Expected Claims x Attachment Percentage %) / (Sum of Expected Claims)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Expected Claims	Number of Lives	Include Exclude	Reason to Exclude
1	$200,000	115%	$ 500,000	90	Include	
2	$100,000	120%	$ 300,000	60	Include	
3	$50,000	140%	$ 200,000	40	Exclude	Not in Group Size Band
4	$120,000	N/A	$ 400,000	50	Exclude	Aggregate not purchased by group

Calculation: (500,000 x 115% + 300,000 x 120%) / (500,000 + 300,000) = 116.7%

Footnote – The number of covered lives for stop loss coverage is reported in the Accident and Health Policy Experience Exhibit for Year (April 1st filing) in Column 13, Section C. Other Business, Line 2.

If stop loss policies are sold on a Per Employee Per Month basis and the actual number of covered lives is unknown, it would be reasonable to estimate the number of covered lives if the exact information is not administratively available to the reporting entity. This method of estimation may be similar to estimations provided for the Accident and Health Policy Experience Exhibit for Year. If estimated, an explanation of the method used to estimate the number of covered lives should be provided in the footnote.

Detail Eliminated to Conserve Space

APPENDIX 1 – COMMONLY USED TERMS

The Definitions of Commonly Used Terms are frequently duplicates from the main body of the text. If there are any inconsistencies between the definitions in this section and the definitions in the main body of the instructions, the main body definition should be used.

Detail Eliminated to Conserve Space

Stop-Loss Coverage – Coverage for a self-insured group plan, a provider/provider group or non-proportional reinsurance of a medical insurance product. Coverage may apply on a specific basis, an aggregate basis or both. Specific coverage means that the stop-loss carrier's risk begins after a minimum of at least $5,000 of claims for any one covered Life has been covered by the group plan, provider/provider group or direct writer. Aggregate coverage means that the stop-loss carrier's risk begins after the group plan, provider/provider group or direct writer has retained at least 90 percent of expected claims, or the economic equivalent.

Detail Eliminated to Conserve Space

HEALTH PREMIUMS and HEALTH CLAIMS RESERVES

LR019, LR023 and LR024

Detail Eliminated to Conserve Space

Line (12)
The American Academy of Actuaries submitted a report to the Health Risk-Based Capital Working Group in 2016 to apply a tiered risk factor approach to the Stop-Loss Premium. The premiums for this coverage should not be included within Comprehensive Medical or Other Health Coverages (Line (32)). It is not expected that the transfer of risk through the various managed care credits will reduce the risk of stop-loss coverage. Medical Stop Loss exhibits a much higher variability than Comprehensive Medical. A factor of 35 percent will be applied to the first $25,000,000 in premium and a factor of 25 percent will be applied to the premium in excess of $25,000,000. Stop loss premiums should be reported on a net basis.

Detail Eliminated to Conserve Space

Line (32)
It is anticipated that most health premium will have been included in one of the other lines. In the event that some coverage does not fit into any of these categories, the "Other Health" category continues the RBC factor from the 1998 and prior formula for Other Limited Benefits Anticipating Rate Increases. Stop loss premiums are addressed separately in Line (12).

Stop Loss Electronic Only Tables

The Health Risk-Based Capital (E) Working Group revised the stop loss factors in 2017. The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group and suggested that the factors be revised based on data from 1998-2008. The Health Risk-Based Capital (E) Working Group agreed to continue analyzing the stop loss factors as a result of the changes to life time maximum amounts included in the Federal Affordable Care Act.

Electronic Table 1 – Stop Loss Interrogatories

The interrogatories are designed to gather the information by product type and will be reviewed on a go forward basis. The data will be used in the continued evaluation of the factors. The data collected will be collected on a one-year run-out basis. For example, the RBC filed at year-end 2018, will reflect the incurred data for calendar year 2017 run-out through December 31st, 2018.

For those insurers where the stop loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 1.

The categories used in the interrogatories are separated as follows:

Product Type

Specific Stop Loss = (including aggregating specific). This coverage was included in the 1998 to 2008 factor development.
Aggregate Stop Loss = This coverage was included in the 1998 to 2008 factor development.

