Draft date: 4/12/23

Virtual Meeting

CAPITAL ADEQUACY (E) TASK FORCE
Friday, April 28, 2023
11:00 a.m. – 12:00 p.m. ET / 10:00 – 11:00 a.m. CT / 9:00 a.m. – 10:00 a.m. MT / 8:00 – 9:00 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 its Spring National Meeting Minutes—*Tom Botsko (OH)* — Attachment One

2. Consider Adoption of Proposal 2023-02-P (Underwriting Risk line 1 Factors)—*Tom Botsko (OH)* — Attachment Two

3. Consider Adoption of Proposal 2023-03-IRE (Revised Residual Structure for Life) —*Philip Barlow (DC)* — Attachment Three

4. Consider Adoption of Proposal 2023-04-IRE (Residual Sensitivity Test for Life) —*Philip Barlow (DC)* — Attachment Four

5. Consider Adoption of Proposal 2023-05-L (Remove Dual Trend Test) — *Philip Barlow (DC)* — Attachment Five

6. Consider Adoption of Proposal 2023-06-L (C-2 Mortality Risk Structure Changes) —*Philip Barlow (DC)* — Attachment Six

7. Consider Adoption of Proposal 2023-07-L (CM6 & CM7 Mortgages Structures Changes) —*Philip Barlow (DC)* — Attachment Seven

8. Consider Exposure of Proposal 2022-16-CA (Underwriting Risk Factors Investment Income Adjustment)—*Steve Drutz (WA)* — Attachment Eight

9. Consider Exposure of Proposal 2023-01-CA (Stop Loss Premiums)—*Steve Drutz (WA)* — Attachment Nine

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

11. Discuss Referrals from the Valuation of Securities (E) Task Force—*Tom Botsko (OH)* — Attachment Ten

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

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

14. Adjournment

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Draft: 4/3/23

Capital Adequacy (E) Task Force
Louisville, Kentucky
March 23, 2023

The Capital Adequacy (E) Task Force met March 23, 2023. The following Task Force members participated: Judith L. French, Chair, represented by Tom Botsko and Dale Bruggeman (OH); Grace Arnold, Vice Chair, represented by Fred Andersen (MN); Lori K. Wing-Heier represented by David Phifer (AK); Mark Fowler represented by Todrick Burks (AL); Ricardo Lara represented by Thomas Reedy (CA); Andrew N. Mais represented by Wanchin Chou (CT); Karima M. Woods represented by Philip Barlow (DC); Michael Yaworsky represented by Virginia Christy (FL); Doug Ommen represented by Carrie Mears and Mike Yanacheak (IA); Dana Popish Severinghaus represented by Vincent Tsang (IL); Amy L. Beard represented by Roy Eft (IN); Vicki Schmidt represented by Levi Nwasoria (KS); Sharon P. Clark represented by Vicki Lloyd (KY); Kathleen A. Birrane represented by Lynn Beckner (MD); Chlora Lindley-Myers represented by John Rehagen (MO); Troy Downing represented by Steve Matthews (MT); Mike Causey represented by Jackie Obusek (NC); Jon Godfread represented by Matt Fischer (ND); Eric Dunning represented by Andrea Johnson and Lindsay Crawford (NE); Marlene Caride represented by David Wolf (NJ); Glen Mulready represented by Andrew Schallhorn (OK); Michael Wise represented by Daniel Morris (SC); Cassie Brown represented by Rachel Hemphill (TX); Mike Kreidler represented by Steve Drutz (WA); and Nathan Houdek and Amy Malm (WI).

1. Adopted its Feb. 3 and 2022 Fall National Meeting Minutes

Botsko said the Task Force conducted an e-vote that concluded Feb. 3 to adopt proposal 2022-12-CR (2022 U.S. and Non-U.S. Catastrophe Risk Event Lists).

Chou made a motion, seconded by Yanacheak, to adopt the Task Force's Feb. 3, 2023, (Attachment One) and Dec. 14, 2022, (*see NAIC Proceedings – Fall 2022, Capital Adequacy (E) Task Force*) minutes. The motion passed unanimously.

2. Adopted the Reports of its Working Groups

   a. Health Risk-Based Capital (E) Working Group

Drutz said the Health Risk-Based Capital (E) Working Group met March 21 and took the following action: 1) adopted its Feb. 7 minutes, which included the following action: a) adopted its 2022 Fall National Meeting minutes; b) adopted proposal 2022-14-H (Trend Test Info Only Instruction), which the Working Group exposed for a 30-day public comment period ending Dec. 7, 2022; c) referred the runoff company response letter to the Task Force; d) exposed proposal 2022-16-CA (Underwriting Risk Factors – Investment Income Adjustment) for a 30-day public comment period ending March 9; and e) received an update from the American Academy of Actuaries (Academy) on the H2 – Underwriting Risk Review project; 2) adopted proposal 2022-15-H (Renumber XR008); 3) referred proposal 2022-16-CA to the Task Force for it to expose on a late April call; 4) adopted its working agenda; 5) exposed proposal 2023-01-CA (Stop Loss Instructions) for a 20-day public comment period ending April 10; 6) discussed the stop loss data and factors; 7) received an update on the Health Test Ad Hoc Group and the draft proposal with revisions to the health test language and general interrogatories; 8) discussed the effects of the COVID-19 pandemic and the pandemic risk on the Health Risk-Based Capital (RBC) formula; and 9) received an update that the Academy continues its work on the review of the H2 – Underwriting Risk component.

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b. Life Risk-Based Capital (E) Working Group

Barlow said the Life Risk-Based Capital (E) Working Group met March 22 and took the following action: 1) adopted its Jan. 26 minutes, which included the following action: a) exposed the Academy's C-2 Mortality Risk Work Group's proposal for a 30-day public comment period ending March 1; b) exposed proposed revisions to the CM6 and CM7 mortgage RBC factors and formula, which the Working Group exposed for a 45-day public comment period ending March 16; and c) exposed proposed revisions to remove the dual presentation of the trend test, which the Working Group exposed for a 15-day public comment period ending Feb. 14; 2) adopted its 2022 Fall National Meeting minutes; 3) discussed C-2 mortality risk; 4) discussed its 2023 working agenda; 5) discussed runoff companies and agreed that no change is needed in the Life RBC formula; and 6) heard the status on the formation of the Economic Scenarios (E/A) Subgroup.

c. RBC Investment Risk and Evaluation (E) Working Group

Barlow said the RBC Investment Risk and Evaluation (E) Working Group met March 23 and took the following action: 1) adopted its Feb. 27 minutes, which included the following action: a) discussed the Academy follow-up to the presentation on collateralized loan obligations (CLOs); and b) discussed comment letters; 2) adopted its 2022 Fall National Meeting minutes; 3) received updates from the Valuation of Securities (E) Task Force and the Statutory Accounting Principles (E) Working Group; 4) continued discussion of CLOs; 5) discussed a residual tranche structure change; and 5) discussed factors and next steps.

d. Property and Casualty Risk-Based Capital (E) Working Group

Botsko said the Property and Casualty Risk-Based Capital (E) Working Group met March 22 and took the following action: 1) adopted its Jan. 30 minutes, which included the following action: a) adopted proposal 2022-12-CR, which the Working Group exposed for a seven-day public comment period ending Jan. 25; 2) adopted its 2022 Fall National Meeting minutes; 3) adopted the report of the Catastrophe Risk (E) Subgroup, which took the following action: a) adopted its Jan. 30 and 2022 Fall National Meeting minutes; b) discussed its working agenda; c) received a status update from its Catastrophe Model Technical Review Ad Hoc Group; d) heard a presentation from Travelers on the climate overview and scenario analysis; and e) discussed the wildfire peril impact analysis; 4) exposed proposal 2023-02-P (Underwriting Risk Line 1 Factors) for a 30-day public comment period ending April 21; 5) discussed the annual statement proposal 2023-01BWG, which removes pet insurance form the inland marine line of business and adds new schedule P parts to pet insurance; 6) discussed the annual statement proposal 2022-15BWG, which removes the 5% premium filing exemption (FE) on Schedule H, Part 5; 7) discussed its 2023 working agenda; 8) heard an update on current property/casualty (P/C) RBC projects from the Academy; and 9) discussed the possibility of reviewing or analyzing the P/C RBC charges that have not been reviewed since developed.

Phifer made a motion, seconded by Nwasoria, to adopt the reports of the Health Risk-Based Capital (E) Working Group (Attachment Two), the Life Risk-Based Capital (E) Working Group (Attachment Three), the_Property and Casualty Risk-Based Capital (E) Working Group (Attachment Four), the Catastrophe Risk (E) Subgroup, and the RBC Investment Risk and Evaluation (E) Working Group (Attachment Five). The motion passed unanimously.

3. Adopted Proposal 2022-09-CA

Botsko said the Task Force referred proposal 2022-09-CA (Revised Affiliated Investments Structure and Instructions) to the Blanks (E) Working Group and the Statutory Accounting Principles (E) Working Group at the 2022 Fall National Meeting. There were no comments received from either group.

Crawford made a motion, seconded by Lloyd, to adopt proposal 2022-09-CA (Attachment Six). The motion passed unanimously.

4. Adopted Proposal 2022-13-CA

Botsko said the purpose of proposal 2022-13-CA (Health Premiums and Underwriting Risk Premium References) is to modify the following line references to be consistent with the changes in the Annual Statement, Schedule H, which was adopted under Blanks proposal 2021-14BWG MOD: 1) Life RBC formula LR019 and LR020; and 2) P/C RBC formula PR019 and PR020. There were no comments received during the exposure period.

Rehagen made a motion, seconded by Andersen, to adopt proposal 2022-13-CA (Attachment Seven). The motion passed unanimously.

5. Adopted Proposal 2022-14-H

Drutz said the purpose of proposal 2022-14-H is to remove the sentence, "The calculation is informational-only until state statutes are implemented so that the trend test would trigger a Company Action Level RBC regulatory action per the statute," given that all states have adopted the trend test. He stated that the Health Risk-Based Capital (E) Working Group exposed this proposal for a 30-day comment period ending March 9, and no comments were received during the exposure period. The Working Group adopted this proposal on Feb. 7.

Drutz made a motion, seconded by Chou, to adopt proposal 2022-14-H (Attachment Eight). The motion passed unanimously.

6. Adopted Proposal 2022-15-H

Drutz said the purpose of proposal 2022-15-H is to renumber all the lines on page XR008 as the line numbers carry over from the bond page. He also stated that the renumbering of the lines on page XR008 will allow for easier updates in the future for any adjustments to the bonds. He said the Health Risk-Based Capital (E) Working Group was exposed for a 30-day comment period ending Feb. 28. There were no comments received during the exposure period. The Working Group adopted this proposal at the Spring National Meeting.

Drutz made a motion, seconded by Chou, to adopt proposal 2022-15-H (Attachment Nine). The motion passed unanimously.

7. Adopted its Working Agenda

Botsko summarized the changes to the 2023 working agenda. He said there is no change on the Life Risk-Based Capital (E) Working Group and RBC Investment Risk and Evaluation (E) Working Group sections in the working agenda. He also stated that the Property and Casualty Risk-Based Capital (E) Working Group eliminated the following items: 1) evaluate the possibility of allowing additional third-party models or adjustments to the vendor models to calculate the catastrophe model losses; and 2) evaluate the possibility of enhancing the independent model instructions. He also indicated that three new items were added to the new items section: 1) review and analyze the P/C RBC charges that have not been reviewed since developed; 2) quantify the R5 ex-catastrophe factors for wildfire peril (for informational purposes only); and 3) evaluate the impact of flood peril on the insurance market. He also said the revisions to the Health RBC working agenda items are editorial in nature: 1) Line X1 was updated to: a) remove the reference to the 0.05% factor adjustment; and b) add the related proposal to the comments column; 2) the expected completion date column was updated for Lines X4, X6, X7, X8, and X9; 3) Line X5 was updated to remove the reference to "review possible annual statement changes for reporting health business in the Life and P/C blanks"; and 4) Line X10 was removed from the "New Items" section to the

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"Carryover Items Currently being Addressed" section. In addition, he stated that the Task Force working agenda was updated as follows: 1) the exposure and referral comments were added in the item CA1 "comments" column; 2) the item CA5 was moved from the "New Items" section to the "Carryover Items Currently being Addressed" section; and 3) item CA6 was added to the "New Items" section.

Nwasoria made a motion, seconded by Burks, to adopt the Task Force's revised 2023 working agenda (Attachment Ten). The motion passed unanimously.

8. Discussed the Response from the Health Risk-Based Capital (E) Working Group Regarding Runoff Companies

Drutz said the Health Risk-Based Capital (E) Working Group received a request from the Task Force last year regarding the runoff companies. He stated that a response for the request (Attachment Eleven) was sent to the Task Force on Dec. 12, 2022, which indicated the Working Group's agreement with the recommendations included in the Property and Casualty Risk-Based Capital (E) Working Group's response letter as well as the definition of a health runoff company. The letter was exposed for a 30-day public comment period, and no comments were received. Botsko said he appreciated the prompt response from the Health Risk-Based Capital (E) Working Group. He said the Task Force will forward the responses to the Restructuring Mechanisms (E) Subgroup after receiving all the responses from the working groups.

9. Discussed Referrals from the Valuation of Securities (E) Task Force

Mears said the Valuation of Securities (E) Task Force sent two referrals to the Capital Adequacy (E) Task Force last month. She stated that the first referral, which is regarding a proposed *Purposes and Procedures Manual of the NAIC Investment Analysis Office* (P&P Manual) amendment to define and add guidance for structured equity and funds (Attachment Twelve). She indicated that this is an informational referral, and no direct action is required by the Capital Adequacy (E) Task Force. She also said another referral is regarding additional market and analytical information for bond investments. She asked the Task Force members to review the items listed in the referral and provide responses by May 15. Botsko said the Task Force and RBC Investment Risk and Evaluation (E) Working Group exposed this referral jointly and requested comments from the interested party by March 31. He stated that discussion on this item will be continued at the next meeting.

10. Discussed The Current Turmoil in the Banking Sector, Including Fallout and Possible Implications

Ed Toy (Risk & Regulatory Consulting LLC—RRC) provided a brief overview of the current turmoil in the banking sector. He stated that the current situation continues to evolve. Also, the problems at the regional banks and Credit Suisse Group may be separated, but the current underlying issues might have led to or exacerbated what happened. This eventually may affect the insurance industry, as the current interest rates are significantly higher, and the market volatility, including risks that may be idiosyncratic across different markets, which are also much higher. Toy said he anticipated that it would affect the life industry more since the regional banks provided over 60% of lending to the commercial real estate developers, and the values of commercial real estate were already hitting a dip since the end of last year. Botsko thanked Toy for providing this useful information to the Task Force. He said the Task Force will monitor this issue closely, and it welcomes Toy to provide constant updates regarding this issue.

11. Discussed Other Matters

   a. Health Test Exposure Updates

Drutz said the Health Test Ad Hoc Group has been working on drafting a proposal that would revise the premium and the reserve ratio calculation by using a net basis in the health test. He stated that this proposal will create

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greater transparency in the calculation of both the numerator and denominator of the ratio formula, as the amounts in the formula will be pulling from the same schedule. He also said the Ad Hoc Group plans to: 1) implement the changes across each statement type; and 2) consider re-evaluating the data in a few years after the implementation. He said he anticipated that this proposal will be finalized and considered for exposure by the Health Risk-Based Capital (E) Working Group in April.

b. Forwarded a Statutory Accounting Principles (E) Working Group Referral for Negative IMR to the Life Risk-Based Capital (E) Working Group

Botsko said the Task Force expects to receive a referral from the Statutory Accounting Practices (E) Working Group on the potential to permit admittance of negative interest maintenance reserve (IMR) shortly after the Spring National Meeting. Since this is primarily a life RBC issue, Botsko suggested forwarding the referral to the Life Risk-Based Capital (E) Working Group after the Task Force receives it. Without hearing objection, the Task Force agreed to forward the Statutory Accounting Practices (E) Working Group referral to the Life Risk-Based Capital (E) Working Group after receiving it.

c. Revised a Proposal Form

Botsko said the 2023 RBC proposal form was modified to: 1) include working group and subgroup proposal status in the "disposition" section; 2) include each line of business formula in the "identification of source and form(s)/instructions to be changed" section; and 3) combine the description/reason or justification of changes into one section. Without hearing objection, the Task Force agreed with the modifications in the proposal form.

d. Established an Ad Hoc Group to Review and Analyze the RBC Charges that Have Not Been Reviewed Since Their Development

Botsko said some of the Task Force members may be aware that some of the RBC formulas, factors, and methodologies have never been reviewed since developed. He asked the Task Force to consider establishing an ad hoc group to: 1) re-evaluate some of the missing risks to determine if the Task Force should now include them in the RBC calculation or whether it appropriately handle those risks utilizing other regulatory methods; and 2) review those factors and instructions that have never been reviewed since developed to determine if modifications should be made. He encouraged all parties to contact NAIC staff if interested in joining the new ad hoc group.

Having no further business, the Capital Adequacy (E) Task Force adjourned.

SharePoint/NAIC Support Staff Hub/Member Meetings/E Cmte/CADF/CapitalAdequacyTFmin_032323.docx

Capital Adequacy (E) Task Force

RBC Proposal Form

☐ Capital Adequacy (E) Task Force ☐ Health RBC (E) Working Group ☐ Life RBC (E) Working Group
☐ Catastrophe Risk (E) Subgroup ☐ Investment RBC (E) Working Group ☐ Longevity Risk (A/E) Subgroup
☐ Variable Annuities Capital. & Reserve (E/A) Subgroup ☒ P/C RBC (E) Working Group ☐ RBC Investment Risk & Evaluation (E) Working Group

	DATE: 3/22/23	**FOR NAIC USE ONLY**
		Agenda Item # 2023-02-P
		Year ____________
CONTACT PERSON:	**Eva Yeung**	**DISPOSITION**
TELEPHONE:	**816-783-8407**	**ADOPTED:**
EMAIL ADDRESS:	**eyeung@naic.org**	☐ TASK FORCE (TF) ____________
ON BEHALF OF:	**P/C RBC (E) Working Group**	☒ WORKING GROUP (WG) 4/24/23
NAME:	**Tom Botsko**	☐ SUBGROUP (SG) ____________
TITLE:	**Chair**	**EXPOSED:**
AFFILIATION:	**Ohio Department of Insurance**	☐ TASK FORCE (TF) ____________
ADDRESS:	**50 West Town Street, Suite 300**	☒ WORKING GROUP (WG) 3/22/23
	Columbus, OH 43215	☐ 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)

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

Additional Staff Comments:

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

PR017 Line 1 Reserves

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	**1.004**	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	**0.834**	0.906	0.912	0.916	0.955	0.952	0.971	0.971	0.961	0.986
CMP	E	**0.991**	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

PR018 Line 1 Premiums

Schedule P Line of Business	LOB	Proposed 2023 Industry Average Loss & Expense Ratio	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: 3/23/23	**FOR NAIC USE ONLY**
CONTACT PERSON:	**Dave Fleming**	Agenda Item # 2023-03-IRE Year 2023
TELEPHONE:	**816-783-8121**	**DISPOSITION**
EMAIL ADDRESS:	**dfleming@naic.org**	**ADOPTED:** ☐ TASK FORCE (TF) ______ ☐ WORKING GROUP (WG) ______ ☐ SUBGROUP (SG) ______
ON BEHALF OF:	**RBC Inv. Risk & Eval. (E) Working Group**	**EXPOSED:** ☐ TASK FORCE (TF) ______ ☒ WORKING GROUP (WG) ______ ☐ SUBGROUP (SG) ______
NAME:	**Philip Barlow**	**REJECTED:** ☐ TF ☐ WG ☐ SG ______
TITLE:	**Associate Commissioner for Insurance**	**OTHER:** ☐ DEFERRED TO ______ ☐ REFERRED TO OTHER NAIC GROUP ☐ (SPECIFY) ______
AFFILIATION:	**District of Columbia**	
ADDRESS:	**1050 First Street, NE Suite 801** **Washington, DC 20002**	

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)

Add a line to isolate residual tranches reported on Schedule BA and the asset valuation reserve.

Additional Staff Comments:

** **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**	**TBD**	**=**	
(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.

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

#REF!

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
(102)	Replications	LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999)		X	0.1575	=		
(103)	Reinsurance	LR016 Reinsurance Column (4) Line (17)		X	0.2100	=		
(104)	Investment Affiliates	LR042 Summary for Affiliated Investments Column (4) Line (6)		X	0.2100	=		
(105)	Investment in Parent	LR042 Summary for Affiliated Investments Column (4) Line (10)		X	0.2100	=		
(106)	Other Affiliate: Property and Casualty Insurers not Subject to Risk-Based Capital	LR042 Summary for Affiliated Investments Column (4) Line (11)		X	0.2100	=		
(107)	Other Affiliate: Life Insurers not Subject to Risk-Based Capital	LR042 Summary for Affiliated Investments Column (4) Line (12)		X	0.2100	=		
(108)	Publicly Traded Insurance Affiliates	LR042 Summary for Affiliated Investments Column (4) Line (14)		X	0.2100	=		
(109)	Subtotal for C-1o Assets	Sum of Lines (001) through (108), Recognizing the Deduction of Lines (013), (014), (015), (036), (044), (049), (056), (061), (069), (077), (084), (089) and (100)						
	C-0 Affiliated Common Stock							
(110)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (27)		X	0.1575	=		
(111)	Off-Balance Sheet Items Reduction - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (28)		X	0.2100	=		†
(112)	Off-Balance Sheet Items Increase - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (29)		X	0.2100	=		
(113)	Affiliated US Property - Casualty Insurers Directly Owned	LR042 Summary for Affiliated Investments Column (4) Line (1)		X	0.2100	=		
(114)	Affiliated US Life Insurers Directly Owned	LR042 Summary for Affiliated Investments Column (4) Line (2)		X	0.2100	=		
(115)	Affiliated US Health Insurers Directly and Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (3)		X	0.2100	=		
(116)	Affiliated US Property - Casualty Insurers Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (4)		X	0.2100	=		
(117)	Affiliated US Life Insurers Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (5)		X	0.2100	=		
(118)	Affiliated Alien Life Insurers - Canadian	LR042 Summary for Affiliated Investments Column (4) Line (8)		X	0.2100	=		
(119)	Affiliated Alien Life Insurers - All Others	LR042 Summary for Affiliated Investments Column (4) Line (9)		X	0.0000	=		
(120)	Subtotal for C-0 Affiliated Common Stock	Lines (110)-(111)+(112)+(113)+(114)+(115)+(116)+(117)+(118)+(119)						
	Common Stock							
(121)	Unaffiliated Common Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (17) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)		X	0.2100	=		
(122)	Credit for Hedging - Common Stock	LR015 Hedged Asset Common Stock Schedule Column (10) Line (0299999)		X	0.2100	=		†
(123)	Stock Reduction - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (19)		X	0.2100	=		†
(124)	Stock Increase - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (20)		X	0.2100	=		
(125)	BA Common Stock Unaffiliated	LR008 Other Long-Term Assets Column (5) Line (47)		X	0.2100	=		
(126)	BA Common Stock Affiliated - C-1cs	LR008 Other Long-Term Assets Column (5) **Lines (49.2) + (51)**		X	0.2100	=		
(127)	Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)		X	0.2100	=		
(128)	NAIC 01 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line **(52.1)**		X	0.1575	=		
(129)	NAIC 02 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line **(52.2)**		X	0.1575	=		
(130)	Affiliated Preferred Stock and Common Stock - Holding Company in Excess of Indirect Subs	LR042 Summary for Affiliated Investments Column (4) Line (7)		X	0.2100	=		
(131)	Affiliated Preferred Stock and Common Stock - All Other	LR042 Summary for Affiliated Investments Column (4) Line (13)		X	0.2100	=		
(132)	Total for C-1cs Assets	Lines (121)-(122)-(123)+(124)+(125)+(126)+(127)+(128)+(129)+(130)+(131)						

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

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

CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

		Source	(1) RBC Requirement
	Asset Risk – Unaffiliated Common Stock and Affiliated Non-Insurance Stock (C-1cs)		
(12)	Schedule D Unaffiliated Common Stock	LR005 Unaffiliated Common Stock Column (5) Line (21) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)	
(13)	Schedule BA Unaffiliated Common Stock	LR008 Other Long-Term Assets Column (5) line (47)	
(14)	Schedule BA Affiliated Common Stock - C-1cs	LR008 Other Long-Term Assets Column (5) **lines (49.2) + (51)**	
(15)	Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)	
(16)	Affiliated Preferred Stock and Common Stock - Holding Company in Excess of Indirect Subsidiaries	LR042 Summary for Affiliated Investments Column (4) Line (7)	
(17)	Affiliated Preferred Stock and Common Stock - All Other	LR042 Summary for Affiliated Investments Column (4) Line (13)	
(18)	Total (C-1cs) - Pre-Tax	Sum of Lines (12) through (17)	
(19)	(C-1cs) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (132)	
(20)	Net (C-1cs) - Post-Tax	Line (18) - Line (19)	
	Asset Risk - All Other (C-1o)		
(21)	Bonds after Size Factor	LR002 Bonds Column (2) Line (27) + LR018 Off-Balance Sheet Collateral Column (3) Line (8)	
(22)	Mortgages (including past due and unpaid taxes)	LR004 Mortgages Column (6) Line (31)	
(23)	Unaffiliated Preferred Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (10) + LR018 Off-Balance Sheet Collateral Column (3) Line (15)	
(24)	Affiliated Preferred Stock and Common Stock - Investment Subsidiaries	LR042 Summary for Affiliated Investments Column (4) Line (6)	
(25)	Affiliated Preferred Stock and Common Stock - Parent	LR042 Summary for Affiliated Investments Column (4) Line (10)	
(26)	Affiliated Preferred Stock and Common Stock - Property and Casualty Insurers not Subject to Risk-Based Capital	LR042 Summary for Affiliated Investments Column (4) Line (11)	
(27)	Affiliated Preferred Stock and Common Stock - Life Insurers not Subject to Risk-Based Capital	LR042 Summary for Affiliated Investments Column (4) Line (12)	
(28)	Affiliated Preferred Stock and Common Stock - Publicly Traded Insurers Held at Fair Value (excess of statement value over book value)	LR042 Summary for Affiliated Investments Column (4) Line (14)	
(29)	Separate Accounts with Guarantees	LR006 Separate Accounts Column (3) Line (7)	
	Authorized Control Level Risk-Based Capital (After Covariance Adjustment and Shortfall)		
(73)	Total Risk-Based Capital After Covariance Times Fifty Percent	Line (72) x 0.50	
	Tax Sensitivity Test		
(74)	Tax Sensitivity Test: Total Risk-Based Capital After Covariance	L(9)+L(61) + Square Root of $[(L(40) + L(50))^2 + (L(18) + L(56))^2 + L(47)^2 + L(53)^2 + L(64)^2]$	
(75)	Tax Sensitivity Test: Authorized Control Level Risk-Based Capital	Line (74) x 0.50	

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

	DATE: 3/23/23	**FOR NAIC USE ONLY** Agenda Item # 2023-04-IRE Year 2023
CONTACT PERSON:	**Steve Clayburn**	**DISPOSITION**
TELEPHONE:	**(202)624-2197**	**ADOPTED:** ☐ TASK FORCE (TF) ____ ☐ WORKING GROUP (WG) ____ ☐ SUBGROUP (SG) ____
EMAIL ADDRESS:	**steveclayburn@acli.com**	**EXPOSED:** ☐ TASK FORCE (TF) ____ ☒ WORKING GROUP (WG) ____ ☐ SUBGROUP (SG) ____
ON BEHALF OF:	**American Council of Life Insurers (ACLI)**	**REJECTED:** ☐ TF ☐ WG ☐ SG ____
NAME:	**Steve Clayburn**	**OTHER:** ☐ DEFERRED TO ____ ☐ REFERRED TO OTHER NAIC GROUP ☐ (SPECIFY) ____
TITLE:		
AFFILIATION:		
ADDRESS:		

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 additional lines are to add residual tranches to the sensitivity testing exhibits for RBC.
As regulators develop designations for asset back securities to then be assigned appropriate C-1 RBC factors, the updated sensitivity testing could be an additional tool to help regulators in reviewing companies and there investments in residual tranches.

