



Date: 10/14/24

Virtual Meeting

LIFE RISK-BASED CAPITAL (E) WORKING GROUP

Wednesday, October 23, 2024

12:00 – 1:00 p.m. ET / 11:00 a.m. – 12:00 p.m. CT / 10:00 – 11:00 a.m. MT / 9:00 – 10:00 a.m. PT

ROLL CALL

Philip Barlow, Chair	District of Columbia	William Leung	Missouri
Ben Slutsker, Vice Chair	Minnesota	Margaret Garrison	Nebraska
Sheila Travis	Alabama	Jennifer Li	New Hampshire
Thomas Reedy	California	Seong-min Eom	New Jersey
Wanchin Chou	Connecticut	Bill Carmello	New York
Dalora Schafer	Florida	Andrew Schallhorn	Oklahoma
Vincent Tsang	Illinois	Rachel Hemphill	Texas
Mike Yanacheak	Iowa	Tomasz Serbinowski	Utah

NAIC Support Staff: Kazeem Okosun

AGENDA

1. Consider Adoption of its Summer National Meeting Minutes—*Philip Barlow (DC)* Attachment 1
2. Receive Updates from its Subgroups—*Philip Barlow (DC)*
 - A. Generator of Economic Scenarios (GOES) (E/A) Subgroup
 - B. Longevity Risk (E/A) Subgroup
 - C. Variable Annuities Capital and Reserve (E/A) Subgroup
3. Discuss Proposal 2024-21-L Tax Credit—*Philip Barlow (DC)* Attachments 2 and 3
4. Discuss Proposal 2024-24-L Principle-Based Bond Project—*Philip Barlow (DC)* Attachment 4
5. Discuss Any Other Matters Brought Before the Working Group—*Philip Barlow (DC)*
6. Adjournment

Draft Pending Adoption

Attachment #
Capital Adequacy (E) Task Force
8/14/24

Draft: 8/21/24

Life Risk-Based Capital (E) Working Group
Chicago, Illinois
August 14, 2024

The Life Risk-Based Capital (E) Working Group of the Capital Adequacy (E) Task Force met in Chicago, IL, Aug. 14, 2024. The following Working Group members participated: Thomas Reedy, Acting Chair (CA); Ben Slutsker, Vice Chair (MN); Sheila Travis and Sanjeev Chaudhuri (AL); Wanchin Chou (CT); Vincent Tsang (IL); Mike Yanacheak and Kevin Clark (IA); William Leung and John Rehagen (MO); Margaret Garrison (NE); Jennifer Li (NH); Seong-min Eom (NJ); Bill Carmello (NY); Rachel Hemphill (TX); and Tomasz Serbinowski (UT). Also participating were: Kevin Dyke (MI); Fred Andersen (MN); Tom Botsko and Peter Weber (OH); and Diana Sherman (PA).

1. Adopted its June 18, April 19, and Spring National Meeting Minutes

The Working Group met June 18 and April 19. During these meetings, the Working Group took the following action: 1) adopted proposal 2024-15-L to address collateral loans; 2) adopted proposal 2024-17-L to add a factor for omitted Schedule BA mortgages; 3) adopted proposal 2024-04-L to add a line for total adjusted capital (TAC) adjustment for non-admitted affiliates; 4) adopted proposal 2024-05-L to add a line to Schedule BA mortgages for omitted asset valuation reserve (AVR); 5) discussed covariance; 6) discussed C-3 risk; 7) discussed proposal 2024-03-L (repurchase agreements); and 8) discussed proposal 2024-07-L (other long-term assets).

Chou made a motion, seconded by Yanacheak, to adopt the Working Group's June 18 **(Attachment)**, April 19 **(Attachment)**, and March 17 (*see NAIC Proceedings – Spring 2024, Capital Adequacy (E) Task Force, Attachment C*) minutes. The motion passed unanimously.