HMO Reinsurance = specific reinsurance of an HMO's commercial, Medicare, Medicaid or Point of Service products. This coverage was not included in the 1998 to 2008 factor development.
Provider Excess = specific excess written on Providers including IPAs, hospitals, clinics. This coverage was not included in the 1998 to 2008 factor development.
Medical Excess Reinsurance = specific reinsurance of an insurance company's medical business (first dollar or self-insured). This coverage was not included in the 1998 to 2008 factor development.

Please do not include quota share or excess reinsurance written on Stop Loss business.

Calendar Year - Submit experience information for the calendar year preceding the year for which the RBC report is being filed; e.g., the RBC report filed for 2018 should provide experience information for calendar year 2017 with run-out through December 31st, 2018. —If the contract year does not follow a calendar year (i.e. 7/1-6/30), the impact on the interrogatories would be spread across two years in the same manner it would be reported in two annual statements (i.e., half of premium and the applicable portion of the liability/expense would hit the first year, the remainder would hit the second year). Report based on the calendar year even if the calendar year includes two separate contracts (For example: Contract 1 started on 7/1/2017 and ran through 6/30/2018. Contract 2 started on 7/1/2018 and ran through 6/30/2019. The 2018 calendar year experience information would be comprised of the experience information in Contract 1 from 1/1/2018 through 6/30/2018 AND Treaty 2 from 7/1/2018 to 12/31/2018.). Contracts that do not follow a calendar year should NOT be excluded.

Total [Gross/Net] Premium - This is the [gross/net] premium revenue, [before/after] ceded reinsurance and including commissions. Report the data as reported for the prior calendar year including amounts paid for the prior year through the end of the current calendar year. Do not adjust for any anomalies in the experience.

Total Gross Claims + Expenses =

Total Gross Claims - These are the gross incurred claims, before ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining gross claim liability.

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Expenses – These are the gross incurred expense during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Gross Combined Ratio - This is equal to (Total Gross Claims + Expenses) / Total Gross Premium.

Premiums Net of Reinsurance – This is the net premium revenue, net of reinsurance. Report data as reported in the annual statement and do not adjust for any anomalies in the experience.

Total Net Claims + Expenses =

Total Net Claims - These are the net incurred claims after ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining net claim liability.

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Expenses – These are the net incurred expenses during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Net Combined Ratio – This is equal to I(Total Net Claims + Expenses)/Premiums Net of Reinsurance.

Table 2**a** – Calendar Year **Specific** Stop Loss Contracts By Group Size and Table 2b – Calendar Year Aggregate Stop Loss Contracts by Group Size

For those insurers where the stop loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 2.

Table 2a should reflect the specific stop loss data and Table 2b should reflect the aggregate stop loss data.

Report the number of groups, average specific attachment point and average aggregate attachment as of December 31st of the calendar (reporting) year. If the contract does not follow a calendar year (i.e. 7/1-6/30), report the policies written during the year of the annual statement and in effect at the end of the calendar year.

The number of covered lives in a group (group size) should be based on the size of the group as of December 31 of the calendar year. The number of covered lives counted should include all enrolled members (that is, **total number of lives insured, including dependents**).

Number of Groups – list the number of groups for each stop loss contract based on the number of covered lives in the group.

Average Specific Attachment Point **(Table 2a)** - The average should be weighted by the number of covered lives in the respective group size bracket, excluding the count of covered lives within the denominator where specific/aggregate coverage was not provided.

Example: Average Specific Attachment Point ($) (Table 2a, 50-99 Covered Lives in Group) =

(Sum of Specific Attachment Points X Reported Lives) / (Sum of Reported Lives)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Number of Lives	Include Exclude	Reason to Exclude
1	$ 200,000	115%	90	Include	
2	$ 100,000	120%	60	Include	
3	$ 50,000	140%	40	Exclude	Not in Group Size Band
4	$ 120,000	N/A	50	Include	

Calculation: (200,000 x 90 + 100,000 x 60 + 120,000 x 50) / (90 + 60 + 50) = $150,000

Average Aggregate Attachment Percentage (Table 2b) – Is based on expected claims. Subgroups that have separate stop loss contracts should be aggregated in terms of determining the group size. The average should be weighted by expected claims in the respective group size bracket, excluding the count of covered lives within the denominator where aggregate coverage was not provided.