Additional Staff Comments:

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

ADDITIONAL INFORMATION REQUIRED

		Source	(1) Statement Value
(1.2)	Other Affiliates: Subsidiaries	Subsidiaries' Life and Fraternal Risk-Based Capital LR042 Summary for Affiliated Investments Column (1) Line (13); Property and Casualty Risk-Based Capital PR005 Summary For Subsidiary, Controlled and Affiliated Investments for Cross-Checking Statement Values Column (1) Line (8) and Line (17)	
(2.2)	Noncontrolled Assets: Subsidiaries	Subsidiaries' Life and Fraternal Risk-Based Capital LR017 Off-Balance Sheet and Other Items Column (1) Line (15); Property and Casualty PR014 Miscellaneous Off-Balance Sheet Items Column (1) Line (15)	
(3.2)	Guarantees for Affiliates: Subsidiaries	Subsidiaries' Life Notes to Financial Statements #14A3c1; Property and Casualty Notes to Financial Statements #14A3c1	
(4.2)	Contingent Liabilities: Subsidiaries	Subsidiaries' Life Notes to Financial Statements #14A1; Property and Casualty Notes to Financial Statements #14A1	
(5.2)	Long Term Leases: Subsidiaries	Subsidiaries' Life Notes to Financial Statements #15A2a1; Property and Casualty Notes to Financial Statements #15A2a1	
(7.11)	Total Affiliated Investments: Company	Company's Annual Statement Five-Year Historical Data Column 1 Line 50	
(7.12)	Less Affiliated Common Stock: Company	Company's Annual Statement Five-Year Historical Data Column 1 Line 46	
(7.13)	Less Affiliated Preferred Stock: Company	Company's Annual Statement Five-Year Historical Data Column 1 Line 45	
(7.14)	Net Affiliated Investments: Company	Lines (7.11) - (7.12) - (7.13)	
(7.2)	Affiliated Investments: Subsidiaries	Subsidiaries' Life Annual Statement Five-Year Historical Data Column 1 Line 50 Less Lines 45 and 46; Property and Casualty Annual Statement Five-Year Historical Data Column 1 Line 48 Less Lines 43 and 44	
(9.1)	Surplus Notes: Company	Company's Annual Statement Page 3 Column 1 Line 32	
(9.2)	Surplus Notes: Subsidiaries	Subsidiaries' Life Annual Statement Page 3 Column 1 Line 32; Property and Casualty Annual Statement Page 3 Column 1 Line 33	
(10.11)	Capital Paid In: Company	Company's Annual Statement Page 4 Column 1 Line 50.1	
(10.12)	Surplus Paid In: Company	Company's Annual Statement Page 4 Column 1 Line 51.1	
(10.13)	Total Current Year's Capital Contributions: Company	Line (10.11) + Line (10.12)	
(10.2)	Current Year's Capital Contributions: Subsidiaries	Subsidiaries' Life Annual Statement Page 4 Column 1 Lines 50.1 + 51.1; Property and Casualty Annual Statement Page 4 Column 1 Lines 32.1 + 33.1	
(11.1)	**Total Residual Tranches or Interests**	**Company's Annual Statement Asset Valuation Reserve, Equity and Other Invested Asset Component, Column 1, Line 93**	

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

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)**		**0.100**			

† Excluding affiliated preferred and common stock

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

SENSITIVITY TESTS - TOTAL ADJUSTED CAPITAL

	Sensitivity Tests Affecting Total Adjusted Capital	Source	(1) Statement Value	Additional Sensitivity Factor	(2) Change to Total Adjusted Capital	(3) Total Adjusted Capital Before Test	(4) Total Adjusted Capital After Test
(9.1)	Dividend Liability: Company	LR033 Calculation of Total Adjusted Capital Column (1) Line (3) + Line (4)		-0.250			
(9.2)	Dividend Liability: Subsidiaries	LR033 Calculation of Total Adjusted Capital Column (1) Line (7)		-0.250			
(9.99)	Total Dividend Liability			-0.250			
(10.1)	Surplus Notes: Company	LR038 Additional Information Required Column (1) Line (9.1)		-1.000			
(10.2)	Surplus Notes: Subsidiaries	LR038 Additional Information Required Column (1) Line (9.2)		-1.000			
(10.99)	Total Surplus Notes			-1.000			
(11.1)	Current Year Capital Contribution: Company	LR038 Additional Information Required Column (1) Line (10.13)		-1.000			
(11.2)	Current Year Capital Contribution: Subsidiaries	LR038 Additional Information Required Column (1) Line (10.2)		-1.000			
(11.99)	Total Current Year Capital Contributions			-1.000			

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

DATE: 1/26/2023	**FOR NAIC USE ONLY**
	Agenda Item # 2023-05-L Year 2023
CONTACT PERSON: Dave Fleming	**DISPOSITION**
TELEPHONE: 816-783-8121	**ADOPTED:** ☐ TASK FORCE (TF) ☐ WORKING GROUP (WG) ☐ SUBGROUP (SG)
EMAIL ADDRESS: dfleming@naic.org	**EXPOSED:** ☐ TASK FORCE (TF) ☒ WORKING GROUP (WG) ☐ SUBGROUP (SG)
ON BEHALF OF: Life Risk-Based Capital (E) Working Group	**REJECTED:** ☐ TF ☐ WG ☐ SG
NAME: Philip Barlow, Chair	**OTHER:** ☐ DEFERRED TO ☐ REFERRED TO OTHER NAIC GROUP ☐ (SPECIFY)
TITLE: Associate Commissioner of Insurance	
AFFILIATION: District of Columbia	
ADDRESS: 1050 First Street, NE Suite 801 Washington, DC 20002	

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 dual presentation of the life risk-based capital trend test was adopted as an interim approach while member jurisdictions transitioned to the higher 300% threshold. That transition is now complete, so the dual presentation is no longer needed.

Additional Staff Comments:

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

RISK-BASED CAPITAL LEVEL OF ACTION
(Including Tax Sensitivity Test)

		Source	(1) RBC Amount
(1)	Total Adjusted Capital - REPORT AMOUNT IN FIVE-YEAR HISTORICAL DATA PAGE 22 COLUMN 1 LINE 30	LR033 Calculation of Total Adjusted Capital Column (2) Line (12)	
	Trigger Points for Level of Regulatory Action:		
(2)	Company Action Level = 200% of Authorized Control Level Risk-Based Capital	2.0 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (73)	
(3)	Regulatory Action Level = 150% of Authorized Control Level Risk-Based Capital	1.5 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (73)	
(4)	Authorized Control Level Risk-Based Capital - REPORT AMOUNT IN FIVE-YEAR HISTORICAL DATA PAGE 22 COLUMN 1 LINE 31	1.0 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (73)	
(5)	Mandatory Control Level = 70% of Authorized Control Level Risk-Based Capital	0.7 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (73)	
(6)	Level of Action†:		
(7)	Authorized Control Level RBC Ratio	Line (1) / Line (4)	0.000%
	Tax Sensitivity Test		
(8)	Tax Sensitivity Test: Total Adjusted Capital	LR033 Calculation of Total Adjusted Capital Column (2) Line (17)	
(9)	Tax Sensitivity Test: Company Action Level = 200% of Authorized Control Level Risk-Based Capital	2.0 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (75)	
(10)	Tax Sensitivity Test: Regulatory Action Level = 150% of Authorized Control Level Risk-Based Capital	1.5 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (75)	
(11)	Tax Sensitivity Test:Authorized Control Level Risk-Based Capital	1.0 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (75)	
(12)	Tax Sensitivity Test: Mandatory Control Level = 70% of Authorized Control Level Risk-Based Capital	0.7 times LR031 Calculation of Total Authorized Control Level Risk-Based Capital Column (1) Line (75)	
(13)	Tax Sensitivity Test: Level of Action:		

† If Total Adjusted Capital Line (1) exceeds Company Action Level Risk-Based Capital Line (2), None will be indicated (unless the Trend Test triggers Company Action Level). Otherwise, the appropriate level of action will be indicated.
~~**If the trend test is applicable for the company, the level that the trend test applies to for the state of domicile as reported on LR035 Trend Test Line (18) is indicated as being:**~~
~~**(0000001) If 3.0 had been selected for LR035 Trend Test Line (18) as the state of domicile level, the Line (6) level of action above would have been:**~~
~~**(0000002) If 2.5 had been selected for LR035 Trend Test Line (18) as the state of domicile level, the Line (6) level of action above would have been:**~~

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

TREND TEST

		Source	(1) ~~3.0~~ Amount	~~(2) 3.0 Result~~	~~(3) 2.5 Amount~~	~~(4) 2.5 Result~~
	Criteria for Applying Trend Test					
(1)	Authorized Control Level Risk-Based Capital	LR031 Calculation of Authorized Control Level Risk-Based Capital Column (1) Line (73)				
(2)	Trend Test Safe Harbor	~~Column (1)=~~3.0 x Line (1)~~, Column (3)=2.5 x Line (1)~~				
(3)	Total Adjusted Capital	LR033 Calculation of Total Adjusted Capital Line (12)				
	Trend Test Data					
(4)	First Prior Year Total Adjusted Capital	Five-Year Historical Data Page 22 Column 2 Line 30				
(5)	First Prior Year Authorized Control Level Risk-Based Capital	Five-Year Historical Data Page 22 Column 2 Line 31				
(6)	Third Prior Year Total Adjusted Capital	Five-Year Historical Data Page 22 Column 4 Line 30				
(7)	Third Prior Year Authorized Control Level Risk-Based Capital	Five-Year Historical Data Page 22 Column 4 Line 31				
	Trend Test Calculation (only if applicable†)					
(8)	Current Year Margin	Line (3) - Line (1)				
(9)	First Prior Year Margin	Line (4) - Line (5)				
(10)	Third Prior Year Margin	Line (6) - Line (7)				
(11)	Decrease in Margin from First Prior Year	Line (9) - Line (8) (use zero if negative)				
(12)	Decrease in Margin from Third Prior Year	Line (10) - Line (8) (use zero if negative)				
(13)	Average decrease in Last Three Years	1/3 of Line (12)				
(14)	Marginal Difference	Greater of Line (11) and Line (13)				
(15)	Total Adjusted Capital Less Margin Difference	Line (3) - Line (14)				
(16)	Level of Risk-Based Capital‡	1.9 x Line (1)				
~~(17)~~	~~Negative Trend?‡~~					
~~(18)~~	~~For companies where one of the above trend tests applies, does the state of domicile require action at 2.5 or 3.0 times Authorized Control Level RBC?~~	~~Select "2.5", "3.0" or "N/A"~~				

† The Trend Test applies only if Total Adjusted Capital Line (3) is less than the Trend Test Safe Harbor Line (2) and the LR034 Risk-Based Capital Level of Action Line (6) is "None".

‡ If Line (15) is less than Line (16), the company triggers regulatory attention at the Company Action Level based on the trend test. ~~The NAIC is in the process of changing the upper level where the trend test can be triggered from 2.5 times the Authorized Control Level RBC to 3.0 times the Authorized Control Level RBC. Until all states have transitioned to the 3.0 standard, there may be differences between states as to whether columns (1) and (2) or columns (3) and (4) of the LR035 Trend Test page apply to a particular company, so information is provided to alert users to potential alternative trend test results during the transition period.~~

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

AMERICAN ACADEMY of ACTUARIES

January 12, 2023

Mr. Philip Barlow
Chair, Life Risk-Based Capital (E) Working Group (LRBCWG)
National Association of Insurance Commissioners (NAIC)
Via email: Dave Fleming (dfleming@naic.org)

Re: Proposal for Life C-2 Structural and Instruction Updates and a New Financial Statement Note

Dear Philip,

On behalf of the C-2 Mortality Work Group of the American Academy of Actuaries[1], we are providing the following proposed Life C-2 updates for consideration for 2023 year-end financial statements.

1. Structural updates where it pertains to the treatment of group permanent life and miscellaneous other instruction updates. The proposal assigns the same factors to group permanent life as individual permanent life for categories stating with and without pricing flexibility.
2. A new financial statement note to provide the development of net amounts at risk for the Life C-2 categories to create a direct link to a financial statement source, and accompanying Life C-2 structural and instruction updates. The proposed second update includes the updates specified in the first update.

If you have any questions on the above topics, please contact Amanda Barry-Moilanen, life policy analyst, at barrymoilanen@actuary.org.

Sincerely,

Chris Trost, MAAA, FSA
Chairperson, C-2 Mortality Work Group

Ryan Fleming, MAAA, FSA
Vice Chairperson, C-2 Mortality Work Group

American Academy of Actuaries

[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.

1850 M Street NW Suite 300 Washington, DC 20036 Telephone 202 223 8196 Facsimile 202 872 1948 www.actuary.org

Capital Adequacy (E) Task Force

RBC Proposal Form

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

		FOR NAIC USE ONLY
	DATE: 1/12/23	Agenda Item #___________
CONTACT PERSON:	**Ryan Fleming, MAAA, FSA**	Year 2023
TELEPHONE:	**(414) 665-5020**	**DISPOSITION**
EMAIL ADDRESS:	**ryanfleming@northwesternmutual.com**	[ ] ADOPTED ______________
ON BEHALF OF:	**AAA C-2 Mortality Work Group**	[ ] REJECTED ______________
NAME:	**Ryan Fleming, MAAA, FSA**	[ ] DEFERRED TO ______________
TITLE:	**Vice Chairperson**	[ ] REFERRED TO OTHER NAIC GROUP
AFFILIATION:	**American Academy of Actuaries**	[ ] EXPOSED ______________
ADDRESS:	**1850 M Street NW, Suite 300**	[ ] OTHER (SPECIFY) ______________
	Washington, DC 20036	

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

[ ] Health RBC Blanks	[ ] Property/Casualty RBC Blanks	[X] Life and Fraternal RBC Instructions
[ ] Health RBC Instructions	[ ] Property/Casualty RBC Instructions	[X] Life and Fraternal RBC Blanks

[X] OTHER _Notes to Financial Statements___________________________

DESCRIPTION OF CHANGE(S)

Update 1: proposed updated blank for C2 Life Mortality on LR025, LR026, LR030 and LR031 and instruction updates.

Update 2: proposed new financial statement note and accompanying LR025 structural and instruction updates. Update 2 includes the updates included in the first update.

REASON OR JUSTIFICATION FOR CHANGE **

Update 1: Structural changes and instruction updates to address the treatment of group permanent life policies. Other instruction updates are included to add clarity.

Update 2: The new financial statement note will develop the net amounts at risk in the categories needed for the Life C-2 schedule to create a direct link to a financial statement source.

Additional Staff Comments:

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

Proposed 2023 Update 1

LIFE INSURANCE

Attachment Six

		Annual Statement Source	(1) Statement Value		Factor		(2) RBC Requirement
	Individual & Industrial Life Net Amount at Risk						
(1)	Ordinary Life In Force	Exhibit of Life Insurance Column 4 Line 23 x 1000					
(2)	Plus Industrial Life In Force	Exhibit of Life Insurance Column 2 Line 23 x 1000					
(3)	Total Individual & Industrial Life In Force	Lines (1) + (2)					
(4)	Ordinary Life Reserves	Exhibit 5 Column 4 Line 0199999					
(5)	Plus Industrial Life Reserves	Exhibit 5 Column 3 Line 0199999					
(6)	Plus Ordinary Life Separate Accounts	Separate Accounts Exhibit 3 Column 3 Line 0199999					
(7)	Plus Ordinary & Industrial Life Modified Coinsurance Assumed Reserves	Schedule S Part 1 Section 1 Column 12, in part ‡					
(8)	Less Ordinary & Industrial Life Modified Coinsurance Ceded Reserves	Schedule S Part 3 Section 1 Column 14, in part ‡					
(9)	Total Individual & Industrial Life Reserves	Lines (4) + (5) + (6) + (7) - (8)					
(10)	Total Individual & Industrial Life Net Amount at Risk	Lines (3) - (9)					
(11)	**Individual & Industrial** Life Policies with Pricing Flexibility In Force	Company Records *					
(12)	Less **Individual & Industrial** Life Policies with Pricing Flexibility in Force Reserves	Company Records *					
(13)	Total **Individual & Industrial** Life Policies with Pricing Flexibility Net Amount at Risk	Lines (11) - (12)		X	†	=	
(14)	**Individual & Industrial** Term Life Policies without Pricing Flexibility In Force	Company Records *					
(15)	Less **Individual & Industrial** Term Life Policies without Pricing Flexibility Reserves	Company Records *					
(16)	Total **Individual & Industrial** Term Life Policies without Pricing Flexibility Net Amount at Risk	Lines (14) - (15)		X	†	=	
(17)	**Individual & Industrial** Permanent Life Policies without Pricing Flexibility In Force	Lines (3) - (11) - (14)					
(18)	Less **Individual & Industrial** Permanent Life Policies without Pricing Flexibility Reserves	Lines (9) - (12) - (15)					
(19)	Total **Individual & Industrial** Permanent Life Policies without Pricing Flexibility Net Amount at Risk	Lines (17) - (18)		X	†	=	
(20)	Total Individual & Industrial Life	Lines (13) + (16) + (19)					
	Group & Credit Life Net Amount at Risk						
(21)	Group Life In Force	Exhibit of Life Insurance Column 9 Line 23 x 1000					
(22)	Plus Credit Life In Force	Exhibit of Life Insurance Column 6 Line 23 x 1000					
(23)	Less Group FEGLI In Force	Exhibit of Life Insurance Column 4 Line 43 x 1000					
(24)	Less Group SGLI In Force	Exhibit of Life Insurance Column 4 Line 44 x 1000					
(25)	Less Credit FEGLI In Force	Exhibit of Life Insurance Column 2 Line 43 x 1000					
(26)	Less Credit SGLI In Force	Exhibit of Life Insurance Column 2 Line 44 x 1000					
(27)	Total Group & Credit Life In Force Excluding FEGLI/SGLI	Lines (21) + (22) - (23) - (24) - (25) - (26)					
(28)	Group Life Reserves	Exhibit 5 Column 6 Line 0199999					
(29)	Plus Credit Life Reserves	Exhibit 5 Column 5 Line 0199999					
(30)	Plus Group Life Separate Accounts	Separate Accounts Exhibit 3 Column 4 Line 0199999					
(31)	Plus Group & Credit Life Modified Coinsurance Assumed Reserves	Schedule S Part 1 Section 1 Column 12, in part ‡					
(32)	Less Group & Credit Life Modified Coinsurance Ceded Reserves	Schedule S Part 3 Section 1 Column 14, in part ‡					
(33)	Total Group & Credit Life Reserves	Lines (28) + (29) + (30) + (31) - (32)					
(34)	Total Group & Credit Life Net Amount at Risk Excluding FEGLI/SGLI	Lines (27) - (33)					
(35)	Group & Credit **Term** Life In Force with Remaining Rate Terms 36 Months and Under	Company Records *					
(36)	Less Group & Credit **Term** Life Reserves with Remaining Rate Terms 36 Months and Under	Company Records *					
(37)	Group & Credit **Term** Life Net Amount at Risk with Remaining Rate Terms 36 Months and Under	Lines (35) - (36)		X	†	=	
(38)	Group & Credit **Term** Life In Force with Remaining Rate Terms Over 36 Months	~~Lines (27) - (35)~~ **Company Records ***					
(39)	Less Group & Credit **Term** Life Reserves with Remaining Rate Terms Over 36 Months	~~Lines (33) - (36)~~ **Company Records ***					
(40)	Group & Credit Life **Term** Life Net Amount at Risk with Remaining Rate Terms Over 36 Months	Lines (38) - (39)		X	†	=	
(41)	**Group & Credit Permanent Life Policies with Pricing Flexibility In Force**	**Company Records ***					
(42)	**Less Group & Credit Permanent Life Policies with Pricing Flexibility Reserves**	**Company Records ***					
(43)	**Group & Credit Permanent Life Policies with Pricing Flexibility Net Amount at Risk**	**Lines (41) - (42)**		**X**	**†**	**=**	
(44)	**Group & Credit Permanent Life Policies without Pricing Flexibility In Force**	**Lines (27) - (35) - (38) - (41)**					
(45)	**Less Group & Credit Permanent Life Policies without Pricing Flexibility Reserves**	**Lines (33) - (36) - (39) - (42)**					
(46)	**Group & Credit Permanent Life Policies without Pricing Flexibility Net Amount at Risk**	**Lines (44) - (45)**		**X**	**†**	**=**	
~~(41)~~ **(47)**	FEGLI/SGLI Life In Force	Exhibit of Life Insurance Sum of Column 2 and 4 Line 43 and 44 x 1000		X	0.0004	=	
~~(42)~~ **(48)**	Total Group & Credit Life	Lines (37) + (40) ~~+ (41)~~ **+ (43) + (46) + (47)**					
~~(43)~~ **(49)**	Total Life	Lines (20) ~~+ (42)~~ **+ (48)**					

* The definitions are specified in the Life Insurance section of the risk-based capital instructions.
† The tiered calculation is illustrated in the Life Insurance section of the risk-based capital instructions.
‡ Include only the portion which relates to policy reserves that, if written on a direct basis, would be included on Exhibit 5.

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

Proposed 2023 Update 1
PREMIUM STABILIZATION RESERVES

		Annual Statement Source	(1) Statement Value	Factor	(2) RBC Requirement
	Group and Credit Life and Health Reported Premium Stabilization Reserves				
(1)	Stabilization Reserves and Experience Rating Refunds included in Line 3	Page 3 Column 1 Line 3 in part		X	
(2)	Provision for Experience Rating Refunds	Page 3 Column 1 Line 9.2 in part		X	
(3)	Reserve for Group Rate Credits	Company Records		X	
(4)	Reserve for Credit Rate Credits	Company Records		X	
(5)	Premium Stabilization Reserves	Page 3 Column 1 Line 25 in part		X	
(6)	Total of Preliminary Premium Stabilization Reserve Credit	Sum of Lines (1) through (5)			
	Group & Credit Life and Health Risk-Based Capital				
(7)	Life	LR025 Life Insurance Column (2) Line ~~(42)~~ **(48)**			
(8)	Health	LR024 Health Claim Reserves Column (4) Line (16) + [LR024 Column (4) Line (15) x 0.65] + LR019 Health Premiums Column (2) Lines (12), (17), (18) and (19) + [[LR019 Column (2) Lines (23), (24), and (27)] x 0.65] + [LR020 Underwriting Risk - Experience Fluctuation Risk Column (5) Line (18) - Column (4) Line (18) x Line (1.2) / Line (1.3)]			
(9)	Maximum Risk-Based Capital	Lines (7) + (8)			
(10)	Final Premium Stabilization Reserve	Column (2) Line (6), but not more than Column (1) Line (9)		X	

Proposed 2023 Update 1

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

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

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

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

Company Name | Confidential when Completed | NAIC Company Code

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
(030)	Residential Mortgages - Insured	LR004 Mortgages Column (6) Line (22)		X	0.1575	=		
(031)	Residential Mortgages - Other	LR004 Mortgages Column (6) Line (23)		X	0.1575	=		
(032)	Commercial Mortgages - Insured	LR004 Mortgages Column (6) Line (24)		X	0.1575	=		
(033)	Commercial Mortgages - Other	LR004 Mortgages Column (6) Line (25)		X	0.1575	=		
(034)	Due & Unpaid Taxes Mortgages	LR004 Mortgages Column (6) Line (26)		X	0.1575	=		
(035)	Due & Unpaid Taxes - Foreclosures	LR004 Mortgages Column (6) Line (27)		X	0.1575	=		
(036)	Mortgage Reduction - Reinsurance	LR004 Mortgages Column (6) Line (29)		X	0.2100	=		†
(037)	Mortgage Increase - Reinsurance	LR004 Mortgages Column (6) Line (30)		X	0.2100	=		
	Preferred Stock							
(038)	Unaffiliated Preferred Stock NAIC 1	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (1) + LR018 Off-Balance Sheet Collateral Column (3) Line (9)		X	0.1575	=		
(039)	Unaffiliated Preferred Stock NAIC 2	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (2) + LR018 Off-Balance Sheet Collateral Column (3) Line (10)		X	0.1575	=		
(040)	Unaffiliated Preferred Stock-NAIC 3	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (3) + LR018 Off-Balance Sheet Collateral Column (3) Line (11)		X	0.1575	=		
(041)	Unaffiliated Preferred Stock NAIC 4	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (4) + LR018 Off-Balance Sheet Collateral Column (3) Line (12)		X	0.1575	=		
(042)	Unaffiliated Preferred Stock NAIC 5	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (5) + LR018 Off-Balance Sheet Collateral Column (3) Line (13)		X	0.1575	=		
(043)	Unaffiliated Preferred Stock NAIC 6	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (6) + LR018 Off-Balance Sheet Collateral Column (3) Line (14)		X	0.2100	=		
(044)	Preferred Stock Reduction-Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (8)		X	0.2100	=		†
(045)	Preferred Stock Increase-Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (9)		X	0.2100	=		
	Separate Accounts							
(046)	Guaranteed Index	LR006 Separate Accounts Column (3) Line (1)		X	0.1575	=		
(047)	Nonindex-Book Reserve	LR006 Separate Accounts Column (3) Line (2)		X	0.1575	=		
(048)	Separate Accounts Nonindex-Market Reserve	LR006 Separate Accounts Column (3) Line (3)		X	0.1575	=		
(049)	Separate Accounts Reduction-Reinsurance	LR006 Separate Accounts Column (3) Line (5)		X	0.2100	=		†
(050)	Separate Accounts Increase-Reinsurance	LR006 Separate Accounts Column (3) Line (6)		X	0.2100	=		
(051)	Synthetic GICs	LR006 Separate Accounts Column (3) Line (8)		X	0.1575	=		
(052)	Separate Account Surplus	LR006 Separate Accounts Column (3) Line (13)		X	0.1575	=		
	Real Estate							
(053)	Company Occupied Real Estate	LR007 Real Estate Column (3) Line (3)		X	0.2100	=		
(054)	Foreclosed Real Estate	LR007 Real Estate Column (3) Line (6)		X	0.2100	=		
(055)	Investment Real Estate	LR007 Real Estate Column (3) Line (9)		X	0.2100	=		
(056)	Real Estate Reduction - Reinsurance	LR007 Real Estate Column (3) Line (11)		X	0.2100	=		†
(057)	Real Estate Increase - Reinsurance	LR007 Real Estate Column (3) Line (12)		X	0.2100	=		
	Schedule BA							
(058)	Sch BA Real Estate Excluding Low Income Housing Tax Credits	LR007 Real Estate Column (3) Line (16)		X	0.2100	=		
(059)	Guaranteed Low Income Housing Tax Credits	LR007 Real Estate Column (3) Line (17) + Line (19)		X	0.0000	=		
(060)	Non-Guaranteed and All Other Low Income Housing Tax Credits	LR007 Real Estate Column (3) Line (18) + Line (20) + Line (21)		X	0.0000	=		
(061)	Sch BA Real Estate Reduction - Reinsurance	LR007 Real Estate Column (3) Line (23)		X	0.2100	=		†
(062)	Sch BA Real Estate Increase - Reinsurance	LR007 Real Estate Column (3) Line (24)		X	0.2100	=		