2. Received Updates from its Subgroups

A. Generator of Economic Scenarios (GOES) (E/A) Subgroup

Yanacheak said the Subgroup conducted a field test of a revised calibration of the GOES from April to July. He added that the Subgroup is holding meetings in regulator-to-regulator session to discuss field test results with participants and that variable annuity (VA) and life insurance model office testing have been performed alongside the field testing. He said the next steps before the Subgroup are to:

- Finish the remaining participant-to-regulator discussions and summarize the field test's key insights in the GOES (E/A) Subgroup's public meetings.
- Request the model office testing and/or analysis be evaluated against other key deliverables for the GOES project.
- Schedule a series of GOES (E/A) Subgroup calls to continue working toward implementation. Subgroup meetings will focus on building out a GOES model governance framework, improving documentation, finalizing the stochastic exclusion ratio test (SERT) scenarios, and making any adjustments to the GOES calibration after reviewing feedback from the field test.
- Make a series of recommendations to the Life Actuarial (A) Task Force and the Life Risk-Based Capital (E) Working Group for deliberation and adoption. Given where the Subgroup is in the timeline, adoption is not expected to occur and be effective sooner than 2026. However, Yanacheak made it clear that the GOES (E/A) Subgroup intends to push as hard as the Subgroup can to implement the GOES for 2026.

Draft Pending Adoption

Attachment #
Capital Adequacy (E) Task Force
8/14/24

B. Longevity Risk (E/A) Subgroup

Eom reported that the Subgroup is currently waiting for more progress on the draft of Valuation Manual (VM)-22, Statutory Maximum Valuation Interest Rates for Income Annuities. She stated that VM-22 has been exposed and is currently being discussed. Eom stated that the Subgroup is also waiting for a field-testing follow-up of the current goals field test of VM-20, Requirements for Principle-Based Reserves for Life Products and VM-21, Requirements for Principle-Based Reserves for Variable Annuities.

C. Variable Annuities Capital and Reserve (E/A) Subgroup

Weber said the Subgroup has met twice since the Spring National Meeting, and that was the culmination of work to update the assumptions in a portion of the VM-21 reserve calculation.

3. Adopted the 2024 Life RBC Newsletter

Chou made a motion, seconded by Yanacheak, to adopt the 2024 life risk-based capital (RBC) newsletter (Attachment XX). The motion passed unanimously.

4. Adopted the 2023 Life RBC Statistics

Yanacheak made a motion, seconded by Andersen, to adopt the 2023 life RBC statistics (Attachment XX). The motion passed unanimously.

The Working Group noted Tsang's observations regarding high RBC weights on C-1 asset default risk, while fewer weights are given to C-2 insurance risk and C-3 interest rate risk as an issue that should be discussed further.

5. Discussed a Referral on Investments in Tax Credit Structures

The Working Group received a referral from the Statutory Accounting Principles (E) Working Group regarding investments in tax credit structures (Attachment XX) and noted the following: 1) the Statutory Accounting Principles (E) Working Group adopted changes to accounting guidance for tax credit investments; 2) the Blanks (E) Working Group adopted proposal 2024-11-BWG, which removed the federal guaranteed tax credit investments category; and 3) NAIC staff are working on an RBC proposal to accommodate the adopted blanks changes.

6. Discussed the Schedule BA Proposal for Non-Bond Debt Securities

The Working Group discussed the following updates to the Schedule BA proposal for non-bond debt securities (Attachment XX): 1) there are new reporting lines for non-bond debt securities; and 2) existing Schedule BA concepts where an entity can file securities that do not qualify as a bond with the Securities Valuation Office (SVO) have been incorporated, and if they receive an SVO-assigned designation, for life companies, it would then flow through the asset valuation reserve (AVR) and receive life RBC bond factors. This is expected to go into effect Jan. 1, 2025.

7. Adopted its Working Agenda

Draft Pending Adoption

Attachment #
Capital Adequacy (E) Task Force
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Chou made a motion, seconded by Yanacheak, to adopt the Working Group's working agenda. The motion passed, subject to edits suggested by Clark and Chou to the item regarding the Schedule BA proposal for non-bond debt securities and the item on the RBC statistics, along with the addition to the working agenda of the proposal for the separation of Schedule D into Schedules D, Part 1, Section 1 and Schedule D, Part 1, Section 2.