Example: Average Aggregate Attachment Percentage (%) (Table 2b, 50-99 Covered Lives in Group) =

(Sum of Expected Claims x Attachment Percentage %) / (Sum of Expected Claims)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Expected Claims	Number of Lives	Include Exclude	Reason to Exclude
1	$ 200,000	115%	$ 500,000	90	Include	
2	$ 100,000	120%	$ 300,000	60	Include	

3	$	50,000	140%	$	200,000	40	Exclude	Not in Group Size Band
4	$	120,000	N/A	$	400,000	50	Exclude	Aggregate not purchased by group

Calculation: (500,000 x 115% + 300,000 x 120%) / (500,000 + 300,000) = 116.7%

Footnote – The number of covered lives for stop loss coverage is reported in the Accident and Health Policy Experience Exhibit for Year (April 1st filing) in Column 6, Section C. Other Business, Line 2.

If stop loss policies are sold on a Per Employee Per Month basis and the actual number of covered lives is unknown, it would be reasonable to estimate the number of covered lives if the exact information is not administratively available to the reporting entity. This method of estimation may be similar to estimations provided for the Accident and Health Policy Experience Exhibit for Year. If estimated, an explanation of the method used to estimate the number of covered lives should be provided in the footnote.

LRBC FORMULA APPLICATION FOR P&C COMPANY'S A&H BUSINESS
PR019 – PR026

PR019 - Health Premiums

Detail Eliminated to Conserve Space

Line (9)
The American Academy of Actuaries submitted a report to the Health Risk-Based Capital Working Group in 2016 to apply a tiered risk factor approach to the Stop-Loss Premium. The premiums for this coverage should not be included within Comprehensive Medical or Other Health Coverages (Line (25)). It is not expected that the transfer of risk through the various managed care credits will reduce the risk of stop-loss coverage. Medical Stop Loss exhibits a much higher variability than Comprehensive Medical. A factor of 35 percent will be applied to the first $25,000,000 in premium and a factor of 25 percent will be applied to the premium in excess of $25,000,000. Stop loss premiums should be reported on a net basis.

Detail Eliminated to Conserve Space

Line (25)
Most Health Premium will have been included in one of the prior lines. In the event that some coverage does not fit into any of these categories, "Other Health" category is applied with a 12% factor, which is from 1998 formula for Other Limited Benefits Anticipating Rate Increases. Stop loss premiums are addressed separately in Line (9).

Stop Loss Electronic Only Tables

The Health Risk-Based Capital (E) Working Group revised the stop loss factors in 2017. The American Academy of Actuaries submitted a report to the Health Risk-Based Capital (E) Working Group and suggested that the factors be revised based on data from 1998-2008. The Health Risk-Based Capital (E) Working Group agreed to continue analyzing the stop loss factors as a result of the changes to life-time maximum amounts included in the Federal Affordable Care Act.

Electronic Table 1 – Stop Loss Interrogatories

The interrogatories are designed to gather the information by product type and will be reviewed on a go-forward basis. The data will be used in the continued evaluation of the factors. The data collected will be collected on a one-year run-out basis. For example, the RBC filed at year-end ~~2019~~18~~20~~, will reflect the incurred data for calendar year ~~2018~~ 2017~~19~~ run-out through December 31, ~~2019~~2018~~20~~.

For those insurers where the stop loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 1.

The categories used in the interrogatories are separated as follows:

Product Type

Specific Stop Loss = (including aggregating specific). This coverage was included in the 1998 to 2008 factor development.
Aggregate Stop Loss = This coverage was included in the 1998 to 2008 factor development.
HMO Reinsurance = specific reinsurance of an HMO's commercial, Medicare, Medicaid or Point of Service products. This coverage was not included in the 1998 to 2008 factor development.
Provider Excess = specific excess written on Providers including IPAs, hospitals, clinics. This coverage was not included in the 1998 to 2008 factor development.
Medical Excess Reinsurance = specific reinsurance of an insurance company's medical business (first dollar or self-insured). This coverage was not included in the 1998 to 2008 factor development.