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

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

Company Name | Confidential when Completed | NAIC Company Code

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
(063)	Sch BA Bond NAIC 1	LR008 Other Long-Term Assets Column (5) Line (2)		X	0.1575	=		
(064)	Sch BA Bond NAIC 2	LR008 Other Long-Term Assets Column (5) Line (3)		X	0.1575	=		
(065)	Sch BA Bond NAIC 3	LR008 Other Long-Term Assets Column (5) Line (4)		X	0.1575	=		
(066)	Sch BA Bond NAIC 4	LR008 Other Long-Term Assets Column (5) Line (5)		X	0.1575	=		
(067)	Sch BA Bond NAIC 5	LR008 Other Long-Term Assets Column (5) Line (6)		X	0.1575	=		
(068)	Sch BA Bond NAIC 6	LR008 Other Long-Term Assets Column (5) Line (7)		X	0.2100	=		
(069)	BA Bond Reduction - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (9)		X	0.2100	=		†
(070)	BA Bond Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (10)		X	0.2100	=		
(071)	BA Preferred Stock NAIC 1	LR008 Other Long-Term Assets Column (5) Line (12.3)		X	0.1575	=		
(072)	BA Preferred Stock NAIC 2	LR008 Other Long-Term Assets Column (5) Line (13)		X	0.1575	=		
(073)	BA Preferred Stock NAIC 3	LR008 Other Long-Term Assets Column (5) Line (14)		X	0.1575	=		
(074)	BA Preferred Stock NAIC 4	LR008 Other Long-Term Assets Column (5) Line (15)		X	0.1575	=		
(075)	BA Preferred Stock NAIC 5	LR008 Other Long-Term Assets Column (5) Line (16)		X	0.1575	=		
(076)	BA Preferred Stock NAIC 6	LR008 Other Long-Term Assets Column (5) Line (17)		X	0.2100	=		
(077)	BA Preferred Stock Reduction-Reinsurance	LR008 Other Long-Term Assets Column (5) Line (19)		X	0.2100	=		†
(078)	BA Preferred Stock Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (20)		X	0.2100	=		
(079)	Rated Surplus Notes	LR008 Other Long-Term Assets Column (5) Line (31)		X	0.1575	=		
(080)	Rated Capital Notes	LR008 Other Long-Term Assets Column (5) Line (41)		X	0.1575	=		
(081)	BA Common Stock Affiliated	LR008 Other Long-Term Assets Column (5) Line (48.3)		X	0.2100	=		
(082)	BA Collateral Loans	LR008 Other Long-Term Assets Column (5) Line (50)		X	0.1575	=		
(083)	Other BA Assets	LR008 Other Long-Term Assets Column (5) Line (52.3) + LR018 Off-Balance Sheet Collateral Column (3) Line (17) + Line (18)		X	0.2100	=		
(084)	Other BA Assets Reduction-Reinsurance	LR008 Other Long-Term Assets Column (5) Line (54)		X	0.2100	=		†
(085)	Other BA Assets Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (55)		X	0.2100	=		
(086)	BA Mortgages - In Good Standing	LR009 Schedule BA Mortgages Column (6) Line (11)		X	0.1575	=		
(087)	BA Mortgages - 90 Days Overdue	LR009 Schedule BA Mortgages Column (6) Line (15)		X	0.1575	=		
(088)	BA Mortgages - In Process of Foreclosure	LR009 Schedule BA Mortgages Column (6) Line (19)		X	0.1575	=		
(089)	Reduction - Reinsurance	LR009 Schedule BA Mortgages Column (6) Line (21)		X	0.2100	=		†
(090)	Increase - Reinsurance	LR009 Schedule BA Mortgages Column (6) Line (22)		X	0.2100	=		
	Miscellaneous							
(091)	Asset Concentration Factor	LR010 Asset Concentration Factor Column (6) Line (62) Grand Total Page		X	0.1575	=		
(092)	Miscellaneous Assets	LR012 Miscellaneous Assets Column (2) Line (7)		X	0.1575	=		
(093)	Derivatives - Collateral and Exchange Traded	LR012 Miscellaneous Assets Column (2) Lines (8) + (9) + (10)		X	0.1575	=		
(094)	Derivatives NAIC 1	LR012 Miscellaneous Assets Column (2) Line (11)		X	0.1575	=		
(095)	Derivatives NAIC 2	LR012 Miscellaneous Assets Column (2) Line (12)		X	0.1575	=		
(096)	Derivatives NAIC 3	LR012 Miscellaneous Assets Column (2) Line (13)		X	0.1575	=		
(097)	Derivatives NAIC 4	LR012 Miscellaneous Assets Column (2) Line (14)		X	0.1575	=		
(098)	Derivatives NAIC 5	LR012 Miscellaneous Assets Column (2) Line (15)		X	0.1575	=		
(099)	Derivatives NAIC 6	LR012 Miscellaneous Assets Column (2) Line (16)		X	0.2100	=		
(100)	Miscellaneous Assets Reduction-Reinsurance	LR012 Miscellaneous Assets Column (2) Line (19)		X	0.2100	=		†
(101)	Miscellaneous Assets Increase-Reinsurance	LR012 Miscellaneous Assets Column (2) Line (20)		X	0.2100	=		

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

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

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
(102)	Replications	LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999)		X	0.1575	=		
(103)	Reinsurance	LR016 Reinsurance Column (4) Line (17)		X	0.2100	=		
(104)	Investment Affiliates	LR042 Summary for Affiliated Investments Column (4) Line (6)		X	0.2100	=		
(105)	Investment in Parent	LR042 Summary for Affiliated Investments Column (4) Line (10)		X	0.2100	=		
(106)	Other Affiliate: Property and Casualty Insurers not Subject to Risk-Based Capital	LR042 Summary for Affiliated Investments Column (4) Line (11)		X	0.2100	=		
(107)	Other Affiliate: Life Insurers not Subject to Risk-Based Capital	LR042 Summary for Affiliated Investments Column (4) Line (12)		X	0.2100	=		
(108)	Publicly Traded Insurance Affiliates	LR042 Summary for Affiliated Investments Column (4) Line (14)		X	0.2100	=		
(109)	Subtotal for C-1o Assets	Sum of Lines (001) through (108), Recognizing the Deduction of Lines (013), (014), (015), (036), (044), (049), (056), (061), (069), (077), (084), (089) and (100)						
	C-0 Affiliated Common Stock							
(110)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (27)		X	0.1575	=		
(111)	Off-Balance Sheet Items Reduction - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (28)		X	0.2100	=		†
(112)	Off-Balance Sheet Items Increase - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (29)		X	0.2100	=		
(113)	Affiliated US Property - Casualty Insurers Directly Owned	LR042 Summary for Affiliated Investments Column (4) Line (1)		X	0.2100	=		
(114)	Affiliated US Life Insurers Directly Owned	LR042 Summary for Affiliated Investments Column (4) Line (2)		X	0.2100	=		
(115)	Affiliated US Health Insurers Directly and Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (3)		X	0.2100	=		
(116)	Affiliated US Property - Casualty Insurers Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (4)		X	0.2100	=		
(117)	Affiliated US Life Insurers Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (5)		X	0.2100	=		
(118)	Affiliated Alien Life Insurers - Canadian	LR042 Summary for Affiliated Investments Column (4) Line (8)		X	0.2100	=		
(119)	Affiliated Alien Life Insurers - All Others	LR042 Summary for Affiliated Investments Column (4) Line (9)		X	0.0000	=		
(120)	Subtotal for C-0 Affiliated Common Stock	Lines (110)-(111)+(112)+(113)+(114)+(115)+(116)+(117)+(118)+(119)						
	Common Stock							
(121)	Unaffiliated Common Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (17) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)		X	0.2100	=		
(122)	Credit for Hedging - Common Stock	LR015 Hedged Asset Common Stock Schedule Column (10) Line (0299999)		X	0.2100	=		†
(123)	Stock Reduction - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (19)		X	0.2100	=		†
(124)	Stock Increase - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (20)		X	0.2100	=		
(125)	BA Common Stock Unaffiliated	LR008 Other Long-Term Assets Column (5) Line (47)		X	0.2100	=		
(126)	BA Common Stock Affiliated - C-1cs	LR008 Other Long-Term Assets Column (5) Line (49.2)		X	0.2100	=		
(127)	Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)		X	0.2100	=		
(128)	NAIC 01 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (51.1)		X	0.1575	=		
(129)	NAIC 02 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (51.2)		X	0.1575	=		
(130)	Affiliated Preferred Stock and Common Stock - Holding Company in Excess of Indirect Subs	LR042 Summary for Affiliated Investments Column (4) Line (7)		X	0.2100	=		
(131)	Affiliated Preferred Stock and Common Stock - All Other	LR042 Summary for Affiliated Investments Column (4) Line (13)		X	0.2100	=		
(132)	Total for C-1cs Assets	Lines (121)-(122)-(123)+(124)+(125)+(126)+(127)+(128)+(129)+(130)+(131)						
	Insurance Risk							
(133)	Disability Income Premium	LR019 Health Premiums Column (2) Lines (21) through (27)		X	0.2100	=		

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

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

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect
(134)	Long-Term Care	LR019 Health Premiums Column (2) Line (28) + LR023 Long-Term Care Column (4) Line (7)		X	0.2100	=	
(135)	Individual & Industrial Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Line (20)		X	0.2100	=	
(136)	Group & Credit Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Line~~s (42)~~ **(48)**		X	0.2100	=	
(136b)	Longevity C-2 Risk	LR025-A Longevity Risk Column (2) Line (5)		X	0.2100	=	
(137)	Disability and Long-Term Care Health Claim Reserves	LR024 Health Claim Reserves Column (4) Line (9) + Line (15)		X	0.2100	=	
(138)	Premium Stabilization Credit	LR026 Premium Stabilization Reserves Column (2) Line (10)		X	0.0000	=	
(139)	Total C-2 Risk	L(133) + L(134) + L(137) + L(138) + Greatest of [Guardrail Factor * (L(135)+L(136)), Guardrail Factor * L(136b), Square Root of [(L(135) + L(136))2 + L(136b)2 + 2 * (Correlation Factor) * (L(135) + L(136)) * L(136b)]]					
(140)	Interest Rate Risk	LR027 Interest Rate Risk Column (3) Line (36)		X	0.2100	=	
(141)	Health Credit Risk	LR028 Health Credit Risk Column (2) Line (7)		X	0.0000	=	
(142)	Market Risk	LR027 Interest Rate Risk Column (3) Line (37)		X	0.2100	=	
(143)	Business Risk	LR029 Business Risk Column (2) Line (40)		X	0.2100	=	
(144)	Health Administrative Expenses	LR029 Business Risk Column (2) Line (57)		X	0.0000	=	
(145)	Total Tax Effect	Lines (109) + (120) + (132) + (139) + (140) + (141) + (142) + (143) + (144)					

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Proposed 2023 Update 1

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CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

		Source	(1) RBC Requirement
	Insurance Affiliates and Misc. Other Amounts (C-0)		
(1)	Affiliated US Property-Casualty Insurers Directly Owned	LR042 Summary for Affiliated Investments Column (4) Line (1)	
(2)	Affiliated US Life Insurers Directly Owned	LR042 Summary for Affiliated Investments Column (4) Line (2)	
(3)	Affiliated US Health Insurers Directly and Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (3)	
(4)	Affiliated US Property-Casualty Insurers Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (4)	
(5)	Affiliated US Life Insurers Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (5)	
(6)	Affiliated Alien Life Insurers - Canadian	LR042 Summary for Affiliated Investments Column (4) Line (8)	
(7)	Affiliated Alien Life Insurers - All Others	LR042 Summary for Affiliated Investments Column (4) Line (9)	
(8)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (34)	
(9)	Total (C-0) - Pre-Tax	Sum of Lines (1) through (8)	
(10)	(C-0) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (120)	
(11)	Net (C-0) - Post-Tax	Line (9) - Line (10)	
	Asset Risk – Unaffiliated Common Stock and Affiliated Non-Insurance Stock (C-1cs)		
(12)	Schedule D Unaffiliated Common Stock	LR005 Unaffiliated Common Stock Column (5) Line (21) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)	
(13)	Schedule BA Unaffiliated Common Stock	LR008 Other Long-Term Assets Column (5) line (47)	
(14)	Schedule BA Affiliated Common Stock - C-1cs	LR008 Other Long-Term Assets Column (5) line (49.2)	
(15)	Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)	
(16)	Affiliated Preferred Stock and Common Stock - Holding Company in Excess of Indirect Subsidiaries	LR042 Summary for Affiliated Investments Column (4) Line (7)	
(17)	Affiliated Preferred Stock and Common Stock - All Other	LR042 Summary for Affiliated Investments Column (4) Line (13)	
(18)	Total (C-1cs) - Pre-Tax	Sum of Lines (12) through (17)	
(19)	(C-1cs) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (132)	
(20)	Net (C-1cs) - Post-Tax	Line (18) - Line (19)	
	Asset Risk - All Other (C-1o)		
(21)	Bonds after Size Factor	LR002 Bonds Column (2) Line (27) + LR018 Off-Balance Sheet Collateral Column (3) Line (8)	
(22)	Mortgages (including past due and unpaid taxes)	LR004 Mortgages Column (6) Line (31)	
(23)	Unaffiliated Preferred Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (10) + LR018 Off-Balance Sheet Collateral Column (3) Line (15)	
(24)	Affiliated Preferred Stock and Common Stock - Investment Subsidiaries	LR042 Summary for Affiliated Investments Column (4) Line (6)	
(25)	Affiliated Preferred Stock and Common Stock - Parent	LR042 Summary for Affiliated Investments Column (4) Line (10)	
(26)	Affiliated Preferred Stock and Common Stock - Property and Casualty Insurers not Subject to Risk-Based Capital	LR042 Summary for Affiliated Investments Column (4) Line (11)	
(27)	Affiliated Preferred Stock and Common Stock - Life Insurers not Subject to Risk-Based Capital	LR042 Summary for Affiliated Investments Column (4) Line (12)	
(28)	Affiliated Preferred Stock and Common Stock - Publicly Traded Insurers Held at Fair Value (excess of statement value over book value)	LR042 Summary for Affiliated Investments Column (4) Line (14)	
(29)	Separate Accounts with Guarantees	LR006 Separate Accounts Column (3) Line (7)	

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

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

Company Name | Confidential when Completed | NAIC Company Code

		Source	(1) RBC Requirement
(30)	Synthetic GIC's (C-1o)	LR006 Separate Accounts Column (3) Line (8)	
(31)	Surplus in Non-Guaranteed Separate Accounts	LR006 Separate Accounts Column (3) Line (13)	
(32)	Real Estate (gross of encumbrances)	LR007 Real Estate Column (3) Line (13)	
(33)	Schedule BA Real Estate (gross of encumbrances)	LR007 Real Estate Column (3) Line (25)	
(34)	Other Long-Term Assets	LR008 Other Long-Term Assets Column (5) Line (56) + LR018 Off-Balance Sheet Collateral Column (3) Line (17) + Line (18)	
(35)	Schedule BA Mortgages	LR009 Schedule BA Mortgages Column (6) Line (23)	
(36)	Concentration Factor	LR010 Asset Concentration Factor Column (6) Line (62) Grand Total Page	
(37)	Miscellaneous	LR012 Miscellaneous Assets Column (2) Line (21)	
(38)	Replication Transactions and Mandatory Convertible Securities	LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999)	
(39)	Reinsurance	LR016 Reinsurance Column (4) Line (17)	
(40)	Total (C-1o) - Pre-Tax	Sum of Lines (21) through (39)	
(41)	(C-1o) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (109)	
(42)	Net (C-1o) - Post-Tax	Line (40) - Line (41)	
	Insurance Risk (C-2)		
(43)	Individual & Industrial Life Insurance	LR025 Life Insurance Column (2) Line (20)	
(44)	Group & Credit Life Insurance	LR025 Life Insurance Column (2) Line~~s (42)~~ **(48)**	
(44b)	Longevity Risk	LR025-A Longevity Risk Column (2) Line (5)	
(45)	Total Health Insurance	LR024 Health Claim Reserves Column (4) Line (18)	
(46)	Premium Stabilization Reserve Credit	LR026 Premium Stabilization Reserves Column (2) Line (10)	
(47)	Total (C-2) - Pre-Tax	L(45) + L(46) + Greatest of [Guardrail Factor * (L(43)+L(44)), Guardrail Factor * L(44b), Square Root of [(L(43) + L(44))2 + L(44b)2 + 2 * (Correlation Factor) * (L(43) + L(44)) * L(44b)]]	
(48)	(C-2) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (139)	
(49)	Net (C-2) - Post-Tax	Line (47) - Line (48)	
	Interest Rate Risk (C-3a)		
(50)	Total Interest Rate Risk - Pre-Tax	LR027 Interest Rate Risk Column (3) Line (36)	
(51)	(C-3a) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (140)	
(52)	Net (C-3a) - Post-Tax	Line (50) - Line (51)	
	Health Credit Risk (C-3b)		
(53)	Total Health Credit Risk - Pre-Tax	LR028 Health Credit Risk Column (2) Line (7)	
(54)	(C-3b) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (141)	
(55)	Net (C-3b) - Post-Tax	Line (53) - Line (54)	
	Market Risk (C-3c)		
(56)	Total Market Risk - Pre-Tax	LR027 Interest Rate Risk Column (3) Line (37)	
(57)	(C-3c) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (142)	
(58)	Net (C-3c) - Post-Tax	Line (56) - Line (57)	

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

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

		Source	(1) RBC Requirement
	Business Risk (C-4a)		
(59)	Premium Component	LR029 Business Risk Column (2) Lines (12) + (24) + (36)	
(60)	Liability Component	LR029 Business Risk Column (2) Line (39)	
(61)	Subtotal Business Risk (C-4a) - Pre-Tax	Lines (59) + (60)	
(62)	(C-4a) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (143)	
(63)	Net (C-4a) - Post-Tax	Line (61) - Line (62)	
	Business Risk (C-4b)		
(64)	Health Administrative Expense Component of Business Risk (C-4b) - Pre-Tax	LR029 Business Risk Column (2) Line (57)	
(65)	(C-4b) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (144)	
(66)	Net (C-4b) - Post-Tax	Line (64) - Line (65)	
	Total Risk-Based Capital After Covariance Before Basic Operational Risk		
(67)	C-0 + C-4a + Square Root of $[(\text{C-1o} + \text{C-3a})^2 + (\text{C-1cs} + \text{C-3c})^2 + (\text{C-2})^2 + (\text{C-3b})^2 + (\text{C-4b})^2]$	REPORT AMOUNT ON PARENT COMPANY'S RBC IF APPLICABLE $L(11)+L(63) + \text{Square Root of } [(L(42) + L(52))^2 + (L(20) + L(58))^2 + L(49)^2 + L(55)^2 + L(66)^2]$	
(68)	Gross Basic Operational Risk	0.03 x L(67)	
(69)	C-4a of U.S. Life Insurance Subsidiaries	Company Records	
(70)	Net Basic Operational Risk	Line (68) - (Line (63) + Line (69)) (Not less than zero)	
(71)	Primary Security Shortfall Calculated in Accordance With Actuarial Guideline XLVIII Multiplied by 2	LR036 XXX/AXXX Reinsurance Primary Security Shortfall by Cession Column (7) Line (9999999) Multiplied by 2	
(72)	Total Risk-Based Capital After Covariance (Including Basic Operational Risk and Primary Security Shortfall multiplied by 2)	Line (67) + Line (70) + Line (71)	
	Authorized Control Level Risk-Based Capital (After Covariance Adjustment and Shortfall)		
(73)	Total Risk-Based Capital After Covariance Times Fifty Percent	Line (72) x 0.50	
	Tax Sensitivity Test		
(74)	Tax Sensitivity Test: Total Risk-Based Capital After Covariance	$L(9)+L(61) + \text{Square Root of } [(L(40) + L(50))^2 + (L(18) + L(56))^2 + L(47)^2 + L(53)^2 + L(64)^2]$	
(75)	Tax Sensitivity Test: Authorized Control Level Risk-Based Capital	Line (74) x 0.50	

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

PROPOSED 2023 UPDATE 1

LIFE INSURANCE

LR025

Basis of Factors

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

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

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

Specific Instructions for Application of the Formula

Lines 2, 5 and 21-~~41~~ 47 are not applicable to Fraternal Benefit Societies.

The NAR is derived for each of the factor categories using annual statement sources and company records. In Force and Reserves amounts are net of reinsurance throughout. The In Force amounts throughout derived from company records need to be consistent with the Exhibit of Life Insurance. The Reserves amounts throughout derived from company records need to be consistent with Exhibit 5, Separate Accounts Exhibit, and Schedule S.

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

Pricing Flexibility for Individual & Industrial Life Insurance and Group & Credit Life Permanent Life Insurance is defined as the ability to materially adjust rates on in force contracts through changing premiums and/or non-guaranteed elements as of the valuation date and within the next 5 policy years and reflecting typical business practices. For the purposes of assessing whether business is categorized as having "Pricing Flexibility", grouping of gross amounts may be done at either the contract level or at a cohort level consistent with grouping for pricing purposes. The categorization for ceded amounts for direct insurers should be based on the terms of each reinsurance treaty. Non-affiliated reinsurers are to assess the flexibility to adjust rates on in force contracts based on the terms of each reinsurance treaty and constraints based on typical business practices. For example, if a non-affiliated reinsurer has historical precedent for changing in force rates, then that may provide support for assigning policies to the category with pricing flexibility. Affiliated reinsurers are to assign the factor category based on the direct policies. In force contracts may move between categories throughout their remaining lifetime if the degree of pricing flexibility changes as of each valuation date. A material rate adjustment is defined as the ability to recover, on a present value basis, the difference in mortality risks provided for in the factors below for contracts with and without pricing flexibility. ~~These differences in factors are shown in the Line (13) table below in the Permanent Life Flexibility Factor and Term Life Flexibility Factor columns.~~ The flexibility factor for each category multiplied by the NAR results in the minimum dollar margin needed for a material rate adjustment, which can then be compared against margins available to adjust rates. In force contracts that have margin available that is greater than or equal to the minimum dollar margin needed may be assigned to the category for policies with pricing flexibility. Insurers may choose to assign contracts to the categories without pricing flexibility if the evaluation of margins is not completed or if the degree of pricing flexibility is uncertain.

Lines (11) and (12) Individual & Industrial Life Policies with Pricing Flexibility In Force and Reserves are derived from company records. Examples of products intended for this category include, but aren't limited to, participating whole life insurance, universal life insurance without secondary guarantees, and yearly renewable term insurance where scheduled premiums may be changed on an annual basis from the date of issue. The table below illustrates the RBC requirement calculation embedded in Line (13) for Individual & Industrial Life Policies with Pricing Flexibility.

		(1)		(2)		
Line (13)	Individual & Industrial Life Policies with Pricing Flexibility	Statement Value	Factor	RBC Requirement	~~Permanent Life Flexibility Factor~~	~~Term Life Flexibility Factor~~
	Allocation of First $500 Million	________	X 0.00220 =	________	~~0.00230~~	~~0.00110~~
	Allocation of Next $24,500 Million	________	X 0.00105 =	________	~~0.00120~~	~~0.00065~~
	Allocation of Over $25,000 Million	________	X 0.00080 =	________	~~0.00085~~	~~0.00055~~
	Total Individual & Industrial Life Policies with Pricing Flexibility Net Amount at Risk	________		________		

Lines (14) and (15) Individual & Industrial Term Life Policies without Pricing Flexibility In Force and Reserves are derived from company records. Examples of products intended for this category include, but aren't limited to, level term insurance with guaranteed level premiums and yearly renewable term insurance where scheduled premiums may not be changed. The table below illustrates the RBC requirement calculation embedded in Line (16) for Individual & Industrial Term Life Policies without Pricing Flexibility.

		(1)		(2)
Line (16)	Individual & Industrial Term Life Policies without Pricing Flexibility	Statement Value	Factor	RBC Requirement
	Allocation of First $500 Million	________	X 0.00280 =	________
	Allocation of Next $24,500 Million	________	X 0.00120 =	________
	Allocation of Over $25,000 Million	________	X 0.00085 =	________
	Total Individual & Industrial Term Life Policies without Pricing Flexibility Net Amount at Risk	________		________

Lines (17) and (18) Individual & Industrial Permanent Life Policies without Pricing Flexibility In Force and Reserves are derived from the aggregate amounts derived in lines (1) to (10) minus the amounts recorded in the other individual life categories. Examples of products intended for this category include, but aren't limited to, universal life with secondary guarantees and non-participating whole life insurance. Policies that aren't recorded in the other individual life categories default to this category which has the highest factors. The table below illustrates the RBC requirement calculation embedded in Line (19) for Individual & Industrial Permanent Life Policies without Pricing Flexibility.

Line (19)	Individual & Industrial Permanent Life Policies without Pricing Flexibility	(1) Statement Value	Factor	(2) RBC Requirement
	Allocation of First $500 Million	________	X 0.00400 =	________
	Allocation of Next $24,500 Million	________	X 0.00175 =	________
	Allocation of Over $25,000 Million	________	X 0.00120 =	________
	Total Individual & Industrial Permanent Life Policies without Pricing Flexibility Net Amount at Risk	________		________

Lines (35) and (36) Group & Credit Term Life In Force and Reserves with Remaining Rate Terms 36 Months and Under are derived from company records. This category includes group term life contracts where the premium terms have 36 months or fewer until expiration or renewal. Insurers may choose to assign contracts to the category for remaining rate terms over 36 months if the evaluation of remaining rate terms is not completed. The in force amount classified in this category needs to be consistent with the Exhibit of Life Insurance. The reserves amount classified in this category needs to be consistent with Exhibit 5 used for Lines (28) and (29), Separate Accounts Exhibit used for Line (30), and Schedule S used for Lines (31) and (32). Federal Employees' Group Life Insurance (FEGLI) and Servicemembers' Group Life Insurance (SGLI) contracts are excluded. The table below illustrates the RBC requirement calculation embedded in Line (37) for Group & Credit Term Life ~~Net Amount at Risk~~ with Remaining Rate Terms 36 Months and Under Net Amount at Risk.

Line (37)	Group & Credit Term Life with Remaining Rate Terms 36 Months and Under	(1) Statement Value	Factor	(2) RBC Requirement
	Allocation of First $500 Million	________	X 0.00140 =	________
	Allocation of Next $24,500 Million	________	X 0.00055 =	________
	Allocation of Over $25,000 Million	________	X 0.00040 =	________
	Total Group & Credit Term Life ~~Net Amount at Risk~~ with Remaining Rate Terms 36 Months and Under Net Amount at Risk	________		________

Lines (38) and (39) Group & Credit Term Life In Force and Reserves with Remaining Rate Terms Over 36 Months are derived from ~~the aggregate amounts derived in lines (21) to (34) minus the Group & Credit Life In Force and Reserves with Remaining Rate Terms 36 Months and Under in lines (35) and (36)~~company records. This category includes group term life contracts where the premium terms have over 36 months until expiration or renewal. FEGLI and SGLI contracts are excluded. The table below illustrates the RBC requirement calculation embedded in Line (40) for Group & Credit Life Term ~~Net Amount at Risk~~ with Remaining Rate Terms Over 36 Months Net Amount at Risk.

Line (40)	Group & Credit Term Life with Remaining Rate Terms Over 36 Months	(1) Statement Value	Factor	(2) RBC Requirement
	Allocation of First $500 Million	________	X 0.00190 =	________
	Allocation of Next $24,500 Million	________	X 0.00080 =	________
	Allocation of Over $25,000 Million	________	X 0.00055 =	________
	Total Group & Credit Term Life ~~Net Amount at Risk~~ with Remaining Rate Terms Over 36 Months Net Amount at Risk	________		________

Lines (41) and (42) Group & Credit Permanent Life Policies with Pricing Flexibility In Force and Reserves are derived from company records. FEGLI and SGLI contracts are excluded. The table below illustrates the RBC requirement calculation embedded in Line (43) for Group & Credit Permanent Life Policies with Pricing Flexibility Net Amount at Risk. The capital factors assigned are the same as Individual & Industrial Permanent Life Policies with Pricing Flexibility.

		(1)		(2)
Line (43)	Group & Credit Permanent Life Policies with Pricing Flexibility	Statement Value	Factor	RBC Requirement
	Allocation of First $500 Million		X 0.00220 =	
	Allocation of Next $24,500 Million		X 0.00105 =	
	Allocation of Over $25,000 Million		X 0.00080 =	
	Total Group & Credit Permanent Life Policies with Pricing Flexibility Net Amount at Risk			

Lines (44) and (45) Group & Credit Permanent Life Policies without Pricing Flexibility In Force and Reserves are derived from the aggregate amounts derived in lines (21) to (34) minus the other Group & Credit life amounts derived in lines (35) to (43). FEGLI and SGLI contracts are excluded. The table below illustrates the RBC requirement calculation embedded in Line (46) for Group & Credit Permanent Life Policies without Pricing Flexibility Net Amount at Risk. The capital factors assigned are the same as Individual & Industrial Permanent Life Policies without Pricing Flexibility.

		(1)		(2)
Line (46)	Group & Credit Permanent Life Policies without Pricing Flexibility	Statement Value	Factor	RBC Requirement
	Allocation of First $500 Million		X 0.00400 =	
	Allocation of Next $24,500 Million		X 0.00175 =	
	Allocation of Over $25,000 Million		X 0.00120 =	
	Total Group & Credit Permanent Life Policies without Pricing Flexibility Net Amount at Risk			

Line (~~41~~47) FEGLI/SGLI In Force amounts are retrieved from the Exhibit of Life Insurance. ~~-~~The capital factor assigned is the same as the largest size band for group & credit term life contracts with remaining rate terms 36 months and under.

		(1)		(2)
Line (~~41~~47)	FEGLI/SGLI	Statement Value	Factor	RBC Requirement
	In Force		X 0.00040 =	

All amounts should be entered as required. The risk-based capital software will calculate the RBC requirement for individual and industrial and for group and credit.

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NOTE 37 Life Insurance Net Amount at Risk by Product Characteristics

Refer to LR025 of the RBC instructions for category definitions

A. INDIVIDUAL & INDUSTRIAL LIFE

Line Definitions

(1)	Life In Force	Exhibit of Life Insurance Amount of Insurance for Industrial and Ordinary Life, Lines 21 and 22
(2)	Exhibit 5 Life Reserves	Exhibit 5 for Industrial and Ordinary Life, Lines 0199997 and 0199998
(3)	Separate Account Life Reserves	Separate Accounts, Exhibit 3, Column 3 Line 0199999
(4)	Modified Coinsurance Life Reserves	Schedule S, Part 1 Section 1 Column 12 and Part 3 Section 1 Column 14, the portion which relates to policy reserves that, if written on a direct basis, would be included on Exhibit 5.