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

SharePoint/NAIC Support Staff Hub/Committees/E CMTE/CADTF/2024-2-Summer/Life RBC 08-14-24 Minutes.docx

MEMORANDUM

TO: Tom Botsko, representing Judith L. French, Chair of the Capital Adequacy (E) Task Force
Mike Yanacheak, representing Doug Ommen, Vice-Chair of the Capital Adequacy (E) Task Force
Philip Barlow, Chair of the Life Risk-Based Capital (E) Working Group
Ben Slutsker, Vice-Chair of the Life Risk-Based Capital (E) Working Group

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

DATE: October 7, 2024

RE: SAPWG Referral for Investments in Tax Credit Structures

This is an update to our previous referral dated March 26, 2024, regarding the Blanks July 2024 adoption of agenda item #2024-11BWG. During our discussions with industry on the revisions proposed by 2024-11BWG, it was noted that the RBC instructions included duplicate reporting guidance for low-income housing tax credit (LIHTC) investments.

As the revisions from agenda items 2022-14 and 2024-11BWG are effective January 1, 2025, we recommend that the CATF and LRBCWG begin the exposure process to update RBC instructions and either remove or update the LIHTC investment instructions shown in LR008, PR008, and XR08 as the current instructions are no longer relevant.

The Working Group appreciates your time and consideration of this referral. If you have any questions, please contact Dale Bruggeman, or Kevin Clark, SAPWG Chair and Vice Chair, with any questions.

Cc: Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr, Wil Oden, Eva Yeung, Dave Fleming, Maggie Chang, Kazeem Okosun; Derek Noe

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/Stat Acctg_Statutory_Referrals/2024/SAPWG to CATF and LRBCWG - NMTCC - 10-7-24.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/Stat%20Acctg_Statutory_Referrals/2024/SAPWG%20to%20CATF%20and%20LRBCWG%20-%20NMTCC%20-%2010-7-24.docx)

Capital Adequacy (E) Task Force

RBC Proposal Form

- | | | |
|-------------------------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------|
| <input type="checkbox"/> Capital Adequacy (E) Task Force | <input type="checkbox"/> Health RBC (E) Working Group | <input checked="" type="checkbox"/> Life RBC (E) Working Group |
| <input type="checkbox"/> Catastrophe Risk (E) Subgroup | <input type="checkbox"/> P/C RBC (E) Working Group | <input type="checkbox"/> Longevity Risk (A/E) Subgroup |
| <input type="checkbox"/> Variable Annuities Capital. & Reserve (E/A) Subgroup | <input type="checkbox"/> Economic Scenarios (E/A) Subgroup | <input type="checkbox"/> RBC Investment Risk & Evaluation (E) Working Group |

<p style="text-align: right;">DATE: <u>8/20/2024</u></p> <p>CONTACT PERSON: <u>Kazeem Okosun</u></p> <p>TELEPHONE: <u>816-783-8981</u></p> <p>EMAIL ADDRESS: <u>kokosun@naic.org</u></p> <p>ON BEHALF OF: <u>Life Risk-Based Capital (E) Working Group</u></p> <p>NAME: <u>Philip Barlow, Chair</u></p> <p>TITLE: <u>Associate Commissioner of Insurance</u></p> <p>AFFILIATION: <u>District of Columbia</u></p> <p>ADDRESS: <u>1050 First Street, NE Suite 801</u> <u>Washington, DC 20002</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <p>Agenda Item # <u>2024-21-L</u> Year <u>2025</u></p> <p style="text-align: center;">DISPOSITION</p> <p>ADOPTED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p>EXPOSED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p>REJECTED:</p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p>OTHER:</p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> (SPECIFY) _____</p>
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IDENTIFICATION OF SOURCE AND FORM(S)/INSTRUCTIONS TO BE CHANGED