Please do not include quota share or excess reinsurance written on Stop Loss business.

Calendar Year - Submit experience information for the calendar year preceding the year for which the RBC report is being filed; e.g., the RBC report filed for ~~2021~~ 2019~~22~~ should provide experience information for calendar year ~~2019~~ 2018~~20~~ with run-out through December 31, ~~2021~~2019~~22~~. If the contract year does not follow a calendar year (i.e. 7/1-6/30), the impact on the interrogatories would be spread across two years in the same manner it would be reported in two annual statements (i.e., half of premium and the applicable portion of the liability/expense would hit the first year, the remainder would hit the second year). Report based on the calendar year even if the calendar year includes two separate contracts (For example: Contract 1 started on 7/1/2017 and ran through 6/30/2018. Contract 2 started on 7/1/2018 and ran through 6/30/2019. The 2018 calendar year experience information would be comprised of the experience information in Contract 1 from 1/1/2018 through 6/30/2018 AND Treaty 2 from 7/1/2018 to 12/31/2018.). Contracts that do not follow a calendar year should NOT be excluded.

Total [Gross/Net] Premium - This is the [gross/net] premium revenue, [before/after] ceded reinsurance and including commissions. Report the data as reported for the prior calendar year including amounts paid for the prior year through the end of the current calendar year. Do not adjust for any anomalies in the experience.

Total Gross Claims + Expenses =

Total Gross Claims - These are the gross incurred claims, before ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining gross claim liability.

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Expenses – These are the gross incurred expense during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Gross Combined Ratio - This is equal to (Total Gross Claims + Expenses) / Total Gross Premium.

Premiums Net of Reinsurance – This is the net premium revenue, net of reinsurance. Report data as reported in the annual statement and do not adjust for any anomalies in the experience.

Total Net Claims + Expenses =

Total Net Claims - These are the net incurred claims after ceded reinsurance. Do not adjust for any anomalies in the experience. Claims are defined as claims incurred during prior calendar year and paid through the end of the current calendar (reporting) year, plus any remaining net claim liability.

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Expenses – These are the net incurred expenses during the prior calendar year and paid through the end of the current reporting year plus any incurred expenses that are unpaid as of the end of the run-out period. Premium tax amounts should be included in the expense amounts; however, income taxes would be excluded.

Net Combined Ratio – This is equal to (Total Net Claims + Expenses)/Premiums Net of Reinsurance.

Table 2a – Calendar Year Specific Stop Loss Contracts by Group Size and Table 2b – Calendar Year Aggregate Stop Loss Contract by Group Size

For those insurers where the stop loss gross premium written is both under $2,000,000 and is less than 10% of the insurer's total gross premium written are exempt from completing Table 2.

Table 2a should reflect the specific stop loss data and Table 2b should reflect the aggregate stop loss data.

Report the number of groups, average specific attachment point and average aggregate attachment as of December 31st of the calendar (reporting) year. If the contract does not follow a calendar year (i.e. 7/1-6/30), report the policies written during the year of the annual statement and in effect at the end of the calendar year.

The number of covered lives in a group (group size) should be based on the size of the group as of December 31 of the calendar year. The number of covered lives counted should include all enrolled members (that is, total number of lives insured, including dependents).

Number of Groups – list the number of groups for each stop loss contract based on the number of covered lives in the group.

Average Specific Attachment Point (Table 2a) - The average should be weighted by the number of covered lives in the respective group size bracket, excluding the count of covered lives within the denominator where specific/aggregate coverage was not provided.