Table A1

		Total Individual & Industrial Life			
		(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1)	Life In Force				
(2)	Exhibit 5 Life Reserves				
(3)	Separate Account Life Reserves				
(4)	Modified Coinsurance Life Reserves				
(5)	Life Reserves (2) + (3) + (4)				
(6)	Life Net Amount at Risk (1) - (5)				

Table A2

		Individual & Industrial Life Policies with Pricing Flexibility			
		(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1)	Life In Force				
(2)	Exhibit 5 Life Reserves				
(3)	Separate Account Life Reserves				
(4)	Modified Coinsurance Life Reserves				
(5)	Life Reserves (2) + (3) + (4)				
(6)	Life Net Amount at Risk (1) - (5)				

Table A3

		Individual & Industrial Term Life Policies without Pricing Flexibility			
		(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1)	Life In Force				
(2)	Exhibit 5 Life Reserves				
(3)	Separate Account Life Reserves				
(4)	Modified Coinsurance Life Reserves				
(5)	Life Reserves (2) + (3) + (4)				
(6)	Life Net Amount at Risk (1) - (5)				

Table A4

		Individual & Industrial Permanent Life Policies without Pricing Flexibility			
		(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1)	Life In Force				
(2)	Exhibit 5 Life Reserves				
(3)	Separate Account Life Reserves				
(4)	Modified Coinsurance Life Reserves				
(5)	Life Reserves (2) + (3) + (4)				
(6)	Life Net Amount at Risk (1) - (5)				

B. GROUP & CREDIT LIFE EXCLUDING FEGLI/SGLI

Line Definitions

(1)	Life In Force	Exhibit of Life Insurance Amount of Insurance for Group and Credit Life, Lines 21 and 22; exclude amounts for FEGLI and SGLI reported on lines 43 and 44
(2)	Exhibit 5 Life Reserves	Exhibit 5 for Group and Credit Life, Lines 0199997 and 0199998
(3)	Separate Account Life Reserves	Separate Accounts, Exhibit 3, Column 4 Line 0199999
(4)	Modified Coinsurance Life Reserves	Schedule S, Part 1 Section 1 Column 12 and Part 3 Section 1 Column 14, the portion which relates to policy reserves that, if written on a direct basis, would be included on Exhibit 5.

Table B1

		Total Group & Credit Life Excluding FEGLI/SGLI			
		(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1)	Life In Force				
(2)	Exhibit 5 Life Reserves				
(3)	Separate Account Life Reserves				
(4)	Modified Coinsurance Life Reserves				
(5)	Life Reserves (2) + (3) + (4)				
(6)	Life Net Amount at Risk (1) - (5)				

Table B2

		Group & Credit Term Life with Remaining Rate Terms 36 Months and Under			
		(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1)	Life In Force				
(2)	Exhibit 5 Life Reserves				
(3)	Separate Account Life Reserves				
(4)	Modified Coinsurance Life Reserves				
(5)	Life Reserves (2) + (3) + (4)				
(6)	Life Net Amount at Risk (1) - (5)				

Table B3

		Group & Credit Term Life with Remaining Rate Terms Over 36 Months			
		(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1)	Life In Force				
(2)	Exhibit 5 Life Reserves				
(3)	Separate Account Life Reserves				
(4)	Modified Coinsurance Life Reserves				
(5)	Life Reserves (2) + (3) + (4)				
(6)	Life Net Amount at Risk (1) - (5)				

Table B4

		Group & Credit Permanent Life Policies with Pricing Flexibility			
		(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1)	Life In Force				
(2)	Exhibit 5 Life Reserves				
(3)	Separate Account Life Reserves				
(4)	Modified Coinsurance Life Reserves				
(5)	Life Reserves (2) + (3) + (4)				
(6)	Life Net Amount at Risk (1) - (5)				

Table B5

		Group & Credit Permanent Life Policies without Pricing Flexibility			
		(1) Gross	(2) Assumed	(3) Ceded	(4) Net of Reinsurance (1) + (2) - (3)
(1)	Life In Force				
(2)	Exhibit 5 Life Reserves				
(3)	Separate Account Life Reserves				
(4)	Modified Coinsurance Life Reserves				
(5)	Life Reserves (2) + (3) + (4)				
(6)	Life Net Amount at Risk (1) - (5)				

		Annual Statement Source	(1) Statement Value	Factor	(2) RBC Requirement
	Individual & Industrial Life ~~Net Amount at Risk~~				
~~(1)~~	~~Ordinary Life In Force~~	~~Exhibit of Life Insurance Column 4 Line 23 x 1000~~			
~~(2)~~	~~Plus Industrial Life In Force~~	~~Exhibit of Life Insurance Column 2 Line 23 x 1000~~			
~~(3)~~	~~Total Individual & Industrial Life In Force~~	~~Lines (1) + (2)~~			
~~(4)~~	~~Ordinary Life Reserves~~	~~Exhibit 5 Column 4 Line 0199999~~			
~~(5)~~	~~Plus Industrial Life Reserves~~	~~Exhibit 5 Column 3 Line 0199999~~			
~~(6)~~	~~Plus Ordinary Life Separate Accounts~~	~~Separate Accounts Exhibit 3 Column 3 Line 0199999~~			
~~(7)~~	~~Plus Ordinary & Industrial Life Modified Coinsurance Assumed Reserves~~	~~Schedule S Part 1 Section 1 Column 12, in part ‡~~			
~~(8)~~	~~Less Ordinary & Industrial Life Modified Coinsurance Ceded Reserves~~	~~Schedule S Part 3 Section 1 Column 14, in part ‡~~			
~~(9)~~	~~Total Individual & Industrial Life Reserves~~	~~Lines (4) + (5) + (6) + (7) - (8)~~			
~~(10)~~ (1)	Total Individual & Industrial Life Net Amount at Risk	~~Lines (3) - (9)~~ Notes to Financial Statements Item 37, Table A1, Column (4), Line (6)			
~~(11)~~	~~Individual & Industrial Life Policies with Pricing Flexibility In Force~~	~~Company Records *~~			
~~(12)~~	~~Less Individual & Industrial Life Policies with Pricing Flexibility in Force Reserves~~	~~Company Records *~~			
~~(13)~~ (2)	Total Individual & Industrial Life Policies with Pricing Flexibility Net Amount at Risk	~~Lines (11) - (12)~~ Notes to Financial Statements Item 37, Table A2, Column (4), Line (6)		X †	=
~~(14)~~	~~Individual & Industrial Term Life Policies without Pricing Flexibility In Force~~	~~Company Records *~~			
~~(15)~~	~~Less Individual & Industrial Term Life Policies without Pricing Flexibility Reserves~~	~~Company Records *~~			
~~(16)~~ (3)	Total Individual & Industrial Term Life Policies without Pricing Flexibility Net Amount at Risk	~~Lines (14) - (15)~~ Notes to Financial Statements Item 37, Table A3, Column (4), Line (6)		X †	=
~~(17)~~	~~Individual & Industrial Permanent Life Policies without Pricing Flexibility In Force~~	~~Lines (3) - (11) - (14)~~			
~~(18)~~	~~Less Individual & Industrial Permanent Life Policies without Pricing Flexibility Reserves~~	~~Lines (9) - (12) - (15)~~			
~~(19)~~ (4)	Total Individual & Industrial Permanent Life Policies without Pricing Flexibility Net Amount at Risk	Lines ~~(17) - (18)~~ (1) - (2) - (3)		X †	=
~~(20)~~ (5)	Total Individual & Industrial Life	Lines ~~(13) + (16) + (19)~~ (2) + (3) + (4)			
	Group & Credit Life ~~Net Amount at Risk~~				
~~(21)~~	~~Group Life In Force~~	~~Exhibit of Life Insurance Column 9 Line 23 x 1000~~			
~~(22)~~	~~Plus Credit Life In Force~~	~~Exhibit of Life Insurance Column 6 Line 23 x 1000~~			
~~(23)~~	~~Less Group FEGLI In Force~~	~~Exhibit of Life Insurance Column 4 Line 43 x 1000~~			
~~(24)~~	~~Less Group SGLI In Force~~	~~Exhibit of Life Insurance Column 4 Line 44 x 1000~~			
~~(25)~~	~~Less Credit FEGLI In Force~~	~~Exhibit of Life Insurance Column 2 Line 43 x 1000~~			
~~(26)~~	~~Less Credit SGLI In Force~~	~~Exhibit of Life Insurance Column 2 Line 44 x 1000~~			
~~(27)~~	~~Total Group & Credit Life In Force Excluding FEGLI/SGLI~~	~~Lines (21) + (22) - (23) - (24) - (25) - (26)~~			
~~(28)~~	~~Group Life Reserves~~	~~Exhibit 5 Column 6 Line 0199999~~			
~~(29)~~	~~Plus Credit Life Reserves~~	~~Exhibit 5 Column 5 Line 0199999~~			
~~(30)~~	~~Plus Group Life Separate Accounts~~	~~Separate Accounts Exhibit 3 Column 4 Line 0199999~~			
~~(31)~~	~~Plus Group & Credit Life Modified Coinsurance Assumed Reserves~~	~~Schedule S Part 1 Section 1 Column 12, in part ‡~~			
~~(32)~~	~~Less Group & Credit Life Modified Coinsurance Ceded Reserves~~	~~Schedule S Part 3 Section 1 Column 14, in part ‡~~			
~~(33)~~	~~Total Group & Credit Life Reserves~~	~~Lines (28) + (29) + (30) + (31) - (32)~~			
~~(34)~~ (6)	Total Group & Credit Life Excluding FEGLI/SGLI Net Amount at Risk ~~Excluding FEGLI/SGLI~~	~~Lines (27) - (33)~~ Notes to Financial Statements Item 37, Table B1, Column (4), Line (6)			
~~(35)~~	~~Group & Credit Term Life In Force with Remaining Rate Terms 36 Months and Under~~	~~Company Records *~~			
~~(36)~~	~~Less Group & Credit Term Life Reserves with Remaining Rate Terms 36 Months and Under~~	~~Company Records *~~			
~~(37)~~ (7)	Group & Credit Term Life with Remaining Rate Terms 36 Months and Under Net Amount at Risk ~~with Ren~~	~~Lines (35) - (36)~~ Notes to Financial Statements Item 37, Table B2, Column (4), Line (6)		X †	=
~~(38)~~	~~Group & Credit Term Life In Force with Remaining Rate Terms Over 36 Months~~	~~Lines (27) - (35) Company Records *~~			
~~(39)~~	~~Less Group & Credit Term Life Reserves with Remaining Rate Terms Over 36 Months~~	~~Lines (33) - (36) Company Records *~~			
~~(40)~~ (8)	Group & Credit Life Term Life with Remaining Rate Terms Over 36 Months Net Amount at Risk ~~with Rem~~	~~Lines (38) - (39)~~ Notes to Financial Statements Item 37, Table B3, Column (4), Line (6)		X †	=
~~(41)~~	~~Group & Credit Permanent Life Policies with Pricing Flexibility In Force~~	~~Company Records *~~			
~~(42)~~	~~Less Group & Credit Permanent Life Policies with Pricing Flexibility Reserves~~	~~Company Records *~~			
~~(43)~~ (9)	Group & Credit Permanent Life Policies with Pricing Flexibility Net Amount at Risk	~~Lines (41) - (42)~~ Notes to Financial Statements Item 37, Table B4, Column (4), Line (6)		X †	=
~~(44)~~	~~Group & Credit Permanent Life Policies without Pricing Flexibility In Force~~	~~Lines (27) - (35) - (38) - (41)~~			
~~(45)~~	~~Less Group & Credit Permanent Life Policies without Pricing Flexibility Reserves~~	~~Lines (33) - (36) - (39) - (42)~~			
~~(46)~~ (10)	Group & Credit Permanent Life Policies without Pricing Flexibility Net Amount at Risk	Lines ~~(44) - (45)~~ (6) - (7) - (8) - (9)		X †	=
~~(41)~~ ~~(47)~~ (11)	FEGLI/SGLI Life In Force	Exhibit of Life Insurance Sum of Column 2 and 4 Line 43 and 44 x 1000		X 0.0004	=
~~(42)~~ ~~(48)~~ (12)	Total Group & Credit Life	Lines ~~(37) + (40) + (41) + (43) + (46) + (47)~~ (7) + (8) + (9) + (10) + (11)			
~~(43)~~ ~~(49)~~ (13)	Total Life	Lines ~~(20) + (42) + (48)~~ (5) + (12)			

~~* The definitions are specified in the Life Insurance section of the risk-based capital instructions.~~

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

~~‡ Include only the portion which relates to policy reserves that, if written on a direct basis, would be included on Exhibit 5.~~

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

		Annual Statement Source	(1) Statement Value		Factor		(2) RBC Requirement
	Individual & Industrial Life						
(1)	Total Individual & Industrial Life Net Amount at Risk	Notes to Financial Statements Item 37, Table A1, Column (4), Line (6)					
(2)	Total Individual & Industrial Life Policies with Pricing Flexibility Net Amount at Risk	Notes to Financial Statements Item 37, Table A2, Column (4), Line (6)		X	†	=	
(3)	Total Individual & Industrial Term Life Policies without Pricing Flexibility Net Amount at Risk	Notes to Financial Statements Item 37, Table A3, Column (4), Line (6)		X	†	=	
(4)	Total Individual & Industrial Permanent Life Policies without Pricing Flexibility Net Amount at Risk	Lines (1) - (2) - (3)		X	†	=	
(5)	Total Individual & Industrial Life	Lines (2) + (3) + (4)					
	Group & Credit Life						
(6)	Total Group & Credit Life Excluding FEGLI/SGLI Net Amount at Risk	Notes to Financial Statements Item 37, Table B1, Column (4), Line (6)					
(7)	Group & Credit Term Life with Remaining Rate Terms 36 Months and Under Net Amount at Risk	Notes to Financial Statements Item 37, Table B2, Column (4), Line (6)		X	†	=	
(8)	Group & Credit Life Term Life with Remaining Rate Terms Over 36 Months Net Amount at Risk	Notes to Financial Statements Item 37, Table B3, Column (4), Line (6)		X	†	=	
(9)	Group & Credit Permanent Life Policies with Pricing Flexibility Net Amount at Risk	Notes to Financial Statements Item 37, Table B4, Column (4), Line (6)		X	†	=	
(10)	Group & Credit Permanent Life Policies without Pricing Flexibility Net Amount at Risk	Lines (6) - (7) - (8) - (9)		X	†	=	
(11)	FEGLI/SGLI Life In Force	Exhibit of Life Insurance Sum of Column 2 and 4 Line 43 and 44 x 1000		X	0.0004	=	
(12)	Total Group & Credit Life	Lines (7) + (8) + (9) + (10) + (11)					
(13)	Total Life	Lines (5) + (12)					

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

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PREMIUM STABILIZATION RESERVES

		Annual Statement Source	(1) Statement Value	Factor	(2) RBC Requirement
	Group and Credit Life and Health Reported Premium Stabilization Reserves				
(1)	Stabilization Reserves and Experience Rating Refunds included in Line 3	Page 3 Column 1 Line 3 in part		X	
(2)	Provision for Experience Rating Refunds	Page 3 Column 1 Line 9.2 in part		X	
(3)	Reserve for Group Rate Credits	Company Records		X	
(4)	Reserve for Credit Rate Credits	Company Records		X	
(5)	Premium Stabilization Reserves	Page 3 Column 1 Line 25 in part		X	
(6)	Total of Preliminary Premium Stabilization Reserve Credit	Sum of Lines (1) through (5)			
	Group & Credit Life and Health Risk-Based Capital				
(7)	Life	LR025 Life Insurance Column (2) Line ~~(42)~~ ~~(48)~~ **(12)**			
(8)	Health	LR024 Health Claim Reserves Column (4) Line (16) + [LR024 Column (4) Line (15) x 0.65] + LR019 Health Premiums Column (2) Lines (12), (17), (18) and (19) + [[LR019 Column (2) Lines (23), (24), and (27)] x 0.65] + [LR020 Underwriting Risk - Experience Fluctuation Risk Column (5) Line (18) - Column (4) Line (18) x Line (1.2) / Line (1.3)]			
(9)	Maximum Risk-Based Capital	Lines (7) + (8)			
(10)	Final Premium Stabilization Reserve	Column (2) Line (6), but not more than Column (1) Line (9)		X	

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

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

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

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

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
(030)	Residential Mortgages - Insured	LR004 Mortgages Column (6) Line (22)		X	0.1575	=		
(031)	Residential Mortgages - Other	LR004 Mortgages Column (6) Line (23)		X	0.1575	=		
(032)	Commercial Mortgages - Insured	LR004 Mortgages Column (6) Line (24)		X	0.1575	=		
(033)	Commercial Mortgages - Other	LR004 Mortgages Column (6) Line (25)		X	0.1575	=		
(034)	Due & Unpaid Taxes Mortgages	LR004 Mortgages Column (6) Line (26)		X	0.1575	=		
(035)	Due & Unpaid Taxes - Foreclosures	LR004 Mortgages Column (6) Line (27)		X	0.1575	=		
(036)	Mortgage Reduction - Reinsurance	LR004 Mortgages Column (6) Line (29)		X	0.2100	=		†
(037)	Mortgage Increase - Reinsurance	LR004 Mortgages Column (6) Line (30)		X	0.2100	=		
	Preferred Stock							
(038)	Unaffiliated Preferred Stock NAIC 1	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (1) + LR018 Off-Balance Sheet Collateral Column (3) Line (9)		X	0.1575	=		
(039)	Unaffiliated Preferred Stock NAIC 2	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (2) + LR018 Off-Balance Sheet Collateral Column (3) Line (10)		X	0.1575	=		
(040)	Unaffiliated Preferred Stock-NAIC 3	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (3) + LR018 Off-Balance Sheet Collateral Column (3) Line (11)		X	0.1575	=		
(041)	Unaffiliated Preferred Stock NAIC 4	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (4) + LR018 Off-Balance Sheet Collateral Column (3) Line (12)		X	0.1575	=		
(042)	Unaffiliated Preferred Stock NAIC 5	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (5) + LR018 Off-Balance Sheet Collateral Column (3) Line (13)		X	0.1575	=		
(043)	Unaffiliated Preferred Stock NAIC 6	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (6) + LR018 Off-Balance Sheet Collateral Column (3) Line (14)		X	0.2100	=		
(044)	Preferred Stock Reduction-Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (8)		X	0.2100	=		†
(045)	Preferred Stock Increase-Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (9)		X	0.2100	=		
	Separate Accounts							
(046)	Guaranteed Index	LR006 Separate Accounts Column (3) Line (1)		X	0.1575	=		
(047)	Nonindex-Book Reserve	LR006 Separate Accounts Column (3) Line (2)		X	0.1575	=		
(048)	Separate Accounts Nonindex-Market Reserve	LR006 Separate Accounts Column (3) Line (3)		X	0.1575	=		
(049)	Separate Accounts Reduction-Reinsurance	LR006 Separate Accounts Column (3) Line (5)		X	0.2100	=		†
(050)	Separate Accounts Increase-Reinsurance	LR006 Separate Accounts Column (3) Line (6)		X	0.2100	=		
(051)	Synthetic GICs	LR006 Separate Accounts Column (3) Line (8)		X	0.1575	=		
(052)	Separate Account Surplus	LR006 Separate Accounts Column (3) Line (13)		X	0.1575	=		
	Real Estate							
(053)	Company Occupied Real Estate	LR007 Real Estate Column (3) Line (3)		X	0.2100	=		
(054)	Foreclosed Real Estate	LR007 Real Estate Column (3) Line (6)		X	0.2100	=		
(055)	Investment Real Estate	LR007 Real Estate Column (3) Line (9)		X	0.2100	=		
(056)	Real Estate Reduction - Reinsurance	LR007 Real Estate Column (3) Line (11)		X	0.2100	=		†
(057)	Real Estate Increase - Reinsurance	LR007 Real Estate Column (3) Line (12)		X	0.2100	=		
	Schedule BA							
(058)	Sch BA Real Estate Excluding Low Income Housing Tax Credits	LR007 Real Estate Column (3) Line (16)		X	0.2100	=		
(059)	Guaranteed Low Income Housing Tax Credits	LR007 Real Estate Column (3) Line (17) + Line (19)		X	0.0000	=		
(060)	Non-Guaranteed and All Other Low Income Housing Tax Credits	LR007 Real Estate Column (3) Line (18) + Line (20) + Line (21)		X	0.0000	=		
(061)	Sch BA Real Estate Reduction - Reinsurance	LR007 Real Estate Column (3) Line (23)		X	0.2100	=		†
(062)	Sch BA Real Estate Increase - Reinsurance	LR007 Real Estate Column (3) Line (24)		X	0.2100	=		

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Company Name — Confidential when Completed — NAIC Company Code

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
(063)	Sch BA Bond NAIC 1	LR008 Other Long-Term Assets Column (5) Line (2)		X	0.1575	=		
(064)	Sch BA Bond NAIC 2	LR008 Other Long-Term Assets Column (5) Line (3)		X	0.1575	=		
(065)	Sch BA Bond NAIC 3	LR008 Other Long-Term Assets Column (5) Line (4)		X	0.1575	=		
(066)	Sch BA Bond NAIC 4	LR008 Other Long-Term Assets Column (5) Line (5)		X	0.1575	=		
(067)	Sch BA Bond NAIC 5	LR008 Other Long-Term Assets Column (5) Line (6)		X	0.1575	=		
(068)	Sch BA Bond NAIC 6	LR008 Other Long-Term Assets Column (5) Line (7)		X	0.2100	=		
(069)	BA Bond Reduction - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (9)		X	0.2100	=		†
(070)	BA Bond Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (10)		X	0.2100	=		
(071)	BA Preferred Stock NAIC 1	LR008 Other Long-Term Assets Column (5) Line (12.3)		X	0.1575	=		
(072)	BA Preferred Stock NAIC 2	LR008 Other Long-Term Assets Column (5) Line (13)		X	0.1575	=		
(073)	BA Preferred Stock NAIC 3	LR008 Other Long-Term Assets Column (5) Line (14)		X	0.1575	=		
(074)	BA Preferred Stock NAIC 4	LR008 Other Long-Term Assets Column (5) Line (15)		X	0.1575	=		
(075)	BA Preferred Stock NAIC 5	LR008 Other Long-Term Assets Column (5) Line (16)		X	0.1575	=		
(076)	BA Preferred Stock NAIC 6	LR008 Other Long-Term Assets Column (5) Line (17)		X	0.2100	=		
(077)	BA Preferred Stock Reduction-Reinsurance	LR008 Other Long-Term Assets Column (5) Line (19)		X	0.2100	=		†
(078)	BA Preferred Stock Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (20)		X	0.2100	=		
(079)	Rated Surplus Notes	LR008 Other Long-Term Assets Column (5) Line (31)		X	0.1575	=		
(080)	Rated Capital Notes	LR008 Other Long-Term Assets Column (5) Line (41)		X	0.1575	=		
(081)	BA Common Stock Affiliated	LR008 Other Long-Term Assets Column (5) Line (48.3)		X	0.2100	=		
(082)	BA Collateral Loans	LR008 Other Long-Term Assets Column (5) Line (50)		X	0.1575	=		
(083)	Other BA Assets	LR008 Other Long-Term Assets Column (5) Line (52.3) + LR018 Off-Balance Sheet Collateral Column (3) Line (17) + Line (18)		X	0.2100	=		
(084)	Other BA Assets Reduction-Reinsurance	LR008 Other Long-Term Assets Column (5) Line (54)		X	0.2100	=		†
(085)	Other BA Assets Increase - Reinsurance	LR008 Other Long-Term Assets Column (5) Line (55)		X	0.2100	=		
(086)	BA Mortgages - In Good Standing	LR009 Schedule BA Mortgages Column (6) Line (11)		X	0.1575	=		
(087)	BA Mortgages - 90 Days Overdue	LR009 Schedule BA Mortgages Column (6) Line (15)		X	0.1575	=		
(088)	BA Mortgages - In Process of Foreclosure	LR009 Schedule BA Mortgages Column (6) Line (19)		X	0.1575	=		
(089)	Reduction - Reinsurance	LR009 Schedule BA Mortgages Column (6) Line (21)		X	0.2100	=		†
(090)	Increase - Reinsurance	LR009 Schedule BA Mortgages Column (6) Line (22)		X	0.2100	=		
	Miscellaneous							
(091)	Asset Concentration Factor	LR010 Asset Concentration Factor Column (6) Line (62) Grand Total Page		X	0.1575	=		
(092)	Miscellaneous Assets	LR012 Miscellaneous Assets Column (2) Line (7)		X	0.1575	=		
(093)	Derivatives - Collateral and Exchange Traded	LR012 Miscellaneous Assets Column (2) Lines (8) + (9) + (10)		X	0.1575	=		
(094)	Derivatives NAIC 1	LR012 Miscellaneous Assets Column (2) Line (11)		X	0.1575	=		
(095)	Derivatives NAIC 2	LR012 Miscellaneous Assets Column (2) Line (12)		X	0.1575	=		
(096)	Derivatives NAIC 3	LR012 Miscellaneous Assets Column (2) Line (13)		X	0.1575	=		
(097)	Derivatives NAIC 4	LR012 Miscellaneous Assets Column (2) Line (14)		X	0.1575	=		
(098)	Derivatives NAIC 5	LR012 Miscellaneous Assets Column (2) Line (15)		X	0.1575	=		
(099)	Derivatives NAIC 6	LR012 Miscellaneous Assets Column (2) Line (16)		X	0.2100	=		
(100)	Miscellaneous Assets Reduction-Reinsurance	LR012 Miscellaneous Assets Column (2) Line (19)		X	0.2100	=		†
(101)	Miscellaneous Assets Increase-Reinsurance	LR012 Miscellaneous Assets Column (2) Line (20)		X	0.2100	=		

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect	
(102)	Replications	LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999)		X	0.1575	=		
(103)	Reinsurance	LR016 Reinsurance Column (4) Line (17)		X	0.2100	=		
(104)	Investment Affiliates	LR042 Summary for Affiliated Investments Column (4) Line (6)		X	0.2100	=		
(105)	Investment in Parent	LR042 Summary for Affiliated Investments Column (4) Line (10)		X	0.2100	=		
(106)	Other Affiliate: Property and Casualty Insurers not Subject to Risk-Based Capital	LR042 Summary for Affiliated Investments Column (4) Line (11)		X	0.2100	=		
(107)	Other Affiliate: Life Insurers not Subject to Risk-Based Capital	LR042 Summary for Affiliated Investments Column (4) Line (12)		X	0.2100	=		
(108)	Publicly Traded Insurance Affiliates	LR042 Summary for Affiliated Investments Column (4) Line (14)		X	0.2100	=		
(109)	Subtotal for C-1o Assets	Sum of Lines (001) through (108), Recognizing the Deduction of Lines (013), (014), (015), (036), (044), (049), (056), (061), (069), (077), (084), (089) and (100)						
	C-0 Affiliated Common Stock							
(110)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (27)		X	0.1575	=		
(111)	Off-Balance Sheet Items Reduction - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (28)		X	0.2100	=		†
(112)	Off-Balance Sheet Items Increase - Reinsurance	LR017 Off-Balance Sheet and Other Items Column (5) Line (29)		X	0.2100	=		
(113)	Affiliated US Property - Casualty Insurers Directly Owned	LR042 Summary for Affiliated Investments Column (4) Line (1)		X	0.2100	=		
(114)	Affiliated US Life Insurers Directly Owned	LR042 Summary for Affiliated Investments Column (4) Line (2)		X	0.2100	=		
(115)	Affiliated US Health Insurers Directly and Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (3)		X	0.2100	=		
(116)	Affiliated US Property - Casualty Insurers Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (4)		X	0.2100	=		
(117)	Affiliated US Life Insurers Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (5)		X	0.2100	=		
(118)	Affiliated Alien Life Insurers - Canadian	LR042 Summary for Affiliated Investments Column (4) Line (8)		X	0.2100	=		
(119)	Affiliated Alien Life Insurers - All Others	LR042 Summary for Affiliated Investments Column (4) Line (9)		X	0.0000	=		
(120)	Subtotal for C-0 Affiliated Common Stock	Lines (110)-(111)+(112)+(113)+(114)+(115)+(116)+(117)+(118)+(119)						
	Common Stock							
(121)	Unaffiliated Common Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (17) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)		X	0.2100	=		
(122)	Credit for Hedging - Common Stock	LR015 Hedged Asset Common Stock Schedule Column (10) Line (0299999)		X	0.2100	=		†
(123)	Stock Reduction - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (19)		X	0.2100	=		†
(124)	Stock Increase - Reinsurance	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (20)		X	0.2100	=		
(125)	BA Common Stock Unaffiliated	LR008 Other Long-Term Assets Column (5) Line (47)		X	0.2100	=		
(126)	BA Common Stock Affiliated - C-1cs	LR008 Other Long-Term Assets Column (5) Line (49.2)		X	0.2100	=		
(127)	Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)		X	0.2100	=		
(128)	NAIC 01 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (51.1)		X	0.1575	=		
(129)	NAIC 02 Working Capital Finance Notes	LR008 Other Long-Term Assets Column (5) Line (51.2)		X	0.1575	=		
(130)	Affiliated Preferred Stock and Common Stock - Holding Company in Excess of Indirect Subs	LR042 Summary for Affiliated Investments Column (4) Line (7)		X	0.2100	=		
(131)	Affiliated Preferred Stock and Common Stock - All Other	LR042 Summary for Affiliated Investments Column (4) Line (13)		X	0.2100	=		
(132)	Total for C-1cs Assets	Lines (121)-(122)-(123)+(124)+(125)+(126)+(127)+(128)+(129)+(130)+(131)						
	Insurance Risk							
(133)	Disability Income Premium	LR019 Health Premiums Column (2) Lines (21) through (27)		X	0.2100	=		

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

		Source	(1) RBC Amount		Tax Factor		(2) RBC Tax Effect
(134)	Long-Term Care	LR019 Health Premiums Column (2) Line (28) + LR023 Long-Term Care Column (4) Line (7)		X	0.2100	=	
(135)	Individual & Industrial Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Line ~~(20)~~ (5)		X	0.2100	=	
(136)	Group & Credit Life Insurance C-2 Risk	LR025 Life Insurance Column (2) Line ~~(42) (48)~~ (12)		X	0.2100	=	
(136b)	Longevity C-2 Risk	LR025-A Longevity Risk Column (2) Line (5)		X	0.2100	=	
(137)	Disability and Long-Term Care Health Claim Reserves	LR024 Health Claim Reserves Column (4) Line (9) + Line (15)		X	0.2100	=	
(138)	Premium Stabilization Credit	LR026 Premium Stabilization Reserves Column (2) Line (10)		X	0.0000	=	
(139)	Total C-2 Risk	L(133) + L(134) + L(137) + L(138) + Greatest of [Guardrail Factor * (L(135)+L(136)), Guardrail Factor * L(136b), Square Root of [(L(135) + L(136))2 + L(136b)2 + 2 * (Correlation Factor) * (L(135) + L(136)) * L(136b)]]					
(140)	Interest Rate Risk	LR027 Interest Rate Risk Column (3) Line (36)		X	0.2100	=	
(141)	Health Credit Risk	LR028 Health Credit Risk Column (2) Line (7)		X	0.0000	=	
(142)	Market Risk	LR027 Interest Rate Risk Column (3) Line (37)		X	0.2100	=	
(143)	Business Risk	LR029 Business Risk Column (2) Line (40)		X	0.2100	=	
(144)	Health Administrative Expenses	LR029 Business Risk Column (2) Line (57)		X	0.0000	=	
(145)	Total Tax Effect	Lines (109) + (120) + (132) + (139) + (140) + (141) + (142) + (143) + (144)					

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Proposed 2023 Update 2

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CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

		Source	(1) RBC Requirement
	Insurance Affiliates and Misc. Other Amounts (C-0)		
(1)	Affiliated US Property-Casualty Insurers Directly Owned	LR042 Summary for Affiliated Investments Column (4) Line (1)	
(2)	Affiliated US Life Insurers Directly Owned	LR042 Summary for Affiliated Investments Column (4) Line (2)	
(3)	Affiliated US Health Insurers Directly and Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (3)	
(4)	Affiliated US Property-Casualty Insurers Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (4)	
(5)	Affiliated US Life Insurers Indirectly Owned	LR042 Summary for Affiliated Investments Column (4) Line (5)	
(6)	Affiliated Alien Life Insurers - Canadian	LR042 Summary for Affiliated Investments Column (4) Line (8)	
(7)	Affiliated Alien Life Insurers - All Others	LR042 Summary for Affiliated Investments Column (4) Line (9)	
(8)	Off-Balance Sheet and Other Items	LR017 Off-Balance Sheet and Other Items Column (5) Line (34)	
(9)	Total (C-0) - Pre-Tax	Sum of Lines (1) through (8)	
(10)	(C-0) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (120)	
(11)	Net (C-0) - Post-Tax	Line (9) - Line (10)	
	Asset Risk – Unaffiliated Common Stock and Affiliated Non-Insurance Stock (C-1cs)		
(12)	Schedule D Unaffiliated Common Stock	LR005 Unaffiliated Common Stock Column (5) Line (21) + LR018 Off-Balance Sheet Collateral Column (3) Line (16)	
(13)	Schedule BA Unaffiliated Common Stock	LR008 Other Long-Term Assets Column (5) line (47)	
(14)	Schedule BA Affiliated Common Stock - C-1cs	LR008 Other Long-Term Assets Column (5) line (49.2)	
(15)	Common Stock Concentration Factor	LR011 Common Stock Concentration Factor Column (6) Line (6)	
(16)	Affiliated Preferred Stock and Common Stock - Holding Company in Excess of Indirect Subsidiaries	LR042 Summary for Affiliated Investments Column (4) Line (7)	
(17)	Affiliated Preferred Stock and Common Stock - All Other	LR042 Summary for Affiliated Investments Column (4) Line (13)	
(18)	Total (C-1cs) - Pre-Tax	Sum of Lines (12) through (17)	
(19)	(C-1cs) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (132)	
(20)	Net (C-1cs) - Post-Tax	Line (18) - Line (19)	
	Asset Risk - All Other (C-1o)		
(21)	Bonds after Size Factor	LR002 Bonds Column (2) Line (27) + LR018 Off-Balance Sheet Collateral Column (3) Line (8)	
(22)	Mortgages (including past due and unpaid taxes)	LR004 Mortgages Column (6) Line (31)	
(23)	Unaffiliated Preferred Stock	LR005 Unaffiliated Preferred and Common Stock Column (5) Line (10) + LR018 Off-Balance Sheet Collateral Column (3) Line (15)	
(24)	Affiliated Preferred Stock and Common Stock - Investment Subsidiaries	LR042 Summary for Affiliated Investments Column (4) Line (6)	
(25)	Affiliated Preferred Stock and Common Stock - Parent	LR042 Summary for Affiliated Investments Column (4) Line (10)	
(26)	Affiliated Preferred Stock and Common Stock - Property and Casualty Insurers not Subject to Risk-Based Capital	LR042 Summary for Affiliated Investments Column (4) Line (11)	
(27)	Affiliated Preferred Stock and Common Stock - Life Insurers not Subject to Risk-Based Capital	LR042 Summary for Affiliated Investments Column (4) Line (12)	
(28)	Affiliated Preferred Stock and Common Stock - Publicly Traded Insurers Held at Fair Value (excess of statement value over book value)	LR042 Summary for Affiliated Investments Column (4) Line (14)	
(29)	Separate Accounts with Guarantees	LR006 Separate Accounts Column (3) Line (7)	

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

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

		Source	(1) RBC Requirement
(30)	Synthetic GIC's (C-1o)	LR006 Separate Accounts Column (3) Line (8)	
(31)	Surplus in Non-Guaranteed Separate Accounts	LR006 Separate Accounts Column (3) Line (13)	
(32)	Real Estate (gross of encumbrances)	LR007 Real Estate Column (3) Line (13)	
(33)	Schedule BA Real Estate (gross of encumbrances)	LR007 Real Estate Column (3) Line (25)	
(34)	Other Long-Term Assets	LR008 Other Long-Term Assets Column (5) Line (56) + LR018 Off-Balance Sheet Collateral Column (3) Line (17) + Line (18)	
(35)	Schedule BA Mortgages	LR009 Schedule BA Mortgages Column (6) Line (23)	
(36)	Concentration Factor	LR010 Asset Concentration Factor Column (6) Line (62) Grand Total Page	
(37)	Miscellaneous	LR012 Miscellaneous Assets Column (2) Line (21)	
(38)	Replication Transactions and Mandatory Convertible Securities	LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999)	
(39)	Reinsurance	LR016 Reinsurance Column (4) Line (17)	
(40)	Total (C-1o) - Pre-Tax	Sum of Lines (21) through (39)	
(41)	(C-1o) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (109)	
(42)	Net (C-1o) - Post-Tax	Line (40) - Line (41)	
	Insurance Risk (C-2)		
(43)	Individual & Industrial Life Insurance	LR025 Life Insurance Column (2) Line ~~(20)~~ **(5)**	
(44)	Group & Credit Life Insurance	LR025 Life Insurance Column (2) Line ~~(42) (48)~~ **(12)**	
(44b)	Longevity Risk	LR025-A Longevity Risk Column (2) Line (5)	
(45)	Total Health Insurance	LR024 Health Claim Reserves Column (4) Line (18)	
(46)	Premium Stabilization Reserve Credit	LR026 Premium Stabilization Reserves Column (2) Line (10)	
(47)	Total (C-2) - Pre-Tax	L(45) + L(46) + Greatest of [Guardrail Factor * (L(43)+L(44)), Guardrail Factor * L(44b), Square Root of [(L(43) + L(44))2 + L(44b)2 + 2 * (Correlation Factor) * (L(43) + L(44)) * L(44b)]]	
(48)	(C-2) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (139)	
(49)	Net (C-2) - Post-Tax	Line (47) - Line (48)	
	Interest Rate Risk (C-3a)		
(50)	Total Interest Rate Risk - Pre-Tax	LR027 Interest Rate Risk Column (3) Line (36)	
(51)	(C-3a) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (140)	
(52)	Net (C-3a) - Post-Tax	Line (50) - Line (51)	
	Health Credit Risk (C-3b)		
(53)	Total Health Credit Risk - Pre-Tax	LR028 Health Credit Risk Column (2) Line (7)	
(54)	(C-3b) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (141)	
(55)	Net (C-3b) - Post-Tax	Line (53) - Line (54)	
	Market Risk (C-3c)		
(56)	Total Market Risk - Pre-Tax	LR027 Interest Rate Risk Column (3) Line (37)	
(57)	(C-3c) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (142)	
(58)	Net (C-3c) - Post-Tax	Line (56) - Line (57)	

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		Source	(1) RBC Requirement
	Business Risk (C-4a)		
(59)	Premium Component	LR029 Business Risk Column (2) Lines (12) + (24) + (36)	
(60)	Liability Component	LR029 Business Risk Column (2) Line (39)	
(61)	Subtotal Business Risk (C-4a) - Pre-Tax	Lines (59) + (60)	
(62)	(C-4a) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (143)	
(63)	Net (C-4a) - Post-Tax	Line (61) - Line (62)	
	Business Risk (C-4b)		
(64)	Health Administrative Expense Component of Business Risk (C-4b) - Pre-Tax	LR029 Business Risk Column (2) Line (57)	
(65)	(C-4b) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (144)	
(66)	Net (C-4b) - Post-Tax	Line (64) - Line (65)	
	Total Risk-Based Capital After Covariance Before Basic Operational Risk		
(67)	C-0 + C-4a + Square Root of $[(C\text{-}1o + C\text{-}3a)^2 + (C\text{-}1cs + C\text{-}3c)^2 + (C\text{-}2)^2 + (C\text{-}3b)^2 + (C\text{-}4b)^2]$	REPORT AMOUNT ON PARENT COMPANY'S RBC IF APPLICABLE L(11)+L(63) + Square Root of $[(L(42) + L(52))^2 + (L(20) + L(58))^2 + L(49)^2 + L(55)^2 + L(66)^2]$	
(68)	Gross Basic Operational Risk	0.03 x L(67)	
(69)	C-4a of U.S. Life Insurance Subsidiaries	Company Records	
(70)	Net Basic Operational Risk	Line (68) - (Line (63) + Line (69)) (Not less than zero)	
(71)	Primary Security Shortfall Calculated in Accordance With Actuarial Guideline XLVIII Multiplied by 2	LR036 XXX/AXXX Reinsurance Primary Security Shortfall by Cession Column (7) Line (9999999) Multiplied by 2	
(72)	Total Risk-Based Capital After Covariance (Including Basic Operational Risk and Primary Security Shortfall multiplied by 2)	Line (67) + Line (70) + Line (71)	
	Authorized Control Level Risk-Based Capital (After Covariance Adjustment and Shortfall)		
(73)	Total Risk-Based Capital After Covariance Times Fifty Percent	Line (72) x 0.50	
	Tax Sensitivity Test		
(74)	Tax Sensitivity Test: Total Risk-Based Capital After Covariance	L(9)+L(61) + Square Root of $[(L(40) + L(50))^2 + (L(18) + L(56))^2 + L(47)^2 + L(53)^2 + L(64)^2]$	
(75)	Tax Sensitivity Test: Authorized Control Level Risk-Based Capital	Line (74) x 0.50	

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

PROPOSED 2023 UPDATE 2

LIFE INSURANCE

LR025

Basis of Factors

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

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

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

Specific Instructions for Application of the Formula

Lines ~~2, 5 and 21-41~~ 6-11 are not applicable to Fraternal Benefit Societies.

The NAR ~~is derived~~ in total and for each of the factor categories ~~using annual statement sources and company records~~ are retrieved from the Notes to the Financial Statements Item 37 and are ~~. In Force and Reserves amounts are~~ net of reinsurance throughout. ~~The In Force amounts throughout derived from company records need to be consistent with the Exhibit of Life Insurance. The Reserves amounts throughout derived from company records need to be consistent with Exhibit 5, Separate Accounts Exhibit, and Schedule S.~~

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

Pricing Flexibility for Individual & Industrial Life Insurance and Group & Credit Life Permanent Life Insurance is defined as the ability to materially adjust rates on in force contracts through changing premiums and/or non-guaranteed elements as of the valuation date and within the next 5 policy years and reflecting typical business practices. For the purposes of assessing whether business is categorized as having "Pricing Flexibility", grouping of gross amounts may be done at either the contract level or at a cohort level consistent with grouping for pricing purposes. The categorization for ceded amounts for direct insurers should be based on the terms of each reinsurance treaty. Non-affiliated reinsurers are to assess the flexibility to adjust rates on in force contracts based on the terms of each reinsurance treaty and constraints based on typical business practices. For example, if a non-affiliated reinsurer has historical precedent for changing in force rates, then that may provide support for assigning policies to the category with pricing flexibility. Affiliated reinsurers are to assign the factor category based on the direct policies. In force contracts may move between categories throughout their remaining lifetime if the degree of pricing flexibility changes as of each valuation date. A material rate adjustment is defined as the ability to recover, on a present value basis, the difference in mortality risks provided for in the factors below for contracts with and without pricing flexibility. ~~These differences in factors are shown in the Line (13) table below in the Permanent Life Flexibility Factor and Term Life Flexibility Factor columns.~~ The flexibility factor for each category multiplied by the NAR results in the minimum dollar margin needed for a material rate adjustment, which can then be compared against margins available to adjust rates. In force contracts that have margin available that is greater than or equal to the minimum dollar margin needed may be assigned to the category for policies with pricing flexibility. Insurers may choose to assign contracts to the categories without pricing flexibility if the evaluation of margins is not completed or if the degree of pricing flexibility is uncertain.

The table below illustrates the RBC requirement calculation embedded in Line (2) for Individual & Industrial Life Policies with Pricing Flexibility. ~~Lines (11) and (12) Life Policies with Pricing Flexibility In Force and Reserves are derived from company records.~~ Examples of products intended for this category include, but aren't limited to, participating whole life insurance, universal life insurance without secondary guarantees, and yearly renewable term insurance where scheduled premiums may be changed on an annual basis from the date of issue. ~~The table below illustrates the RBC requirement calculation embedded in Line (13) for Life Policies with Pricing Flexibility.~~

Line		(1) Statement Value	Factor	(2) RBC Requirement	~~Permanent Life Flexibility Factor~~	~~Term Life Flexibility Factor~~
(~~13~~2)	Individual & Industrial Life Policies with Pricing Flexibility					
	Allocation of First $500 Million	________	X 0.~~.~~00220 =	________	~~0.00230~~	~~0.00110~~
	Allocation of Next $24,500 Million	________	X 0.~~.~~00105 =	________	~~0.00120~~	~~0.00065~~
	Allocation of Over $25,000 Million	________	X 0.~~.~~00080 =	________	~~0.00085~~	~~0.00055~~
	Total Individual & Industrial Life Policies with Pricing Flexibility Net Amount at Risk	________		________		

The table below illustrates the RBC requirement calculation embedded in Line (3) for Individual & Industrial Term Life Policies without Pricing Flexibility.~~Lines (14) and (15) Term Life Policies without Pricing Flexibility In Force and Reserves are derived from company records.~~ Examples of products intended for this category include, but aren't limited to, level term insurance with guaranteed level premiums and yearly renewable term insurance where scheduled premiums may not be changed. ~~The table below illustrates the RBC requirement calculation embedded in Line (16) for Term Life Policies without Pricing Flexibility.~~

Line		(1) Statement Value	Factor	(2) RBC Requirement
(~~16~~3)	Individual & Industrial Term Life Policies without Pricing Flexibility			
	Allocation of First $500 Million	________	X 0.00280 =	________
	Allocation of Next $24,500 Million	________	X 0.00120 =	________
	Allocation of Over $25,000 Million	________	X 0.00085 =	________
	Total Individual & Industrial Term Life Policies without Pricing Flexibility Net Amount at Risk	________		________

The table below illustrates the RBC requirement calculation embedded in Line (4) for Individual & Industrial Permanent Life Policies without Pricing Flexibility.~~Lines (17) and (18) Permanent Life Policies without Pricing Flexibility In Force and Reserves are derived from the aggregate amounts derived in lines (1) to (10) minus the amounts recorded in the other individual life categories.~~ Examples of products intended for this category include, but aren't limited to, universal life with secondary guarantees and non-participating whole life insurance. Policies that aren't recorded in the other individual life categories default to this category which has the highest factors. ~~The table below illustrates the RBC requirement calculation embedded in Line (19) for Permanent Life Policies without Pricing Flexibility.~~

Line (~~19~~4)	Individual & Industrial Permanent Life Policies without Pricing Flexibility	(1) Statement Value	Factor	(2) RBC Requirement
	Allocation of First $500 Million		X 0.00400 =	
	Allocation of Next $24,500 Million		X 0.00175 =	
	Allocation of Over $25,000 Million		X 0.00120 =	
	Total Individual & Industrial Permanent Life Policies without Pricing Flexibility Net Amount at Risk			

The table below illustrates the RBC requirement calculation embedded in Line (7) for Group & Credit Term Life with Remaining Rate Terms 36 Months and Under Net Amount at Risk.~~Lines (35) and (36) Group & Credit Life In Force and Reserves with Remaining Rate Terms 36 Months and Under are derived from company records.~~ This category includes group term life contracts where the premium terms have 36 months or fewer until expiration or renewal. Insurers may choose to assign contracts to the category for remaining rate terms over 36 months if the evaluation of remaining rate terms is not completed. ~~The in force amount classified in this category needs to be consistent with the Exhibit of Life Insurance. The reserves amount classified in this category needs to be consistent with Exhibit 5 used for Lines (28) and (29), Separate Accounts Exhibit used for Line (30), and Schedule S used for Lines (31) and (32).~~ Federal Employees' Group Life Insurance (FEGLI) and Servicemembers' Group Life Insurance (SGLI) contracts are excluded. ~~The table below illustrates the RBC requirement calculation embedded in Line (37) for Group & Credit Life Net Amount at Risk with Remaining Rate Terms 36 Months and Under.~~

Line (~~3~~7)	Group & Credit Term Life with Remaining Rate Terms 36 Months and Under	(1) Statement Value	Factor	(2) RBC Requirement
	Allocation of First $500 Million		X 0.00140 =	
	Allocation of Next $24,500 Million		X 0.00055 =	
	Allocation of Over $25,000 Million		X 0.00040 =	
	Total Group & Credit Term Life ~~Net Amount at Risk~~ with Remaining Rate Terms 36 Months and Under Net Amount at Risk			

The table below illustrates the RBC requirement calculation embedded in Line (8) for Group & Credit Life Term with Remaining Rate Terms Over 36 Months Net Amount at Risk.~~Lines (38) and (39) Group & Credit Life In Force and Reserves with Remaining Rate Terms Over 36 Months are derived from the aggregate amounts derived in lines (21) to (34) minus the Group & Credit Life In Force and Reserves with Remaining Rate Terms 36 Months and Under in lines (35) and (36).~~ This category includes group term life contracts where the premium terms have over 36 months until expiration or renewal. FEGLI and SGLI contracts are excluded. ~~The table below illustrates the RBC requirement calculation embedded in Line (40) for Group & Credit Life Net Amount at Risk with Remaining Rate Terms Over 36 Months.~~

Line (~~40~~8)	Group & Credit Term Life with Remaining Rate Terms Over 36 Months	(1) Statement Value	Factor	(2) RBC Requirement
	Allocation of First $500 Million		X 0.00190 =	
	Allocation of Next $24,500 Million		X 0.00080 =	
	Allocation of Over $25,000 Million		X 0.00055 =	
	Total Group & Credit Term Life ~~Net Amount at Risk~~ with Remaining Rate Terms Over 36 Months Net Amount at			

Risk

The table below illustrates the RBC requirement calculation embedded in Line (9) for Group & Credit Permanent Life Policies with Pricing Flexibility Net Amount at Risk. The capital factors assigned are the same as Individual & Industrial Permanent Life Policies with Pricing Flexibility. FEGLI and SGLI contracts are excluded.

		(1)		(2)
Line (9)	Group & Credit Permanent Life Policies with Pricing Flexibility	Statement Value	Factor	RBC Requirement
	Allocation of First $500 Million		X 0.00220 =	
	Allocation of Next $24,500 Million		X 0.00105 =	
	Allocation of Over $25,000 Million		X 0.00080 =	
	Total Group & Credit Permanent Life Policies with Pricing Flexibility Net Amount at Risk			

The table below illustrates the RBC requirement calculation embedded in Line (10) for Group & Credit Permanent Life Policies without Pricing Flexibility Net Amount at Risk. The capital factors assigned are the same as Individual & Industrial Permanent Life Policies without Pricing Flexibility. FEGLI and SGLI contracts are excluded.

		(1)		(2)
Line (10)	Group & Credit Permanent Life Policies without Pricing Flexibility	Statement Value	Factor	RBC Requirement
	Allocation of First $500 Million		X 0.00400 =	
	Allocation of Next $24,500 Million		X 0.00175 =	
	Allocation of Over $25,000 Million		X 0.00120 =	
	Total Group & Credit Permanent Life Policies without Pricing Flexibility Net Amount at Risk			

Line (~~41~~11) FEGLI/SGLI In Force amounts are retrieved from the Exhibit of Life Insurance. The capital factor assigned is the same as the largest size band for group & credit term life contracts with remaining rate terms 36 months and under.

		(1)		(2)
Line (~~41~~11)	FEGLI/SGLI	Statement Value	Factor	RBC Requirement
	In Force		X 0.00040 =	

All amounts should be entered as required. The risk-based capital software will calculate the RBC requirement for individual and industrial and for group and credit.

MORTGAGE BANKERS ASSOCIATION

Financial Security for Life

November 16, 2022

Phillip Barlow
Associate Commissioner
Chair, Life Risk-Based Capital (E) Working Group
Washington, D.C Department of
Insurance, Securities and Banking
1050 First Street, NE, 801
Washington, D.C. 20002

Dear Mr. Barlow,

Thank you for allowing the Mortgage Bankers Association (MBA) and the American Council of Life Insurers (ACLI) on behalf of our respective members the time to address the Working Group on the CM6 and CM7 RBC factor normalization. MBA and ACLI submit this letter in response to the questions raised on the October 7, 2022 call to help move this issue forward to approval.

First, Attachment 3 in the October 7, 2022, meeting agenda contained the proposed amendments to forms LR004 and LR009, but the formatting of this document was incorrect and did not show several changes that were being proposed in redline format. As a follow up, please see the attached document that has the full redline changes. The attached document's final version is not different from Attachment 3, but the full redline is more informative. John Waldeck addressed this in his remarks during the discussion.

Second, MBA and ACLI seek to provide context for the limited nature of the investments subject to this change. There is a minimal set of loans in the CM6 and CM7 categories, as shown in the below table.

UPB of Life Company CM6 & CM7 Loans as a Percent of Total UPB

	CM6	CM7
12/31/2013	0.02%	0.05%
12/31/2014	0.01%	0.04%
12/31/2015	0.00%	0.08%
12/31/2016	0.00%	0.00%
12/31/2017	0.00%	0.00%
12/31/2018	0.00%	0.00%
12/31/2019	0.00%	0.00%
12/31/2020	0.01%	0.08%
12/31/2021	0.00%	0.04%

Source: MBA Life Company Loan Performance Database

This proprietary MBA database comprises roughly 72% of all life insurance company mortgage loans (representing 100% of the participating companies' portfolios) and is assumed to be consistent with the full population. As indicated, the percentage of CM6 & CM7 loans is very small, at less than 0.1% of total loans for each of the last 9 years. The modification to the CM6 and CM7 RBC factors being requested will have an immaterial impact on Risk Based capital.

Third, there was a request to analyze the applicability of the equity RBC factors for the CM6 and CM7 loans. To understand the applicability of equity RBC factors, it is important to understand the type of loans that are part of the CM6 and CM7 categories and why they behave similarly to equity investments. CM6 and CM7 loans are loans that are not performing (payments not being made). A CM6 loan is in process of evaluation by the lender to determine how it should be handled. If the lender believes it will likely return to performing status (Borrower makes all missed payments and begins making payments again), then they will not pursue their loan remedies to foreclose on the Borrower and will leave it in this status. This means that a CM6 is not currently performing and may or may not become current.

The distinction between CM6 and CM7 is that a CM7 loan is an asset that the Life Company lender has decided will not likely return to a performing status and has decided to foreclose out the borrower and realize on the loan security, and the lender has started that legal process to do so. At the conclusion of this process, the Lender will become the owner of the underlying real estate asset and will hold it in its portfolio as a real estate equity asset. So, a CM7 loan will quickly become an equity investment subject to equity RBC.

The requested change to the RBC factors is to have CM6 loans at an 11.0% RBC charge and CM7 loans at a 13.0% RBC charge. The highest equity RBC charge is 13.0% (for schedule BA assets), and the lowest is 11.0% (for Schedule A assets). Most companies will foreclose on a non-performing loan into a subsidiary entity, which would place the resulting equity asset on Schedule BA. The proposed charge for CM7 mortgages is consistent with the highest 13.0% equity RBC charge because after a likely foreclosure, this is the RBC charge it will be subject to.

When a loan is transitioned to become in the process of foreclosure, the lender will evaluate the value of the underlying real estate asset and impair the mortgage investment to be equal to the value of the underlying real estate asset. In essence, the resulting STAT book value of the mortgage is the same as if the lender acquired the underlying real estate as an equity investment. Applying the same RBC charge just prior to foreclosure and after foreclosure means that the life company will have consistent risk-based capital through this transition. Prior to the change of the equity RBC from 23% to 13% (for schedule BA), the RBC charges for CM7 and equity RBC were consistent, and the requested change in RBC factors for CM6 and CM7 mortgages maintains this consistency.

The analysis done for the change in equity RBC factors is appropriate for the support of the change in the CM7 RBC factor because the CM7 mortgage asset is, as described above, soon to become an equity investment by the life company. Having the CM6 RBC factor aligned with the lowest equity RBC factor of 11% (for Schedule A assets) is appropriate because these investments may, but are not yet assumed to become an equity investment. The slight discount in the RBC factor reflects the higher likelihood of a CM6 mortgage asset returning to performing loan status.

Given the immaterial portion of life insurers' investments rated CM6 or CM7 and the logical consistency with equity RBC treatment for these assets, we believe the requested change is appropriate and consistent with best RBC practices.

Thank you for considering this request. If you have any questions, please do not hesitate to contact Mike Monahan, Senior Director of Accounting Policy, ACLI (MikeMonahan@acli.com) or Stephanie Milner, Associate Vice President, Commercial & Multifamily Policy, MBA (smilner@mba.org).

Sincerely,

MMonahan

Mike Monahan, American Council of Life Insurers
Mortgage Bankers Association

cc: Dave Fleming, NAIC Senior Insurance Reporting Analyst

Capital Adequacy (E) Task Force

RBC Proposal Form

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

		DATE: July 8, 2022	FOR NAIC USE ONLY
CONTACT PERSON:	Grant Carlson	Mike Monahan	Agenda Item #__________ Year _________
TELEPHONE:	(202) 557-2765	(202) 624-2324	**DISPOSITION**
EMAIL:	gcarlson@mba.org	mikemonahan@acli.com	[ ] ADOPTED __________
ON BEHALF OF:	Mortgage Bankers Association	American Council of Life Insurers	[ ] REJECTED __________
NAME:	Mike Flood	Mike Monahan	[ ] DEFERRED TO __________
TITLE:	Senior Vice President, Commercial and Multifamily	Senior Director, Accounting Policy	[ ] REFERRED TO OTHER NAIC GROUP [ ] EXPOSED __________
AFFILIATION:	Mortgage Bankers Association	American Council of Life Insurers	[ ] OTHER (SPECIFY) __________
ADDRESS:	1919 M Street, NW Washington, DC 20036	101 Constitution Ave, NW Washington, DC 20001	

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

[ ] Health RBC Blanks [ ] Property/Casualty RBC Blanks [X] Life and Fraternal RBC Instructions
[ ] Health RBC Instructions [ ] Property/Casualty RBC Instructions [X] Life and Fraternal RBC Blanks
[ ] OTHER __________________________

DESCRIPTION OF CHANGE(S)

This proposal would make the following two related changes.