Example: Average Specific Attachment Point ($) (Table 2a, 50-99 Covered Lives in Group) =

(Sum of Specific Attachment Points X Reported Lives) / (Sum of Reported Lives)

Insured Group	Specific Att Point ($)	Aggregate Att (%)	Number of Lives	Include Exclude	Reason to Exclude
1	$ 200,000	115%	90	Include	
2	$ 100,000	120%	60	Include	
3	$ 50,000	140%	40	Exclude	Not in Group Size Band
4	$ 120,000	N/A	50	Include	

Calculation: (200,000 x 90 + 100,000 x 60 + 120,000 x 50) / (90 + 60 + 50)

= $150,000

Average Aggregate Attachment Percentage (Table 2b) – Is based on expected claims. Subgroups that have separate stop loss contracts should be aggregated in terms of determining the group size. The average should be weighted by expected claims in the respective group size bracket, excluding the expected claims within the denominator where aggregate coverage was not provided.

Example: Average Aggregate Attachment Percentage (%) (Table 2b, 50-99 Covered Lives in Group) =

(Sum of Expected Claims x Attachment Percentage %) / (Sum of Expected Claims)

Insured	Specific	Aggregate	Expected	Number	Include

Group	Att Point ($)	Att (%)	Claims	of Lives	Exclude
1	$ 200,000	115%	$ 500,000	90	Include
2	$ 100,000	120%	$ 300,000	60	Include
3	$ 50,000	140%	$ 200,000	40	Exclude
4	$ 120,000	N/A	$ 400,000	50	Exclude

Calculation: (500,000 x 115% + 300,000 x 120%) / (500,000 + 300,000)
= 116.7%

Footnote – The number of covered lives for stop loss coverage is reported in the Accident and Health Policy Experience Exhibit for Year (April 1st filing) in Column 13, Section C. Other Business, Line 2.

If stop loss policies are sold on a Per Employee Per Month basis and the actual number of covered lives is unknown, it would be reasonable to estimate the number of covered lives if the exact information is not administratively available to the reporting entity. This method of estimation may be similar to estimations provided for the Accident and Health Policy Experience Exhibit for Year. If estimated, an explanation of the method used to estimate the number of covered lives should be provided in the footnote.

From: Toy, Edward <Edward.Toy@riskreg.com>
Sent: Friday, June 23, 2023 3:16 PM
To: Yeung, Eva K. <EYeung@naic.org>
Subject: RE: June 30 CADTF call

Not much has happened since the last call, but this was something interesting that I sent out to RRC people just the other day. I also sent it to RBC chairs and you.

There has not been that much news on the Banking Problems (I'll stop calling it the Banking Crisis for now) in recent weeks. That changed today. Democrats in the House have introduced a raft of bills to deal with perceived problems. Many of them reflect on inappropriate behaviors by bank management, like selling stock that they own while telling everyone that everything is fine. But there were four items that caught my eye as more focused on reforms or improvements to banking regulation. These are the kinds of things that the market has been waiting for that, while justified given what happened, are likely to impact how banks behave and are likely to lead them to de-risk. The last one on the list may have the most immediate impact as it effectively means the effected banks will need to mark to market investments that have heretofore been exempted. Keep in mind that these are just bills at the moment and may not pass as proposed.

Closing the Enhanced Prudential Standards Loophole Act: This will aim to close loopholes surrounding the Dodd-Frank Act's enhanced prudential standards for banks that do not have a bank holding company. Neither Signature Bank nor SVB had a bank holding company before they collapsed. The bill would ensure that large banks with a size, complexity and risk equal to that of big banks with holding companies will be subject to similar enhanced capital, liquidity, stress testing, resolution planning and other related requirements.

Chief Risk Officer Enforcement and Accountability Act: This measure would have federal regulators require large banks to have a chief risk officer. Banks would also have to notify federal and state regulators of a CRO vacancy within 24 hours and provide a hiring plan within seven days. After 60 days, if the CRO position remains vacant, the bank must notify the public and be subject to an automatic cap on asset growth until the job is filled.

Effective Bank Regulation Act: This legislation would require regulators to expand stress testing requirements. Instead of two stress test scenarios, the bill would require five. It would also ensure that the Federal Reserve does stress tests for situations when interest rates are rising or falling.

Bank Safety Act: Large banks would be prevented from opting out of the requirement to recognize Accumulated Other Comprehensive Income, or AOCI, in regulatory capital under this bill. AOCI reflects the kind of unrealized losses in SVB's securities portfolio.