1. Align the CM6 and CM7 Life RBC factors for non-performing commercial and farm mortgages with the RBC factors for Schedule A and Schedule BA investments in real estate as those factors were adjusted in 2021; and

2. Adopt the same formula for calculating RBC amounts for non-performing and performing residential, commercial and farm mortgages.

REASON OR JUSTIFICATION FOR CHANGE **

1. **Revising CM6 and CM7 factors would re-align the factors for non-performing mortgages with the factors for Schedule A and Schedule BA real estate investments.**

Historical alignment and the 2021 change

Prior to the 2021, the 23% factor for CM7 In Process of Foreclosure commercial and farm mortgages was perfectly aligned with the 23% factor for Schedule BA real estate assets; and the 18% factor for CM6 90-Days Delinquent commercial and farm mortgages was roughly aligned with the 15% factor for Schedule A real estate assets.

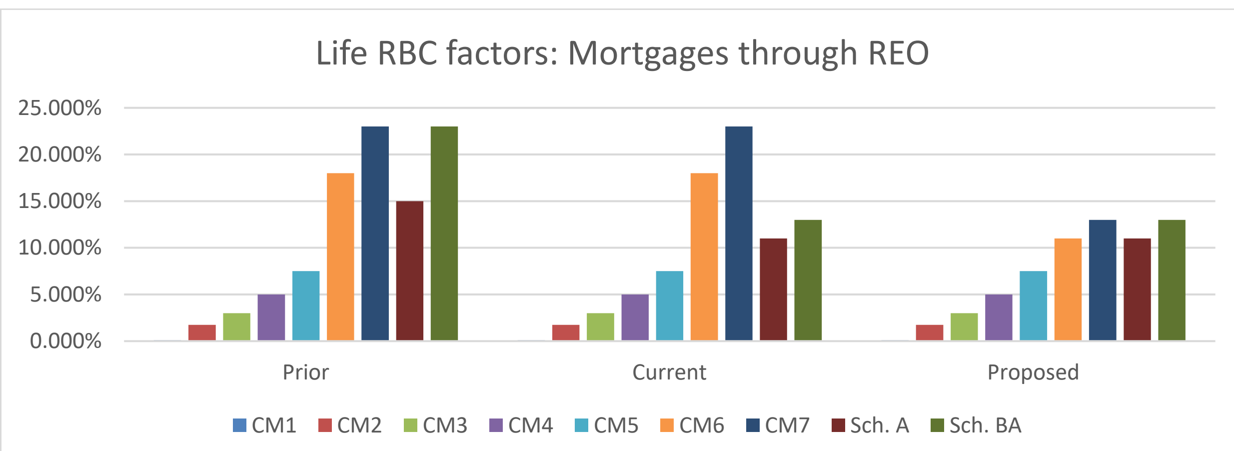
That alignment made sense as a matter of risk because the worst-case path for a non-performing mortgage loan results in the asset becoming a real estate equity investment on the insurer's balance sheet. In 2021, however, the factor assigned to Schedule A real estate investments dropped from 15% to 11%, and the factor for Schedule BA real estate investments dropped from 23% to 13%. As a result, the 18% and 23% factors for CM6 and CM7 mortgage are no longer aligned with the factors for real estate investments.

The proposal

The proposal is to adjust the factor for CM6 mortgages from 15% to 11% and adjust the factor for CM7 mortgages from 23% to 13%. The changes necessary to implement this proposal are reflected in the attached mark-up of LR004 and LR009 RBC Reporting Instructions.

Impacts

The table below illustrates the relationships between CM6 and CM7 factors and Schedule A and Schedule BA real estate assets, historically, currently, and as proposed.



2. Adopting the same formula for calculating RBC amounts for non-performing and performing residential, commercial and farm mortgages would ensure that the effective RBC factor for non-performing residential, commercial and farm mortgages would not be less than the nominal RBC charge.

As we considered the proposal to align the factors for delinquent mortgages and for real estate investments, we also revisited the formula for computing RBC for non-performing mortgages. Based on that consideration, we concluded that there is no reasonable basis for continuing to use a different calculation formula for performing and non-performing mortgages.

The current state: non-performing mortgages

The formula for applying RBC factors to non-performing mortgages both adds in and backs out any applicable write-downs, as follows:

$$RBC_{non\text{-}perf} = [(\text{STAT Book Value} + \underline{\text{STAT Write-downs}} - \text{STAT Invol. Reserves}) \times \text{CM 6-7 Charge}] - \underline{\text{STAT Write-downs}}$$

Because this formula can result in very low and even negative RBC amounts for non-performing loans, it is supplemented by a requirement that the resulting RBC amount cannot be lower than the applicable CM1-5 charge for the mortgage if the investment was performing.

The current state: performing mortgages

The formula for applying RBC factors to performing mortgages is as follows:

$$RBC_{perf} = (\text{STAT Book Value} - \text{STAT Invol. Reserves}) \times \text{CM 1-5 Charge}$$

There is no need for a backstop to this formula because the effective RBC factor for a performing loan is always the same as the nominal RBC charge for the applicable CM category.

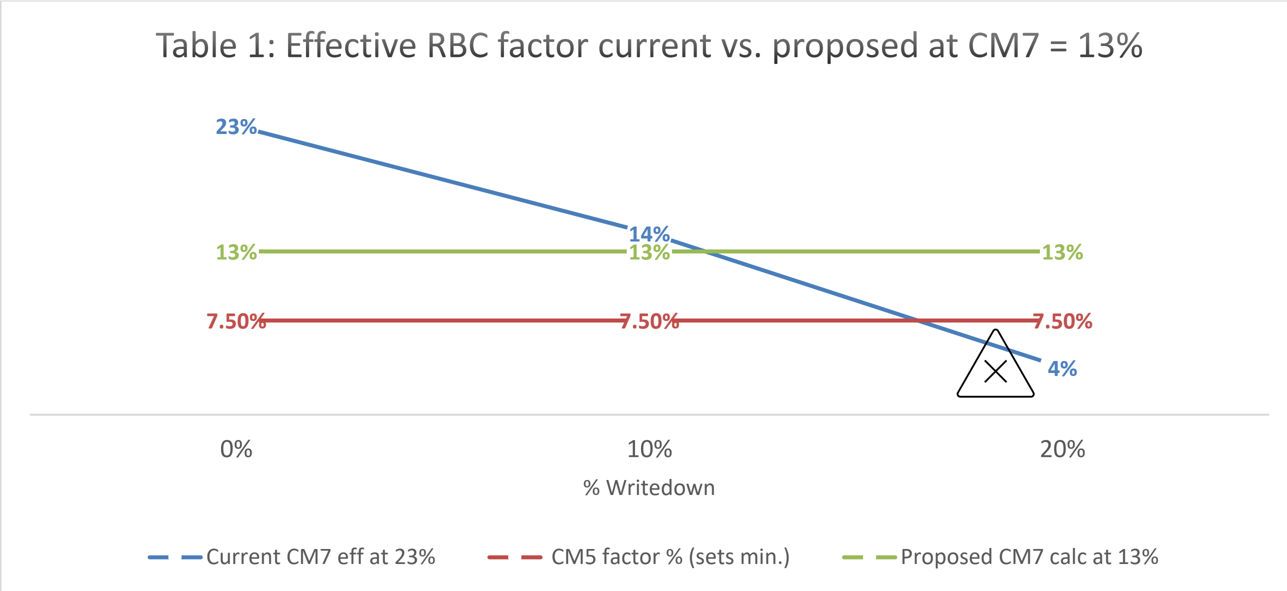
The proposal

The proposal would apply the same formula for both performing and non-performing mortgages. The changes necessary to implement this proposal are reflected in the attached mark-up of LR004 and LR009 RBC Reporting Instructions.

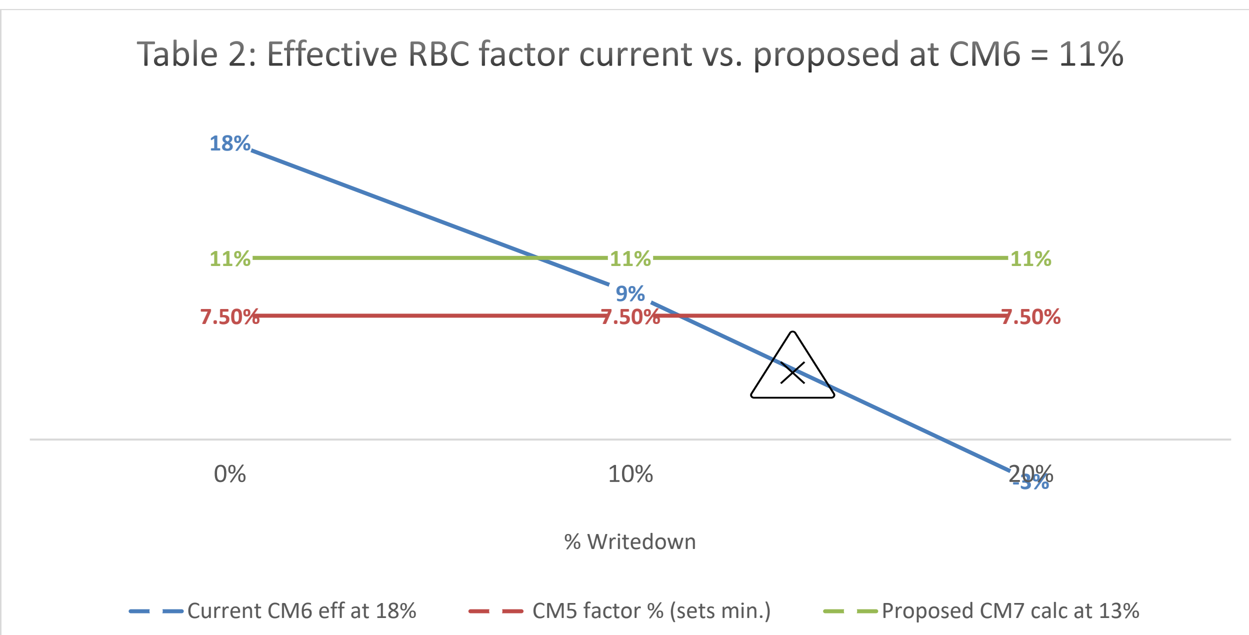
Impacts

Under the proposal, the RBC charge for some non-performing mortgages would increase and the RBC charge for other non-performing mortgages would decrease, depending on the amount of any write-downs.

In Table 1, the blue and brown lines illustrate that, for a CM7 mortgage under the current state, the effective RBC factor would range from 23% to 7.5% of the statutory book value less involuntary reserves (assuming the performing loan rating would be CM5), depending on the amount of any write-down. The green line in the table illustrates that, under the proposal, the effective RBC factor would be equal to the RBC charge for a CM7 mortgage (as adjusted in part 1 of this proposal) without regard to write-downs.



In Table 2, the blue and brown lines illustrate that, for a CM6 mortgage under the current state, the effective RBC factor would range from 18% to 7.5% of the statutory book value less involuntary reserves (assuming the performing loan rating would be CM5), depending on the amount of any write-down. The green line in the table illustrates that, under the proposal, the effective RBC factor would be equal to the RBC charge for a CM6 mortgage (as adjusted in part 1 of this proposal) without regard to write-downs.



Both tables illustrate that adopting the performing mortgage loans formula and the proposed CM6 and CM7 factors would reduce the required RBC amount for non-performing mortgages with smaller levels of write-downs but would increase required RBC amounts for non-performing mortgages with larger write-downs.

Attachment: Suggested mark-up of Instructions LR004 and LR009.

Notes to the mark-up:

- The attached mark-up adds the previously approved instructions for reporting 2020 NOI. See *Guidance for Troubled Debt Restructurings for December 31, 2020 and Interim Risk-Based Capital Filings (where required)* (October 9, 2020, Revised February 11, 2021).
- The attached mark-up also reflects a suggested deletion of the version number of the CREFC Methodology for Analyzing and Reporting Property Income Statements, to avoid the ongoing need to update the Instructions to reflect each new versions of that methodology. This is not part of the proposal described above, but the Life Risk-Based Capital Working Group may want to consider it.

Additional Staff Comments:

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

MORTGAGES
LR004

Basis of Factors

Mortgages in Good Standing
The pre-tax factors for commercial mortgages were developed based on analysis using the Commercial Mortgage Metrics model of Moody's Analytics and documented in a report from the American Council of Life Insurers on March 27, 2013. The factors provide for differing levels of risk, the levels determined by a contemporaneous debt service coverage ratio and the contemporaneous loan-to-value. The 0.14 percent pre-tax factor on insured and guaranteed mortgages represents approximately 30-60 days interest lost due to possible delay in recovery on default. The pre-tax factor of 0.68 percent for residential mortgages reflects a significantly lower risk than commercial mortgages. The pre-tax factors were developed by dividing the post-tax factor by 0.7375 (0.7375 is calculated by taking 1.0 less the result of 0.75 multiplied by 0.35). The pre-tax factors are not changing for 2018 due to tax reform.

Mortgages 90 Days Overdue, Not in Process of Foreclosure
The category pre-tax factor for commercial and farm mortgages of ~~18~~ 11 percent is based on ~~data taken from the Society of Actuaries "Commercial Mortgage Credit Risk Study."~~ the 11 percent factor for real estate investments reported on Schedule A. For insured and guaranteed or residential mortgages, factors are set at twice the level for those "in good standing" to reflect the increased likelihood of default losses.

Mortgages in Process of Foreclosure
The category pre-tax factor of 13 percent for ~~M~~mortgages in process of foreclosure is based on the 13 percent factor for real estate investments reported on Schedule BA~~are considered to be as risky as NAIC 5 bonds and are assigned the same category pre-tax factor of 23 percent for commercial and farm mortgages~~.

Due and Unpaid Taxes on Overdue Mortgages and Mortgages in Foreclosure
The factor for due and unpaid taxes on overdue mortgages and mortgages in foreclosure is 100 percent.

Specific Instructions for Application of the Formula

Column (1)
Insured or guaranteed mortgages should be reported separately from residential and commercial mortgages. Insured or guaranteed loans include only those mortgage loans insured or guaranteed by the Federal Housing Administration, under the National Housing Act (Canada) or by the Veterans Administration (exclusive of any portion insured by FHA). Mortgage loans guaranteed by another company (affiliated or unaffiliated) are not to be included in the insured or guaranteed category.

Except for Lines (1) through (3), (17) through (19), (22) through (24), (26) and (27), calculations are done on an individual mortgage basis and then the summary amounts are entered in this column for each class of mortgage investment. ~~Refer to the mortgage calculation worksheet A (Figure 1) for how the individual mortgage calculations are completed for Other Than In Good Standing mortgages on Lines (16) through (25).~~ Refer to the mortgage calculation worksheet – company developed (Figure 2~~3~~) for how the individual mortgage calculations are completed for In Good Standing ~~-~~ – Commercial mortgages on Lines (4) through (8) and for In Good Standing ~~-~~ – Farm mortgages on Lines (10) through (14) and for Other Than In Good Standing mortgages on Lines (16), (20), (21), and (25). Line (28) should equal Page 2, Column 3, Lines 3.1 plus 3.2, plus Schedule B, Part 1 Footnotes 3 and 4, first of the two amounts in the footnotes.

Column (2)
Companies are permitted to reduce the book/adjusted carrying value of mortgage loans reported in Schedule B by any involuntary reserves. Involuntary reserves are equivalent to valuation allowances specified in SSAP No. 37 paragraph 16. These reserves are held as an offset for a particular troubled mortgage loan that would be required to be written down if

the impairment was permanent.

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

Column (4)
~~Summary amounts of the individual mortgage calculations are entered in this column for each class of mortgage investments. Refer to the mortgage calculation worksheet (Figure 1). Cumulative writedowns include the total amount of writedowns, amounts non-admitted and involuntary reserves that have been taken or established with respect to a particular mortgage.~~No longer used. Place "XXX" in any blanks for this column.

Column (5)
For Lines (1) and (3), the pre-tax factor is equal to 0.0014
For Lines (2), the pre-tax factor is equal to 0.0068
~~-~~For Lines (4) and (10), the pre-tax factor is equal to 0.0090
For Lines (5) and (11), the pre-tax factor is equal to 0.0175
For Lines (6) and (12), the pre-tax factor is equal to 0.0300
For Lines (7) and (13), the pre-tax factor is equal to 0.0500
For Lines (8) and (14), the pre-tax factor is equal to 0.0750
For Lines (16) and (20), the pre-tax factor is equal to 0.1100
For Lines (17) and (19), the pre-tax factor is equal to 0.0027
For Lines (18), the pre-tax factor is equal to 0.0140
For Lines (21) and (25), the pre-tax factor is equal to 0.1300
For Lines (22) and (24), the pre-tax factor is equal to 0.0054
For Lines (23), the pre-tax factor is equal to 0.0270

For Lines (26) and (27), the pre-tax factor is 1.0. ~~For Lines (16) through (25), the average factor column is calculated as Column (6) divided by Column (3).~~

Column (6)
For Lines (4) through (8), (10) through (14), ~~and~~ (16), (20), (21) and~~through~~ (25), summary amounts are entered for Column (6) based on calculations done on an individual mortgage basis. Refer to the mortgage calculation worksheet~~s~~ ~~(Figure 1) and~~ (Figure 2~~3~~). For Lines (1) through (3), (17) through (19), (22) through (24), (26) and (27), the RBC subtotal is multiplied by the factor to calculate Column (6).

~~(Figure 1)~~

~~Mortgage Worksheet A~~
~~Other Than In Good Standing~~

	~~(1)~~	~~(2)~~	~~(3)~~	~~(4)~~	~~(5)~~	~~(6)~~	~~(7)~~	~~(7a)~~	~~(8)~~	~~(9)~~	~~(10)~~
	~~Name / ID~~	~~Book/Adjusted Carrying Value~~	~~Involuntary Reserve Adjustment§~~	~~RBC Subtotal£~~	~~Cumulative Writedowns*~~	~~Category Factor~~	~~In Good Standing Factor~~	~~In Good Standing Category~~	~~Col (6) X [Col (4)+(5)] – Col (5)~~	~~Col (4) X Col (7)~~	~~RBC Requirement‡~~
~~(1)~~	~~All Mortgages Without Cumulative Writedowns~~				~~XXX~~	~~†~~	~~†~~	~~†~~			
	~~All Mortgages With Cumulative Writedowns:~~										
~~(2)~~						~~†~~	~~†~~	~~†~~			
~~(3)~~						~~†~~	~~†~~	~~†~~			
~~(4)~~						~~†~~	~~†~~	~~†~~			
~~(5)~~						~~†~~	~~†~~	~~†~~			
~~(6)~~						~~†~~	~~†~~	~~†~~			
~~(7)~~						~~†~~	~~†~~	~~†~~			
~~(8)~~						~~†~~	~~†~~	~~†~~			
~~(9)~~						~~†~~	~~†~~	~~†~~			
~~(10)~~						~~†~~	~~†~~	~~†~~			
~~(11)~~						~~†~~	~~†~~	~~†~~			
~~(12)~~						~~†~~	~~†~~	~~†~~			
~~(13)~~						~~†~~	~~†~~	~~†~~			
~~(14)~~						~~†~~	~~†~~	~~†~~			
~~(15)~~						~~†~~	~~†~~	~~†~~			
	~~Total Mortgages~~										

~~This worksheet is prepared on a loan-by-loan basis for each of the mortgage categories listed in (Figure 2) that are applicable. The Column (2), (3), (5) and (10) subtotals for each category are carried over and entered in Columns (1), (2), (4) and (6) of the Mortgages (LR004) in the risk-based capital formula. Small mortgages aggregated into one line on Schedule B can be treated as one mortgage on this worksheet. NOTE: This worksheet will be available in the risk-based capital filing software.~~

~~† See (Figure 2) for factors to use in the calculation. The In Good Standing Factor will be based on the CM category developed in the company generated worksheet (Figure 3) and reported in Column 7a for Commercial or Farm Mortgages.~~
~~‡ The RBC Requirement column is calculated as the greater of Column (8) or Column (9), but not less than zero.~~
~~§ Involuntary reserves are reserves held as an offset to a particular asset that is clearly a troubled asset and are included on Page 3, Line 25 of the annual statement.~~
~~£ Column (4) is calculated as Column (2) less Column (3).~~
~~* Cumulative writedowns include the total amount of writedowns, amounts non-admitted and involuntary reserves that have been taken or established with respect to a particular mortgage.~~

(Figure 1~~2~~)

The mortgage factors are used in conjunction with the mortgage worksheet~~s~~ (Figures ~~1 and 3~~2) to calculate the RBC Requirement for each individual mortgage. ~~The factors are used in Columns (6), (7) and (7a) of the mortgage worksheet and are dependent on which of the 25 mortgage categories below the mortgage falls into.~~ The following factors are used for each category of mortgages:

LR004 Line Number	Mortgage Factors	~~Category~~ Factor‡	~~In Good Standing Factor~~	~~MEA Factor~~
	In Good Standing			
(1)	Residential Mortgages-Insured or Guaranteed	0.0014~~N/A‡~~	~~0.0014~~	~~N/A~~
(2)	Residential Mortgages-All Other	0.0068~~N/A‡~~	~~0.0068~~	~~N/A~~
(3)	Commercial Mortgages-Insured or Guaranteed	0.0014~~N/A‡~~	~~0.0014~~	~~N/A~~
(4)	Commercial Mortgages-All Other – Category CM1	0.0090~~N/A‡~~	~~0.0090~~	~~N/A‡~~
(5)	Commercial Mortgages – Category CM2	0.0175~~N/A‡~~	~~0.0175~~	~~N/A‡~~
(6)	Commercial Mortgages – Category CM3	0.0300~~N/A‡~~	~~0.0300~~	~~N/A‡~~
(7)	Commercial Mortgages – Category CM4	0.0500~~N/A‡~~	~~0.0500~~	~~N/A‡~~
(8)	Commercial Mortgages – Category CM5	0.0750~~N/A‡~~	~~0.0750~~	~~N/A‡~~
(10)	Farm Mortgages – Category CM1	0.0090~~N/A‡~~	~~0.0090~~	~~N/A‡~~
(11)	Farm Mortgages – Category CM2	0.0175~~N/A‡~~	~~0.0175~~	~~N/A‡~~
(12)	Farm Mortgages – Category CM3	0.0300~~N/A‡~~	~~0.0300~~	~~N/A‡~~
(13)	Farm Mortgages – Category CM4	0.0500~~N/A‡~~	~~0.0500~~	~~N/A‡~~
(14)	Farm Mortgages – Category CM5	0.0750~~N/A‡~~	~~0.0750~~	~~N/A‡~~
	90 Days Overdue, Not in Process of Foreclosure			
(16)	Farm Mortgages – Category CM6	~~0.1800~~0.1100	~~‡~~	~~N/A‡~~
(17)	Residential Mortgages-Insured or Guaranteed	0.0027	~~0.0014~~	~~1.0 N/A~~
(18)	Residential Mortgages-All Other	0.0140	~~0.0068~~	~~1.0 N/A~~
(19)	Commercial Mortgages-Insured or Guaranteed	0.0027	~~0.0014~~	~~1.0 N/A~~
(20)	Commercial Mortgages-All Other – Category CM6	~~0.1800~~0.1100	~~‡~~	~~N/A‡~~
	In Process of Foreclosure			
(21)	Farm Mortgages – Category CM7	~~0.2300~~0.1300	~~‡~~	~~N/A‡~~
(22)	Residential Mortgages-Insured or Guaranteed	0.0054	~~0.0014~~	~~1.0 N/A~~
(23)	Residential Mortgages-All Other	0.0270	~~0.0068~~	~~1.0 N/A~~
(24)	Commercial Mortgages-Insured or Guaranteed	0.0054	~~0.0014~~	~~1.0 N/A~~
(25)	Commercial Mortgages-All Other – Category CM7	~~0.2300~~0.1300	~~‡~~	~~N/A‡~~

~~† The category factor is a factor used for a particular category of mortgage loans that are not in good standing.~~

~~‡ The RBC Requirement for mortgage loans in good standing or restructured are not calculated on Figure (1). These requirements are calculated on Mortgage Worksheet (company developed) (Figure 3) and transferred to LR004 Mortgage Loans Lines (4) through (8) and (10) through (14). In addition, for Commercial and Farm mortgage loans 90 days past due or In Process of Foreclosure, the CM category is determined in Mortgage Worksheet (company developed) and transferred to Worksheet A.~~

(Figure 2~~3~~)

Mortgage Worksheet (company developed)
~~In Good Standing –~~Commercial Mortgages and Farm Mortgages

Price Index current (year-end calculations to be based off of 3rd Quarter index of the given year)}	{input Price Index as of September 30}							
Name / ID (1)	Date of Origination (2)	Maturity Date (3)	Property Type (4)	Farm Loan Sub-property type (5)	Postal Code (6)	Book / Adjusted Carrying Value (7)	Statutory Write-downs (8)	Statutory Involuntary Reserve (9)

Original Loan Balance (10)	Principal Loan Balance to Company (11)	Balloon Payment at Maturity (12)	Principal Balance Total (13)	NOI Second Prior Year (14)	NOI Prior Year (15)	NOI (16)	Interest Rate (17)

Trailing 12 Month Debt Service (18)	Original Property Value (19)	Property Value (20)	Year of Valuation (21)	Calendar Quarter of Valuation (22)	Credit Enhancement? (23)	Senior Debt? (24)	Construction Loan? (25)

Construction Loan out of Balance? (26)	Construction Loan Issues? (27)	Land Loan? (28)	90 Days Past Due? (29)	In Process of Foreclosure? (30)	Current payment lower than based on Loan Interest? (31)	Is loan interest a floating rate? (32)	Is fixed rate reset during term? (33)

Is negative amortization allowed? (34)	Amortization Type (35)	Rolling Average NOI (36)	RBC Debt Service (37)	RBC DCR (38)	Price Index at Valuation (39)	Contemporaneous Property Value (40)	RBC LTV (41)	CM Category (42)

The Company should develop this worksheet on a loan-by-loan basis for each commercial mortgage – other or farm loan held in Annual Statement Schedule B. This worksheet columns (7) and (9) subtotals for each category are to be carried over and entered in Columns (1) and (2) of Mortgages (LR004) in the risk-based capital formula lines (4) – (8), ~~and~~ (10) – (14), (16), (20), (21), and (25). Small mortgages aggregated into one line on Schedule B can be treated as one mortgage on this worksheet. ~~Amounts in Columns (7), (9) and (42) are carried individually to Worksheet A columns (2), (3) and (7a) for loans that are 90 Days Past Due and In Process of Foreclosure.~~ NOTE: This worksheet will not be available in the risk-based capital filing software and needs to be developed by the company.

Column			Description / explanation of item
#	Heading		
			Price Index current is the value on 9/30 of the current year for the National Council of Real Estate Investor Fiduciaries Price Index for the United States.
(1)	Name / ID	Input	Identify each mortgage included as in good standing.
(2)	Date of Origination	Input	Enter the year and month that the loan was originated. If the loan has been restructured, extended, or otherwise re-written, enter that new date.
(3)	Maturity Date	Input	Enter earlier of maturity of the loan, or the date the lender can call the loan.
(4)	Property Type	Input	Enter 1 for mortgages with an Office, Industrial, Retail or multifamily property as collateral. Enter 2 for mortgages with a Hotel and Specialty Commercial as property type. For properties that are multiple use, use the property type with the greatest square footage in the property. Enter 3 for Farm Loans.
(5)	Farm Sub-type	Input	If Property Type=3 (Farm Loans), then you must enter a Sub Category: 1=Timber, 2=Farm and Ranch, 3=Agribusiness Single Purpose, 4=Agribusiness All Other (See Note 8.)
(6)	Postal Code	Input	Enter zip code of property for US. If multiple properties or zip codes, enter multiple codes. If foreign address, use postal code. If not available, N/A.
(7)	Book / Adjusted Carrying Value	Input	Enter the value that the loan is carried at on the company ledger.
(8)	Statutory Write-downs	Input	Enter the value of any write-downs taken on this loan due to permanent impairment.
(9)	Involuntary Reserve	Input	Enter the amount of any involuntary reserve amount. Involuntary reserves are reserves that are held as an offset to a particular asset that is clearly a troubled asset and are included on Page 3 Line 25 of the Annual Statement.
(10)	Original Loan Balance?	Input	Enter the loan balance at the time of origination of the loan.
(11)	Principal Balance to Co.	Input	Enter the value of the loan balance owed by the borrower.
(12)	Balloon Payment at Maturity	Input	Enter the amount of any balloon or principal payment due at maturity.
(13)	Principal Balance Total	Input	Enter the total amount of mortgage outstanding including debt that is senior to or pari passu with the company's mortgage (Note 2)
(14)	NOI Second Prior	Input	Enter the NOI from the year prior to the value in (15). See Note 1.
(15)	NOI Prior	Input	Enter the NOI from the prior year to the value in (16). See Note 1.
(16)	NOI	Input	Enter the Net Operating Income for the most recent 12 month fiscal period with an end-date between July 1 of the year prior to this report and June 30 of the year of this report. The NOI should be reported following the guidance of the Commercial Real Estate Finance Council Investor Reporting Profile v.5.0. Section VII. See Notes 1, 3, 4, 5, and 6 below.

(17)	Interest Rate	Input	Enter the annual interest rate at which the loan is accruing. -If the rate is floating, enter the larger of the current month rate or the average rate of interest for the prior 12 months, or -If the rate is fixed by the contract, not level over the year, but level for the next 12 months, use current rate. If the 'Total Loan Balance' consists of multiple loans, use an average loan interest rate weighted by principal balance.
(18)	Trailing 12 Month Debt Service	Input	Enter actual 12 months debt service for prior 12 months
(19)	Original Property Value	Input	Enter the Property Value at the time of origination of the loan. (Note 9)
(20)	Property Value	Input	Property Value is the value of the Property at time of loan origination, or at time of revaluation due to impairment underwriting, restructure, extension, or other re-writing. (Note 9)
(21)	Year of Valuation	Input	Year of the valuation date defining the value in (20). This will be either the date of origination, or time of restructure, refinance, or other event which precipitates a new valuation.
(22)	Quarter of Valuation	Input	Calendar quarter of the valuation date defining the value in (20).
(23)	Credit Enhancement	Input	Enter the full dollar amount of any credit enhancement. (see Note 5)
(24)	Senior Debt?	Input	Enter yes if senior position, no if not. (see Note 7.)
(25)	Construction Loan?	Input	Enter 'Yes' if this is a construction loan. (see Note 4.)
(26)	Construction – not in balance?	Input	Enter 'Yes" if his is a construction loan that is not in balance. (see Note 4)
(27)	Construction – Issues?	Input	Enter 'Yes" if this is a construction loan with issues. (see Note 4)
(28)	Land Loan?	Input	Enter 'Yes' if this is a loan on non-income producing land. (see Note 6)
(29)	90 days past due?	Input	Enter 'Yes' if payments are 90 days past due.
(30)	In process of foreclosure?	Input	Enter 'Yes' if the loan is in process of foreclosure.
(31)	Is current payment lower than a payment based on the loan interest?	Input	Yes / No
(32)	Is loan interest a floating rate?	Input	Yes / No
(33)	If not floating, does loan reset during term?	Input	Yes / No - Some fixed rate loans define in the loan document a change to a new rate during the life of the loan, which may be a pre-determined rate or may be the then current market rate. Generally any such changes are less frequent than annual.
(34)	Is negative amortization allowed?	Input	Yes / No
(35)	Amortization type?	Input	1 = fully amortizing 2 = amortizing with balloon 3 = full I/O 4 = partial I/O, then amortizing
(36)	Rolling Average NOI	Computation	For 2013 – 100% of NOI For 2014 – 65% NOI + 35% NOI Prior For 2015 – 50% NOI + 30% NOI Prior + 20% NOI 2nd Prior For loans originated or valued within the current year, use 100% NOI. For loans originated 2013 or later and within 2 years, use 65% NOI and 35% NOI Prior

(37)	RBC Debt Service	Computation	This amount is the amount of 12 monthly principal and interest payments required to amortize the Total Loan Balance (13) using a Standardized Amortization period of 300 months and the Annual Loan Interest Rate (17).
(38)	RBC DCR	Computation	This is the ratio of the Net Operating Income (36) divided by the RBC Debt Service (37) rounded down to 2 decimal places. See Note 3 below for special circumstances.
(39)	NCREIF Price Index at Valuation	Computation	The value of the NCREIF Price Index on the last day of the calendar quarter that includes the date defined in (21) and (22).
(40)	Contemporaneous Property Value	Computation	The Property Value (20) times the ratio (rounded to 4 decimal places) of the Price Index current to the Price Index at valuation (39).
(41)	RBC LTV	Computation	The Total Loan Value (13) divided by the Contemporaneous Value (40) rounded to the nearest percent.
(42)	CM Category	Computation	The risk category determined by either being not in good standing (either 90 Days Past Due or In Process of Foreclosure) or the loan being in good standing or restructured and applying the DCR (38) and the LTV (41) to the criteria in Figure (3~~4~~), Figure (4~~5~~) or Figure (5~~6~~). See Notes 2, 3, 4, 5, and 6 below for special circumstances.

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

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

The accepted industry standards for determining NOI were developed by the Commercial Mortgage Standards Association now known as CRE Financial Council (CREFC). The company must develop the NOI using the standards provided by the CREFC Methodology for Analyzing and Reporting Property Income Statements~~ v.5.1~~. (www.crefc.org/irp). These standards are part of the CREFC Investor Reporting Package (CREFC IRP Section VII.) developed to support consistent reporting for commercial real estate loans owned by third party investors. This guidance would be a standardized basis for determining NOI for RBC.

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

For purposes of the NOI inputs at (14), (15), (16), and the computation of a Rolling Average NOI at (36), an insurer may report 2020 NOI (i.e., NOI for any 12-month fiscal period ending after June 30, 2020 but not later than June 30, 2021) as the greater of: (1) actual NOI as determined under the CREF-C IRP Standards or (2) 85% of NOI determined for the immediate preceding fiscal year's annual report. This guidance with respect to 2020 NOI applies to the application of the 2020 NOI in risk-based capital reporting for 2021, 2022, and 2023. In cases where an insurer reports 85% of 2019 NOI as the 2020 NOI input, the insurer should retain information about actual 2020 NOI in its workpapers so that the information can be readily available to regulators.

Note 2: The calculation of debt service coverage and loan to value will include all debt secured by the property that is (1) senior to or pari passu with the insurer's investment; and (2) any debt subordinate to the insurer's investment that is not (a) subject to an intercreditor, standstill or subordination agreement with the insurer provided that the agreement does not grant the subordinate debt holder any rights that would materially affect the rights of the insurer and provided that the subordinate debt holder is prohibited from taking any action against the borrower that would materially affect the insurer's priority lien position with respect to the property without the prior written consent of the insurer, or (b) subject to governing laws that provide that the insurer's investment holds a senior position to the subordinated debt holder and provide substantially similar protections to the insurer as in (2)(a) above.

Note 3: *Unavailable Operating Statements*
There are a variety of situations where the most recent annual period's operating statement may not be available to assist in determining NOI. These situations will occur in distinct categories and each category requires special consideration. The categories are:

1. Loans on owner occupied properties

    a. For properties where the owner is the sole or primary tenant (50% or more of the rentable space), property level operating statements may not be available or meaningful. If the property is occupied and the loan, taxes and insurance are current, it will be acceptable to derive income and a reasonable estimate of expenses from the most recent appraisal or equivalent and additional known actual expenses (e.g., real estate taxes and insurance).
    b. For properties where the owner is a minority tenant (49% of less of the rentable space), the owner-occupied space should be underwritten at the average rent per square foot of the arm's length tenant leases. This income estimate should be added to the other tenant leases and combined with a reasonable estimate of expenses based on the most recent appraisal or equivalent and additional known actual expenses (e.g., real estate taxes and insurance).

2. Borrower does not provide the annual operating statement

    a. Borrower refuses to provide the annual operating statements
        i. If the leases are in place and evidenced by estoppels and inspections, NOI would be derived from normalized underwriting in accordance with the CREFC Methodology for Analyzing and Reporting Property Income Statements.
        ii. If there is evidence from inspection that the property is occupied, but there is no evidence of in place leases (e.g., lease documents or estoppels), NOI would be set equal to the lesser of calculated debt service (DSC=1.0) or the NOI from the normalized underwriting.
        iii. If there is no evidence from inspection that the property is occupied and no evidence of in place leases (e.g., lease documents or estoppels), assume NOI = $0.
    b. If the borrower does not have access to a complete previous year operating statement, determine NOI based on the CREFC guidelines for analyzing a partial year income statement.

Note 4: Construction loans**:**
Construction loans would be categorized as follows, based on a determination by the loan servicer whether the loan is in balance and whether construction issues exist:

a. In balance, no construction issues:	DSC = 1.0, LTV determined as usual
b. Not in Balance, no construction issues:	CM4
c. Construction issues:	CM5

A loan is *"in balance"* if the committed amount of the construction loan plus any lender held reserves and unfunded borrower equity is sufficient to cover the remaining costs of the development project, including debt service not anticipated to be paid from property operations.

A *"construction issue"* is a problem that may reasonably jeopardize the completion of the project. Examples of construction issues include the abandonment of construction and construction defects that are not being addressed.

Note 5: Credit enhancements: Where the loan payments are secured by a letter of credit from an investment grade financial institution or an escrow account held at an investment grade financial institution, NOI less than the debt service may be increased by these amounts until it is equal to but not exceeding the debt service. These situations are typically short term in nature and are intended to bridge the lease-up following renovation or loss of a major tenant.

Note 6: Non-income-producing land: NOI = $0

Note 7: Non-senior financing**:**

a. The company should first calculate DSC and LTV for non-senior financing using the standardized debt service and aggregate LTV of all financing pari passu and senior to the position held by the company.
b. The non-senior piece should then be assigned to the next riskier RBC category. For example, if the DSC and LTV metrics determined in (a) indicate a category of CM2, the non-senior piece would be assigned to category CM3. However, it would not be required to assign a riskier category than CM5 if the loan is not at least 90-days delinquent or in foreclosure.

Note 8: Definitions of each type of Farm Mortgage:

Timber: A loan is classified as a timber loan if more than 50% of the collateral market value (land and timber) of the security is attributable to land supporting a timber crop that is or will be of commercial value.

Farm & Ranch: Farm and ranch land utilized in the production of agricultural commodities of all kinds, including grains, cotton, sugar, nuts, fruits, vegetables, forage crops and livestock of all kinds, including, beef, swine, poultry, fowl and fish. Loans included in this category are those in which agricultural land accounts for more than 50% of total collateral market value.

Agribusiness Single Purpose: Specialized collateral utilized in the production, further processing, adding value or manufacturing of an agricultural commodity or forest product. In order for a loan to be classified as such, the market value of the single-purpose (special use) collateral would account for more than 50% of total collateral market value.

This collateral is generally not multi-functional and can only be used for a specific production, manufacturing and/or processing function within a specific sub-sector of the food or agribusiness industry and whereby such assets are not strategically important in nature to the overall industry capacity. These assets can be shut down or replicated easily in other locations, or existing plants can be expanded to absorb shuttered capacity. The assets are not generally limited in nature by environmental or operational permits and/or regulatory requirements. An example would be a poultry processing plant located in the Southeast of the United States where there is excess capacity inherent to the industry and production capacity is easily replaceable.

Other loans included in this category are those collateralized by single purpose (special use) confinement livestock production facilities in which the special use facilities account for more than 50% of total collateral market value.

Agribusiness All Other: Multiple-use collateral utilized in the production, further processing, adding value or manufacturing of an agricultural commodity or forest product. In order for a loan to be classified as such, the market value of any single use portion may not be greater than 50% of total collateral market value.

This collateral is multi-functional in nature, adaptable to other manufacturing, processing, or servicing food or agribusiness industries or sub-industries. Assets could also be very strategic in nature and not easily replaceable either due to cost, location, environmental permitting and/or government regulations. These assets may be single purpose in nature, but so vital to the industry capacity needs that they will be generally purchased by another like processing company or strategic or financial buyer. An example of these types of assets are strategically located and highly automated cold storage facilities whereby they can be used for dry storage, distribution centers or converted into warehouse or other type uses. Another example may be a cheese processing plant that is strategically located within the heart of the dairy industry, limited permits, environmental restrictions that would limit added capacity, or high barriers to entry to build a like facility within the industry. For example, one of the largest cheese plants in the industry is located in California and it is not easily replicated within the cheese processing industry due to its location, capacity, costs, access to fluid milk supply and related feed and water, as well as highly regulated environmental and government restrictions.

Other loans included in this category are those in which more than 50% of the collateral market value is accounted for by chattel assets or other assets related to the business and financial operations of agribusinesses, including inventories, accounts, trade receivables, cash and brokerage accounts, machinery, equipment, livestock and other assets utilized for or generated by agribusiness operations.

Note 9. The origination value is developed during the underwriting process using appropriate appraisal standards.
a. If values were received from a qualified third-party appraiser, those values must be used.
b. If the company performs internal valuations using standards comparable to an external appraisal, then the internal valuation may be used.

(Figure 34)

For Office, Industrial, Retail and Multi-family**:**

RISK CATEGORY	DSC LIMITS		LTV LIMITS
CM1	1.50 ≤ DSC	and	LTV < 85%
CM2	0.95 ≤ DSC < 1.50	and	LTV < 75%
CM2	1.15 ≤ DSC < 1.50	and	75% ≤ LTV < 100%
CM2	1.50 ≤ DSC	and	85% ≤ LTV < 100%
CM2	1.75 ≤ DSC	and	100% ≤ LTV
CM3	DSC < 0.95	and	LTV < 85%
CM3	0.95 ≤ DSC < 1.15	and	75% ≤ LTV < 100%
CM3	1.15 ≤ DSC < 1.75	and	100% ≤ LTV
CM4	DSC < 0.95	and	85% ≤ LTV < 105%
CM4	0.95 ≤ DSC < 1.15	and	100% ≤ LTV
CM5	DSC < 0.95	and	105% ≤ LTV
CM6	Loans 90 days past due but not yet in process of foreclosure		
CM7	Loans in process of foreclosure		

(Figure 4~~5~~)

For Hotels and Specialty Commercial**:**

RISK CATEGORY	DSC LIMITS		LTV LIMITS
CM1	1.85 ≤ DSC	and	LTV < 60%
CM2	1.45 ≤ DSC < 1.85	and	LTV < 70%
CM2	1.85 ≤ DSC	and	60% ≤ LTV < 115%
CM3	0.90 ≤ DSC < 1.45	and	≤ LTV < 80%
CM3	1.45 ≤ DSC < 1.85	and	70% ≤ LTV
CM3	1.85 ≤ DSC	and	115% ≤ LTV
CM4	DSC < 0. 90	and	LTV < 90%
CM4	0.90 ≤ DSC < 1.10	and	80% ≤ LTV < 90%
CM4	1.10 ≤ DSC < 1.45	and	80% ≤ LTV
CM5	1.10 ≤ DSC	and	90% ≤ LTV
CM6	Loans 90 days past due but not yet in process of foreclosure		
CM7	Loans in process of foreclosure		

(Figure 5~~6~~)

Farm Mortgages (Agricultural Loans)**:**

	Timber	Farm & Ranch	Agribusiness Single Purpose	Agribusiness All Other
CM1	LTV <= 55%	LTV <= 60%		LTV <= 60%
CM2	55% < LTV <= 65%	60% < LTV <= 70%	LTV <= 60%	60% < LTV <= 70%
CM3	65% < LTV <= 85%	70% < LTV <= 90%	60% < LTV <= 70%	70% < LTV <= 90%
CM4	85% < LTV <= 105%	90% < LTV <= 110%	70% < LTV <= 90%	90% < LTV <= 110%
CM5	105% < LTV	110% < LTV	90% < LTV	110% < LTV
CM6	Loans 90 days past due but not yet in process of foreclosure			
CM7	Loans in process of foreclosure			

SCHEDULE BA MORTGAGES
LR009

Basis of Factors

For Affiliated Mortgages**,** Line **12999999**, the factors used are the same as for commercial mortgages and are defined in Figure 9. Risk categories and factors are determined using a company generated worksheet ~~for In Good Standing~~ (Figure 10) ~~and (Figure 8) for Past Due or In Process of Foreclosure~~.

For Unaffiliated Mortgages, Line **11999999**, the factors used are the same as for commercial mortgages and are defined in Figure 9. Risk categories and factors are determined as follows:

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

Specific Instructions for Application of the Formula

Column (1)
Except for Lines (1), (12), and (16), calculations are done on an individual mortgage basis and then the summary amounts are entered in this column for each class of mortgage investment. Refer to the Schedule BA mortgage calculation worksheet~~s (Figure 8) and~~ (Figure 10) for how the individual mortgage calculations are completed. Line (20) should equal Schedule BA Part 1, Column 12, Line **11999999** plus Line **12999999**.

Column (2)
Companies are permitted to reduce the book/adjusted carrying value of mortgage loans reported in Schedule BA by any involuntary reserves. Involuntary reserves are equivalent to valuation allowances specified in the codification of statutory accounting principles. They are non-AVR reserves reported on Annual Statement Page 3, Line 25. These reserves are held as an offset for a particular troubled Schedule BA mortgage loan that would be required to be written down if the impairment was permanent.

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

Column (4)
No longer used. Place "XXX" in any blanks for this column.~~For Lines (12) through (14) and Lines (16) through (18), summary amounts of the individual mortgage calculations are entered in this column for each class of mortgage investments. Refer to the Schedule BA mortgage calculation worksheet (Figure 8).~~

Column (5)
For Line (1), the pre-tax factor is 0.0014.
For Line (2), the average factor column is calculated as Column (6) divided by Column (3).
For Line (3), the pre-tax factor is 0.0090.
For Line (4), the pre-tax factor is 0.0175.
For Line (5), the pre-tax factor is 0.0300.

For Line (6), the pre-tax factor is 0.0090.
For Line (7), the pre-tax factor is 0.0175.
For Line (8), the pre-tax factor is 0.0300.
For Line (9), the pre-tax factor is 0.0500.
For Line (10), the pre-tax factor is 0.0750.
For Line (12), the pre-tax factor is 0.0027.
For Lines (13) through (14), the pre-tax factor is 0.1100.
For Line (15), the pre-tax factor is 0.0054.
For Lines (13) through (14), the pre-tax factor is 0.1300.

~~See Figure 9 for computation of appropriate factors.~~

Column (6)
For Lines (1), (3) through (10), (12) through (14), and (16) through (18), the RBC subtotal in Column (3) is multiplied by the average factor to calculate Column (6). The categories and subtotals will be determined in the company developed worksheet Figure (10).

For Line~~s~~ (~~1~~2)~~ through (14) and Lines (16) through (18)~~, summary amounts are entered for Column (6) based on calculations done on an individual mortgage basis as determined in the company developed worksheet Figure (10).~~ Refer to the Schedule BA mortgage calculation worksheet (Figure 8)~~.

~~(Figure 8)~~

~~Schedule BA Mortgage Worksheet A~~
~~Other Than In Good Standing~~

	~~(1)~~	~~(2)~~	~~(3)~~	~~(4)~~	~~(5)~~	~~(6)~~	~~(7)~~	~~(7a)~~	~~(8)~~	~~(9)~~	~~(10)~~
	~~Name / ID~~	~~Book/Adjusted Carrying Value~~	~~Involuntary Reserve Adjustment§~~	~~RBC Subtotal £~~	~~Cumulative Writedowns *~~	~~Category Factor~~	~~In Good Standing Factor~~	~~In Good Standing Category~~	~~Col (6) X [Col (4)+(5)] – Col (5)~~	~~Col (4) X Col (7)~~	~~RBC Requirement ‡~~
	~~90 Days Overdue – Insured or Guaranteed~~					~~†~~	~~†~~	~~†~~			
~~(1)~~	~~All Mortgages Without Cumulative Writedowns~~				~~XXX~~	~~0.0027~~	~~0.0014~~	~~N/A~~			
~~(2)~~	~~With Cumulative Writedowns:~~					~~0.0027~~	~~0.0014~~	~~N/A~~			
~~(3)~~						~~0.0027~~	~~0.0014~~	~~N/A~~			
	~~Total~~										
	~~90 Days Overdue – Unaffiliated~~										
~~(1)~~	~~All Mortgages Without~~				~~XXX~~	~~0.1800~~	~~†~~	~~†~~			

	~~Cumulative Writedowns~~										
~~(2)~~	~~With Cumulative Writedowns:~~					~~0.1800~~	~~†~~	~~†~~			
~~(3)~~						~~0.1800~~	~~†~~	~~†~~			
	~~Total~~										
	~~90 Days Overdue – Affiliated~~										
~~(1)~~	~~All Mortgages Without Cumulative Writedowns~~				~~XXX~~	~~0.1800~~	~~†~~	~~†~~			
~~(2)~~	~~With Cumulative Writedowns:~~					~~0.1800~~	~~†~~	~~†~~			
~~(3)~~						~~0.1800~~	~~†~~	~~†~~			
	~~Total~~										
	~~In Process of Foreclosure – Insured or Guaranteed~~										
~~(1)~~	~~All Mortgages Without Cumulative Writedowns~~				~~XXX~~	~~0.0054~~	~~0.0014~~	~~N/A~~			
~~(2)~~	~~With Cumulative Writedowns:~~					~~0.0054~~	~~0.0014~~	~~N/A~~			
~~(3)~~						~~0.0054~~	~~0.0014~~	~~N/A~~			
	~~Total~~										
	~~In Process of Foreclosure – Unaffiliated~~										
~~(1)~~	~~All Mortgages Without Cumulative Writedowns~~				~~XXX~~	~~0.2300~~	~~†~~	~~†~~			
~~(2)~~	~~With Cumulative Writedowns:~~					~~0.2300~~	~~†~~	~~†~~			
~~(3)~~						~~0.2300~~	~~†~~	~~†~~			
	~~Total~~										
	~~In Process of Foreclosure – Affiliated~~										
~~(1)~~	~~All Mortgages Without Cumulative Writedowns~~				~~XXX~~	~~0.2300~~	~~†~~	~~†~~			
~~(2)~~	~~With Cumulative Writedowns:~~					~~0.2300~~	~~†~~	~~†~~			

~~(3)~~						~~0.2300~~	~~‡~~	~~‡~~			
	~~Total~~										
~~(99)~~	~~Total Schedule BA Mortgages~~										

~~This worksheet is prepared on a loan-by-loan basis for each of the mortgage categories listed in (Figure 9) that are applicable. The Column (2), (3), (5) and (10) subtotals for each category are carried over and entered in Columns (1), (2), (4) and (6) of the Schedule BA Mortgages (LR009) Lines (12) through (14) and Lines (16) through (18) in the risk-based capital formula. NOTE: This worksheet will be available in the risk-based capital filing software.~~

~~† See (Figure 9) for factors to use in the calculation. The In Good Standing Factor will be based on the CM category developed in the company generated worksheet (Figure 10) and reported in Column 7a.~~
~~‡ The RBC Requirement column (10) is calculated as the greater of Column (8) or Column (9), but not less than zero.~~
~~§ Involuntary reserves are reserves held as an offset to a particular asset that is clearly a troubled asset and are included on Page 3, Line 25 of the annual statement.~~
~~£ Column (4) is calculated as Column (2) less Column (3).~~
~~* Cumulative writedowns include the total amount of writedowns, amounts non-admitted and involuntary reserves that have been taken or established with respect to a particular mortgage.~~

(Figure 9)

The mortgage factors are used in conjunction with the mortgage worksheet~~s~~ (Figure~~s 8 and~~ 10) to calculate the RBC Requirement for each individual mortgage in an affiliated structure and in an unaffiliated structure where there are covenants. ~~The factors are used in Columns (6) and (7) of the mortgage worksheet (Figure 8) and are dependent on which of the 14 mortgage categories below the mortgage falls into.~~ Residential Mortgages and Commercial Mortgages Insured or Guaranteed are classified as Category CM1. The following factors are used for each category of mortgages:

	Schedule BA Mortgage Factors		
LR009 Line Number		~~Category~~ Factor~~‡~~	~~In Good Standing Factor~~
(3)	Unaffiliated – defeased with government securities	0.0090~~N/A‡~~	~~0.0090~~
(4)	Unaffiliated investments comprised primarily of Senior Debt	0.0175~~N/A‡~~	~~0.0175~~
(5)	Unaffiliated – all other unaffiliated mortgages	0.0300~~N/A‡~~	~~0.0300~~
(6)	Affiliated Mortgages and Unaffiliated Mortgages with Covenants – Category CM1	0.0090~~N/A‡~~	~~0.0090~~
(7)	Affiliated Mortgages and Unaffiliated Mortgages with Covenants – Category CM2	0.0175~~N/A‡~~	~~0.0175~~
(8)	Affiliated Mortgages and Unaffiliated Mortgages with Covenants – Category CM3	0.0300~~N/A‡~~	~~0.0300~~
(9)	Affiliated Mortgages and Unaffiliated Mortgages with Covenants – Category CM4	0.0500~~N/A‡~~	~~0.0500~~

(10)	Affiliated Mortgages and Unaffiliated Mortgages with Covenants ~~—~~ Category CM5	0.0750~~N/A‡~~	~~0.0750~~
(12)	90 Days Past Due - Insured or Guaranteed	0.0027	~~.0014~~
(13)	90 Days Past Due (CM6)- Unaffiliated with Covenants	~~0.1800~~0.1100	‡
(14)	90 Days Past Due (CM 6)~~–~~ Affiliated	~~0.1800~~0.1100	‡
(16)	In Process of Foreclosure - Insured or Guaranteed	0.0054	~~.0014~~
(17)	In Process of Foreclosure (CM7)- Unaffiliated with Covenants	~~0.2300~~0.1300	‡
(18)	In Process of Foreclosure (CM7)~~–~~ Affiliated	~~0.2300~~0.1300	‡

~~† The category factor is a factor used for a particular category of mortgage loans that are not in good standing.~~
~~‡ The RBC Requirement for mortgage loans in good standing are not calculated on Figure (8). These requirements are calculated on the company's Schedule BA Mortgage Worksheet and transferred to LR009 Schedule BA Mortgage Loans Lines (12) – (14) and (16) – (18).~~

(Figure 10)

Mortgage Worksheet (**c**ompany developed)
~~In Good Standing -~~ Commercial Mortgages and Farm Mortgages

Price Index current (year-end calculations to be based off of 3rd Quarter index of the given year)}	{input Price Index as of September 30}							
Name / ID (1)	Date of Origination (2)	Maturity Date (3)	Property Type (4)	Farm Loan Sub-property Type (5)	Postal Code (6)	Book/Adjusted Carrying Value (7)	Statutory Write-downs (8)	Statutory Involuntary Reserve (9)

Original Loan Balance (10)	Principal Loan Balance to Company (11)	Balloon Payment at Maturity (12)	Principal Balance Total (13)	NOI Second Prior Year (14)	NOI Prior Year (15)	NOI (16)	Interest Rate (17)

Trailing 12 Month Debt Service (18)	Original Property Value (19)	Property Value (20)	Year of Valuation (21)	Calendar Quarter of Valuation (22)	Credit Enhancement? (23)	Senior Debt (24)	Construction Loan (25)

Construction Loan out of Balance (26)	Construction Loan Issues (27)	Land Loan (28)	90 Days Past Due (29)	In Process of Foreclosure? (30)	Current payment lower than based on Loan Interest? (31)	Is loan interest floating? (32)	Is fixed rate reset during term? (33)

Is negative amortization allowed? (34)	Amortization Type (35)	Schedule BA mortgage? (36)	Affiliated Mortgage (37)	Covenant – Max LTV (39)	Covenant – Min DCR (40)	Loan Covenants in compliance? (41)	Defeased with government securities? (42)

Primarily Senior positions? (43)	Rolling Average NOI (44)	RBC DCR (45)	Price Index at Valuation (46)	Contemporaneous Property Value (47)	RBC - Loan to Value Ratio (48)	RBC Risk Category (49)

This worksheet is prepared on a loan-by-loan basis for each commercial mortgage – other or farm loan held in Schedule BA. The Column (7) and (9) subtotals for each category are carried over and entered in Columns (1) and (2) of the Mortgages (LR009) in the risk-based capital formula lines (2) – (10), (13) – (14), and (17) – (18). Small mortgages aggregated into one line on Schedule BA can be treated as one mortgage on this worksheet. ~~Amounts in Columns (7), (9) and (49) are carried individually to Worksheet A columns (2), (3) and (7a) for loans that are 90 Days Past Due and In Process of Foreclosure.~~ NOTE: This worksheet will not be available in the risk-based capital filing software and must be developed by the Company.

Column			Description / Explanation of Item
#	Heading		
			Price Index current is the value on 9/30 of the current year for the National Council of Real Estate Investor Fiduciaries Price Index for the United States.
(1)	Name / ID	Input	Identify each mortgage included as in good standing**.**
(2)	Date of Origination	Input	Enter the year and month that the loan was originated. If the loan has been restructured, extended, or otherwise re-written, enter that new date.
(3)	Maturity Date	Input	Enter earlier of maturity of the loan, or the date the lender can call the loan.
(4)	Property Type	Input	Enter 1 for mortgages with an Office, Industrial, Retail or multifamily property as collateral. Enter 2 for mortgages with a Hotel and Specialty Commercial as property type. For properties that are multiple use, use the property type with the greatest square footage in the property. Enter 3 for Farm Loans.
(5)	Farm Sub-type	Input	Sub-category – If Property Type=3 (Farm Loans), then you must enter a Sub Category: 1=Timber, 2=Farm and Ranch, 3=Agribusiness Single Purpose, 4=Agribusiness All Other**.** (See Note 8)
(6)	Postal Code	Input	Enter zip code of property for US properties. If multiple properties or zip codes, enter multiple codes. If foreign, enter postal code. If not available, N/A**.**
(7)	Book / Adjusted Carrying	Input	Enter the value that the loan is carried at on the company ledger.

	Value		
(8)	Statutory Writedowns	Input	Enter the value of any writedowns taken on this loan due to permanent impairment.
(9)	Involuntary Reserve	Input	Enter the amount of any involuntary reserve amount. Involuntary reserves are reserves that are held as an offset to a particular asset that is clearly a troubled asset and are included on Page 3 Line 25 of the Annual Statement.
(10)	Original Loan Balance?	Input	Enter the loan balance at the time of origination of the loan.
(11)	Principal Balance to Co.	Input	Enter the value of the loan balance owed by the borrower.
(12)	Balloon Payment at Maturity	Input	Enter the amount of any balloon or principal payment due at maturity.
(13)	Principal Balance Total	Input	Enter the total amount of mortgage outstanding that is senior to or pari passu with the company's mortgage
(14)	NOI Second Prior	Input	Enter the NOI from the year prior to the value in (15)**.** See Note 1.
(15)	NOI Prior	Input	Enter the NOI from the prior year to the value in (16)**.** See Note 1.
(16)	NOI	Input	Enter the Net Operating Income for the most recent 12 month fiscal period with an end-date between July 1 of the year prior to this report and June 30 of the year of this report. The NOI should be reported following the guidance of the Commercial Real Estate Finance Council Investor Reporting Profile v.5.0. Section VII. See Notes 1, 2, 3, 4, 5 and 6 below.
(17)	Interest Rate	Input	Enter the annual interest rate at which the loan is accruing. -If the rate is floating, enter the larger of the current month rate or the average rate of interest for the prior 12 months, or -If the rate is fixed by the contract, not level over the year, but level for the next 12 months, use current rate. If the 'Total Loan Balance' consists of multiple loans, use an average loan interest rate weighted by principal balance.
(18)	Trailing 12 Month Debt Service	Input	Enter actual 12 months debt service for prior 12 months**.**
(19)	Original Property Value	Input	Enter the loan balance at the time of origination of the loan.
(20)	Property Value	Input	The value of the Property at time of loan origination, or at time of revaluation due to impairment underwriting, restructure, extension, or other re-writing.
(21)	Year of Valuation	Input	Year of the valuation date defining the value in (20). This will be either the date of origination, or time of restructure, refinance, or other event which precipitates a new valuation.
(22)	Quarter of Valuation	Input	Calendar quarter of the valuation date defining the value in (20).
(23)	Credit Enhancement	Input	Enter the full dollar amount of any credit enhancement. (see Note 5)
(24)	Senior Loan?	Input	Enter 'Yes' if senior position, 'No' if not. (see Note 7)
(25)	Construction Loan?	Input	Enter 'Yes' if this is a construction loan. (see Note 4)
(26)	Construction – not in balance	Input	Enter 'Yes' if this is a construction loan that is not in balance. (see Note 4)
(27)	Construction – Issues	Input	Enter 'Yes' if this is a construction loan with issues. (see Note 4)
(28)	Land Loan?	Input	Enter 'Yes' if this is a loan on non-income producing land. (see Note 6)
(29)	90 days past due?	Input	Enter 'Yes' if payments are 90 days past due.
(30)	In process of foreclosure?	Input	Enter 'Yes' if the loan is in process of foreclosure.
(31)	Is current payment lower than a payment based on the Loan Interest?	Input	Yes / No
(32)	Is loan interest a floating	Input	Yes / No

	rate?		
(33)	If not floating, does loan reset during term?	Input	Yes / No - Some fixed rate loans define in the loan document a change to a new rate during the life of the loan, which may be a predetermined rate or may be the then current market rate. Generally any such changes are less frequent than annual.
(34)	Is negative amortization allowed?	Input	Yes / No
(35)	Amortization type?	Input	1 = fully amortizing 2 = amortizing with balloon 3 = full I/O 4 = partial I/O, then amortizing
(36)	Schedule BA mortgage?	Input	Yes / No
(37)	Affiliated Mortgage?	Input	Yes / No
(38)	Covenant Max LTV	Input	For mortgage investments with covenants, what is the maximum LTV allowed?
(39)	Covenant Min DCR	Input	For mortgage investments with covenants, what is the minimum DCR allowed?
(40)	Covenants in compliance?	Input	Yes / No – for mortgage investments with covenants, is the investment in compliance with the covenants?
(41)	Defeased with government securities	Input	Yes / No – has the mortgage loan been defeased using government securities?
(42)	Primarily Senior Mortgages	Input	Is the mortgage pool primarily senior mortgage instruments? {If yes, assign to CM2}
(43)	Rolling Average NOI	Computation	For 2012 – 100% of NOI For 2014 – 65% NOI + 35% NOI Prior For 2015 – 50% NOI + 30% NOI Prior + 20% NOI 2nd Prior For loans originated or valued within the current year**,** use 100% NOI. For loans originated 2012 or later and within 2 years, use 65% NOI and 35% NOI Prior**.**
(44)	RBC Debt Service	Computation	RBC Debt Service Amount is the amount of 12 monthly principal and interest payments required to amortize the Total Loan Balance (13) using a Standardized Amortization period of 300 months and the Annual Loan Interest Rate (17).
(45)	RBC - DCR	Computation	Debt Coverage Ratio is the ratio of the Net Operating Income (43) divided by the RBC Debt Service (44) rounded down to 2 decimal places. See Note 3 below for special circumstances. For loan pools with covenants, this will be the minimum DCR by covenant.
(46)	NCREIF Index at Valuation	Computation	Price index is the value of the NCREIF Price Index on the last day of the calendar quarter that includes the date defined in (21) and (22).
(47)	Contemporaneous Property Value	Computation	Contemporaneous Value is the Property Value (11) times the ratio (rounded to 4 decimal places) of the Price Index current to the Price Index (46).
(48)	RBC - LTV	Computation	The Loan to Value ratio is the Loan Value (13) divided by the Contemporaneous Value (47) rounded to the nearest percent. For Loan Pools with covenants, this will be the max LTV by covenant.
(49)	CM Category	Computation	Commercial Mortgage Risk category is the risk category determined by either being not in good standing (either 90 Days Past Due or In Process of Foreclosure) or the loan being in good standing or restructured and by applying the DCR (45) and the LTV (48) to the criteria in Figure (11), Figure (12) or Figure (13). See Notes 2, 3, 4, 5, and 6 below for special circumstances. If (41) = yes, CM1. If (42) = yes, CM2. If no LTV and DCR, and (41) = no and (42) = no, CM3.

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

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

The accepted industry standards for determining NOI were developed by the Commercial Mortgage Standards Association now known as CRE Financial Council (CREFC). The company must develop the NOI using the standards provided by the CREFC Methodology for Analyzing and Reporting Property Income Statements ~~v. 5.1~~ (www.crefc.org/irp). These standards are part of the CREFC Investor Reporting Package (CREFC IRP Section VII.) developed to support consistent reporting for commercial real estate loans owned by third party investors. This guidance is a standardized basis for determining NOI for RBC.

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

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

Note 2: The calculation of debt service coverage and loan to value will include all debt secured by the property that is (1) senior to or pari passu with the insurer's investment; and (2) any debt subordinate to the insurer's investment that is not (a) subject to an intercreditor, standstill or subordination agreement with the insurer provided that the agreement does not grant the subordinate debt holder any rights that would materially affect the rights of the insurer and provided that the subordinate debt holder is prohibited from taking any action against the borrower that would materially affect the insurer's priority lien position with respect to the property without the prior written consent of the insurer, or (b) subject to governing laws that provide that the insurer's investment holds a senior position to the subordinated debt holder and provide substantially similar protections to the insurer as in (2)(a) above.

Note 3: *Unavailable Operating Statements:*
There are a variety of situations where the most recent annual period's operating statement may not be available to assist in determining NOI. These situations will occur in distinct categories and each category requires special consideration. The categories are:

1. Loans on owner occupied properties

a. For properties where the owner is the sole or primary tenant (50% or more of the rentable space), property level operating statements may not be available or meaningful. If the property is occupied and the loan, taxes and insurance are current, it will be acceptable to derive income and a reasonable estimate of expenses from the most recent appraisal or equivalent and additional known actual expenses (e.g., real estate taxes and insurance).

b. For properties where the owner is a minority tenant (49% of less of the rentable space), the owner-occupied space should be underwritten at the average rent per square foot of the arm's length tenant leases. This income estimate should be added to the other tenant leases and combined with a reasonable estimate of expenses based on the most recent appraisal or equivalent and additional known actual expenses (e.g., real estate taxes and insurance).

2. Borrower does not provide the annual operating statement

a. Borrower refuses to provide the annual operating statements
   i. If the leases are in place and evidenced by estoppels and inspections, NOI would be derived from normalized underwriting in accordance with the CREFC Methodology for Analyzing and Reporting Property Income Statements.
   ii. If there is evidence from inspection that the property is occupied, but there is no evidence of in place leases (e.g., lease documents or estoppels), NOI would be set equal to the lesser of calculated debt service (DSC=1.0) or the NOI from the normalized underwriting.
   iii. If there is no evidence from inspection that the property is occupied and no evidence of in place leases (e.g., lease documents or estoppels), assume NOI = $0.

b. If the borrower does not have access to a complete previous year operating statement, determine NOI based on the CREFC guidelines for analyzing a partial year income statement.

Note 4: Construction loans

Construction loans would be categorized as follows, based on a determination by the loan servicer whether the loan is in balance and whether construction issues exist:

a.	In balance, no construction issues:	DSC = 1.0, LTV determined as usual
b.	Not in Balance, no construction issues:	CM4
c.	Construction issues:	CM5

A loan is *"in balance"* if the committed amount of the construction loan plus any lender held reserves and unfunded borrower equity is sufficient to cover the remaining costs of the development project, including debt service not anticipated to be paid from property operations.

A *"construction issue"* is a problem that may reasonably jeopardize the completion of the project. Examples of construction issues include the abandonment of construction and construction defects that are not being addressed.

Note 5: Credit enhancements: Where the loan payments are secured by a letter of credit from an investment grade financial institution or an escrow account held at an investment grade financial institution, NOI less than the debt service may be increased by these amounts until it is equal to but not exceeding the debt service. These situations are typically short term in nature, and are intended to bridge the lease-up following renovation or loss of a major tenant.

Note 6: Non-income-producing land: NOI = $0

Note 7: Non-senior financing

a. The company should first calculate DSC and LTV for non-senior financing using the standardized debt service and aggregate LTV of all financing pari passu and senior to the position held by the company.
b. The non-senior piece should then be assigned to the next riskier RBC category. For example, if the DSC and LTV metrics determined in (a) indicate a category of CM2, the non-senior piece would be assigned to category CM3. However, it would not be required to assign a riskier category than CM5 if the loan is not at least 90-days delinquent or in foreclosure.

Note 8: Definitions of each type of Farm Mortgage:

Timber: A loan is classified as a timber loan if more than 50% of the collateral market value (land and timber) of the security is attributable to land supporting a timber crop that is or will be of commercial value.

Farm & Ranch: Farm and ranch land utilized in the production of agricultural commodities of all kinds, including grains, cotton, sugar, nuts, fruits, vegetables, forage crops and livestock of all kinds, including, beef, swine, poultry, fowl and fish. Loans included in this category are those in which agricultural land accounts for more than 50% of total collateral market value.

Agribusiness Single Purpose: Specialized collateral utilized in the production, further processing, adding value or manufacturing of an agricultural commodity or forest product. In order for a loan to be classified as such, the market value of the single-purpose (special use) collateral would account for more than 50% of total collateral market value.

This collateral is generally not multi-functional and can only be used for a specific production, manufacturing and/or processing function within a specific sub-sector of the food or agribusiness industry and whereby such assets are not strategically important in nature to the overall industry capacity. These assets can be shut down or replicated easily in other locations, or existing plants can be expanded to absorb shuttered capacity. The assets are not generally limited in nature by environmental or operational permits and/or regulatory requirements. An example would be a poultry processing plant located in the Southeast of the United States where there is excess capacity inherent to the industry and production capacity is easily replaceable.

Other loans included in this category are those collateralized by single purpose (special use) confinement livestock production facilities in which the special use facilities account for more than 50% of total collateral market value.

Agribusiness All Other: Multiple-use collateral utilized in the production, further processing, adding value or manufacturing of an agricultural commodity or forest product. In order for a loan to be classified as such, the market value of any single use portion may not be greater than 50% of total collateral market value.

This collateral is multi-functional in nature, adaptable to other manufacturing, processing, or servicing food or agribusiness industries or sub-industries. Assets could also be very strategic in nature and not easily replaceable either due to cost, location, environmental permitting and/or government regulations. These assets may be single purpose in nature, but so vital to the industry capacity needs that they will be generally purchased by another like processing company or strategic or financial buyer. An example of these types of assets are strategically located and highly automated cold storage facilities whereby they can be used for dry storage, distribution centers or converted into warehouse or other type uses. Another example may be a cheese processing plant that is strategically located within the heart of the dairy industry, limited permits, environmental restrictions that would limit added capacity, or high barriers to entry to build a like facility within the industry. For example, one of the largest cheese plants in the industry is located in California and it is not easily replicated within the cheese processing industry due to its location, capacity, costs, access to fluid milk supply and related feed and water, as well as highly regulated environmental and government restrictions.

Other loans included in this category are those in which more than 50% of the collateral market value is accounted for by chattel assets or other assets related to the business and financial operations of agribusinesses, including inventories, accounts, trade receivables, cash and brokerage accounts, machinery, equipment, livestock and other assets utilized for or generated by agribusiness operations.

(Figure 11)

For Office, Industrial, Retail and Multi-family

Risk Category	DSC Limits		LTV Limits
CM1	1.50 ≤ DSC	and	LTV < 85%
CM2	0.95 ≤ DSC < 1.50	and	LTV < 75%
CM2	1.15 ≤ DSC < 1.50	and	75% ≤ LTV < 100%
CM2	1.50 ≤ DSC	and	85% ≤ LTV < 100%
CM2	1.75 ≤ DSC	and	100% ≤ LTV
CM3	DSC < 0.95	and	LTV < 85%
CM3	0.95 ≤ DSC < 1.15	and	75% ≤ LTV < 100%
CM3	1.15 ≤ DSC < 1.75	and	100% ≤ LTV
CM4	DSC < 0.95	and	85% ≤ LTV < 105%
CM4	0.95 ≤ DSC < 1.15	and	100% ≤ LTV
CM5	DSC < 0.95	and	105% ≤ LTV
CM6	Loans 90 days past due but not yet in process of foreclosure		
CM7	Loans in process of foreclosure		

(Figure 12)

For Hotels and Specialty Commercial

Risk category	DSC limits		LTV limits
CM1	1.85 ≤ DSC	and	LTV < 60%
CM2	1.45 ≤ DSC < 1.85	and	LTV < 70%
CM2	1.85 ≤ DSC	and	60% ≤ LTV < 115%
CM3	0.90 ≤ DSC < 1.45	and	≤ LTV < 80%
CM3	1.45 ≤ DSC < 1.85	and	70% ≤ LTV
CM3	1.85 ≤ DSC	and	115% ≤ LTV
CM4	DSC < 0. 90	and	LTV < 90%
CM4	0.90 ≤ DSC < 1.10	and	80% ≤ LTV < 90%
CM4	1.10 ≤ DSC < 1.45	and	80% ≤ LTV
CM5	1.10 ≤ DSC	and	90% ≤ LTV
CM6	Loans 90 days past due but not yet in process of foreclosure		
CM7	Loans in process of foreclosure		

(Figure 13)

For Farm Loans:

	Timber	Farm & Ranch	Agribusiness Single Purpose	Agribusiness All Other

CM1	LTV <= 55%	LTV <= 60%		LTV <= 60%
CM2	55% < LTV <= 65%	60% < LTV <= 70%	LTV <= 60%	60% < LTV <= 70%
CM3	65% < LTV <= 85%	70% < LTV <= 90%	60% < LTV <= 70%	70% < LTV <= 90%
CM4	85% < LTV <= 105%	90% < LTV <= 110%	70% < LTV <= 90%	90% < LTV <= 110%
CM5	105% < LTV	110% < LTV	90% < LTV	110% < LTV
CM6	Loans 90 days past due but not yet in process of foreclosure			
CM7	Loans in process of foreclosure			

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

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

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.

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

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

Attachment Eight

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

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

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
4-17-23 cgb The HRBCWG referred the proposal to the Capital Adequacy (E) Task Force for exposure for all lines of business.

**** 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 greater 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 (e.g. 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 Contract 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.

+

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.
+
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 (e.g. 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 (e.g. 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 Contract 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.

+

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 (e.g. 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 (e.g. 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 Contract 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.

+

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 (e.g. 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.

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

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TO: Thomas Botsko, Chair, Capital Adequacy (E) Task Force
Rachel Hemphill, Chair, Life Actuarial (A) Task Force
Philip Barlow, Chair, Risk-Based Capital Investment Risk and Evaluation (E) Working Group

FROM: Carrie Mears, Chair, Valuation of Securities (E) Task Force

CC: Charles A. Therriault, Director, NAIC Securities Valuation Office (SVO)
Marc Perlman, Managing Investment Counsel, NAIC Securities Valuation Office (SVO)
Eric Kolchinsky, Director, NAIC Structured Securities Group (SSG) and Capital Markets Bureau
Dave Fleming, Sr. Life RBC Analyst, NAIC Financial Regulatory Affairs
Jennifer Frasier, Life Examination Actuary, NAIC Financial Regulatory Affairs
Scott O'Neal, Life Actuary, NAIC Financial Regulatory Affair
Eva Yeung, Sr. P/C RBC Analyst/Technical Lead, NAIC Financial Regulatory Affairs

RE: Referral regarding a Proposed Purposes and Procedures Manual (P&P Manual) Amendment to Define and Add Guidance for Structured Equity and Funds

DATE: February 3, 2023

Summary – The SVO has processed several private letter rating (PLR) filings for investments in notes issued by special purpose vehicles or other legal entities that operate as feeder funds which themselves then invest, directly or indirectly, in one or more funds or other equity investments. The SVO proposes defining these investments as Structured Equity and Fund investments.[1] The SVO proposed at the 2022 Fall National Meeting the removal of Structured Equity and Fund investments from Filing Exemption, the reliance upon a credit rating provider (CRP) ratings for the assignment of NAIC Designations. The SVO is concerned about this general structure for the following reasons:

[1] Proposed Definition: A Structured Equity and Fund investment is a note issued by, or equity or limited partnership interest in, a special purpose vehicle, trust, limited liability company, limited partnership, or other legal entity type, as issuer, the contractually promised payments of which are wholly dependent, directly or indirectly, upon payments or distributions from one or more underlying equity or fund investments. The inclusion of an intervening legal entity or entities between the Structured Equity and Fund investment issuer and the underlying equity or fund(s), does not change the risk that the insurer investment is ultimately dependent, in whole or in part, upon an investment in equity or one or more funds and its underlying investments. Any design that circumvents this definition, and related examples, through technical means but which in substance achieves the same ends or poses the same risk, shall be deemed a Structured Equity and Fund.

1) Circumvent Regulatory Guidance - The introduction of an intervening entity as debt issuer, when the underlying investment is in substance an equity investment, circumvents regulatory guidance established by the Valuation of Securities (E) Task Force, the Statutory Accounting Principles (E) Working Group and the Capital Adequacy (E) Task Force for the reporting of equity investments because, according to the P&P Manual (i) equity and fund investments are ineligible to use credit rating provider (CRP) ratings in the assignment of an NAIC Designation and (ii), in the case of funds, only the SVO is tasked with determining whether a fund produces fixed-income like cash flows and is therefore eligible for specific classification.

   All non-SEC registered funds are required to be reported on Schedule BA. Life insurance entities are permitted to file investments in non-SEC registered private equity funds, partnerships, limited liability companies and joint ventures with the SVO for specific classification on Schedule BA;

2) Reliance on Ratings - These investments are being reported as bonds and receiving bond risk-based capital (RBC) factors based upon the mechanical assignment of NAIC Designations that rely upon CRP ratings through the filing exempt process. The use of CRP ratings would not be permitted for the fund or equity investments which underly these notes if the equity or fund investments were held directly;

3) RBC / Investment Limit Arbitrage - The structure may permit in-substance equity and fund investments to obtain better RBC treatment than would otherwise be received if the investments had been directly reported. In addition to improved RBC treatment, the structures could permit entities to hold more underlying equity / fund investments than would be permitted under state investment law; and

4) Transparency - The structures typically use two or more interconnected private entities through which the privately rated "bond" securities are issued that are backed by investments in non-public assets. The many non-public layers deny regulators, and possibly insurer investors, transparency into the true underlying risks, credit exposure and nature of the investment. The notes issued are described generically as a "senior note" or "term loan" further obscuring their actual structure and complexity. These structures can invest in any asset including affiliate investments, non-fixed income investments, derivatives, borrowings for the purpose of leverage and non-admitted assets.

It is possible that many of the transactions the SVO has processed would not qualify as bonds eligible for Schedule D-1 reporting according to the principles-based bond definition currently being drafted by the Statutory Accounting Principles (E) Working Group, while others likely will qualify. The bond definition requires a review of the substance of the investment to determine whether it has the substance of a bond; significantly, that the ultimate underlying collateral has fixed income cash flows. In either case, however, the use of a fund intermediary has the potential to be abused and requires significant judgment to understand the substance and nature of the ultimate underlying risk. This has already been recognized by the establishment of processes for the SVO to provide NAIC Designations for fixed-income-like funds. It would then follow that debt instruments backed by the types of funds that would ordinarily be required to be filed with the SVO, should follow the same process.

Informational Referral – Given the magnitude of the multiple regulatory arbitrage opportunities, the judgment involved in assessing the nature of the ultimate risk, the lack of transparency, circumvention of regulatory guidance and the reliance on CRP ratings to accomplish these ends, the SVO proposed amending the P&P Manual to include a definition for Structured Equity and Fund and to exclude such investments from Filing Exemption eligibility. The proposed amendment would not change how the investment is classified for reporting by the insurer but it would ensure that the NAIC Designation and Category assigned are appropriate for the risk. This is an informational referral and no direct action is required by the Capital Adequacy (E) Task Force, Life Actuarial (A) Task Force or Risk-based Capital Investment Risk and Evaluation (E) Working Group unless those groups wish to comment on the proposal.

Please contact Charles Therriault or Marc Perlman with any questions.

https://naiconline.sharepoint.com/teams/SVOVOSTaskForce/Shared Documents/Meetings/2023/Referrals/To CATF LATF RBCIRE/VOSTF Referral to CATF LATF RBCIRE - Structured Equity and Funds 2022-02-03.docx

NAIC NATIONAL ASSOCIATION OF INSURANCE COMMISSIONERS

TO: Elizabeth Kelleher Dwyer, Chair, Financial Conditions (E) Committee
Marlene Caride, Chair, Financial Stability (E) Task Force
Bob Kasinow, Chair, Macroprudential (E) Working Group
Thomas Botsko, Chair, Capital Adequacy (E) Task Force
Phillip Barlow, Chair, Risk-Based Capital Investment Risk and Evaluation (E) Working Group
Cassie Brown, Chair, Life Actuarial (A) Task Force
Judy Weaver, Chair, Financial Analysis (E) Working Group
Dale Bruggeman, Chair, Statutory Accounting Principles (E) Working Group
Fred Andersen, Chair, Valuation Analysis (E) Working Group

FROM: Carrie Mears, Chair, Valuation of Securities (E) Task Force

CC: Charles A. Therriault, Director, NAIC Securities Valuation Office (SVO)
Eric Kolchinsky, Director, NAIC Structured Securities Group (SSG) and Capital Markets Bureau
Dan Daveline, Director, NAIC Financial Regulatory Services
Todd Sells, Director, NAIC Financial Regulatory Policy & Data
Marc Perlman, Managing Investment Counsel, NAIC Securities Valuation Office (SVO)
Julie Gann, Assistant Director, NAIC Solvency Policy
Bruce Jenson, Assistant Director, NAIC Solvency Monitoring
Pat Allison, Managing Life Actuary, NAIC Financial Regulatory Affairs
Jane Koenigsman, Sr. Manager II, NAIC L/H Financial Analysis
Andy Daleo, Sr. Manager I, NAIC P/C Domestic and International Analysis
Dave Fleming, Sr. Life RBC Analyst, NAIC Financial Regulatory Affairs
Jennifer Frasier, Life Examination Actuary, NAIC Financial Regulatory Affairs
Scott O'Neal, Life Actuary, NAIC Financial Regulatory Affair
Eva Yeung, Sr. P/C RBC Analyst/Technical Lead, NAIC Financial Regulatory Affairs

RE: Referral on Additional Market and Analytical Information for Bond Investments

DATE: February 13, 2023

Summary – The Investment Analysis Office (IAO) staff recommended in its Feb. 25, 2022, memorandum to the Valuation of Securities (E) Task Force (VOSTF) (attached hereto, Blanks Market Data Disclosure v2.pdf) that it would like additional market-data fields added to the annual statement instructions for bond investments. This was, in part, based upon the NAIC's adoption in 2010 of the recommendations of

the Rating Agency (E) Working Group (RAWG), which was formed following the Great Financial Crisis of 2007-2008 to study the NAIC's reliance on rating agencies, and the IAO staff's recent findings in its Nov. 2021 memo regarding disparities between rating agencies. RAWG recommended that: 1) regulators explore how reliance on rating agencies can be reduced when evaluating new, structured, or alternative asset classes, particularly by introducing additional or alternative ways to measure risk; and 2) consider alternatives for regulators' assessment of insurers' investment risk, including expanding the role of the NAIC Securities Valuation Office ("SVO"); and 3) VOSTF should continue to develop independent analytical processes to assess investment risks. These mechanisms can be tailored to address unique regulatory concerns and should be developed for use either as supplements or alternatives to ratings, depending on the specific regulatory process under consideration.

The NAIC's need for alternative measures of investment risk has only increased since RAWG made its recommendations, as privately issued and rated complex structured finance transactions have become commonplace without adequate ways of identifying them. The SVO recommended the following market data fields to be added to the annual statement instructions: Market Yield, Market Price, Purchase Yield, Weighted Average Life, Spread to Average Life UST, Option Adjusted Spread, Effective Duration, Convexity and VISION Issue ID. Please refer to the attached memo for more detail on each data field.

In comments received from industry there were question as to how the SVO, VOSTF and/or other regulators who would receive the analytic data included in the proposal would utilize that information and why it is of value to them. The SVO was also asked to consider industry's recommendation that the NAIC be responsible for calculating this analytical information by utilizing commercially available data sources and investment models instead of having each individual insurance company incur the costs to implement system changes. The SVO shared their thoughts on the alternatives in the Jul. 14, 2022, memorandum to the VOSTF (attached, Blanks_Market_Data_Options_v3.pdf).

Capabilities like this within the SVO would permit it to calculate for regulators all the analytic values previously mentioned for any Schedule D investment along with additional measures such as key rate duration (a measure of interest rate sensitivity to maturity points along the yield curve), sensitivity to interest rate volatility, principal and interest cash flow projections for any security or portfolio for any given interest rate projection, loss estimates for any security for any given scenario and many others measures.

Referral – VOSTF refers this matter to the above referenced Committees, Task Forces and Working Groups for consideration and requests a response from you by May 15th outlining:

1. Indicate if your group is supportive of creating this capability within the SVO.
2. List the investment analytical measures and projections that would be most helpful to support the work performed by your respective group.
3. Describe how your group would utilize the data and why it would be of value.
4. Are there other investment data or projection capabilities that would be useful to your group that could be provided by commercially available data sources or investment models? And if so, please list them.
5. Any other thoughts you may have on this initiative.

Please contact Charles Therriault or Marc Perlman with any questions.

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