- | | | |
|--------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------|
| <input type="checkbox"/> Health RBC Blanks | <input type="checkbox"/> Property/Casualty RBC Blanks | <input checked="" type="checkbox"/> Life and Fraternal RBC Blanks |
| <input type="checkbox"/> Health RBC Instructions | <input type="checkbox"/> Property/Casualty RBC Instructions | <input checked="" type="checkbox"/> Life and Fraternal RBC Instructions |
| <input type="checkbox"/> Health RBC Formula | <input type="checkbox"/> Property/Casualty RBC Formula | <input checked="" type="checkbox"/> Life and Fraternal RBC Formula |
| <input type="checkbox"/> OTHER _____ | | |

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

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

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

Additional Staff Comments:

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

**** This section must be completed on all forms.**

Revised 2-2023

REAL ESTATE LR007

Basis of Factors

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

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

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

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

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

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

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

Specific Instructions for Application of the Formula

Column (1)

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

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

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

Line (4) should equal AVR Equity Component Column 1 Line 20.
 Line (5) should equal AVR Equity Component Column 3 Line 20.
 Line (7) should equal AVR Equity Component Column 1 Line 19.
 Line (8) should equal AVR Equity Component Column 3 Line 19.
 Line (14) should equal Schedule BA, Part 1, Column 12, Line 2199999 plus Line 2299999, in part.
 Line (15) should equal Schedule BA, Part 1, Column 12, Line 2199999 plus Line 2299999, in part.
 Line (17) should equal AVR Equity Component Column 1 Line 75.
 Line (18) should equal AVR Equity Component Column 1 Line 76.
 Line (19) should equal AVR Equity Component Column 1 Line 77.
 Line (20) should equal AVR Equity Component Column 1 Line 78.
 Line (21) should equal AVR Equity Component Column 1 Line 79.

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

Column (2)

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

Column (3)

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

Line (17)

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

Line (18)

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

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

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

Line (19)

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

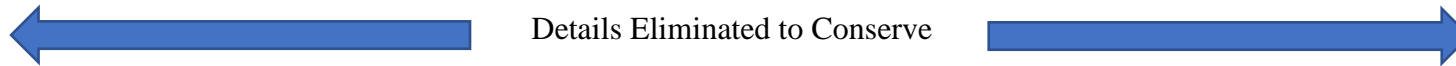
Line (20)

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

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

Line (21)

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



Company Name

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NAIC Company Code

REAL ESTATE

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

† Column (2) is calculated as Column (3) divided by Column (1).

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

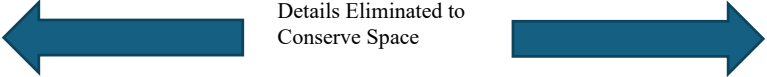
← Details Eliminated to Conserve Space →

Company Name

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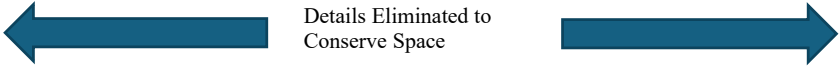
NAIC Company Code

ASSET CONCENTRATION FACTOR



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

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

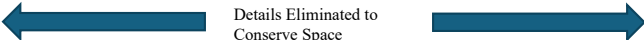


Company Name

Confidential when Completed

NAIC Company Code

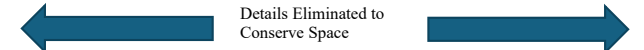
CALCULATION OF TAX EFFECT FOR LIFE AND FRATERNAL RISK-BASED CAPITAL



(042)	Unaffiliated Preferred Stock NAIC 5
(043)	Unaffiliated Preferred Stock NAIC 6
(044)	Preferred Stock Reduction-Reinsurance
(045)	Preferred Stock Increase-Reinsurance <u>Separate Accounts</u>
(046)	Guaranteed Index
(047)	Nonindex-Book Reserve
(048)	Separate Accounts Nonindex-Market Reserve
(049)	Separate Accounts Reduction-Reinsurance
(050)	Separate Accounts Increase-Reinsurance
(051)	Synthetic GICs
(052)	Separate Account Surplus <u>Real Estate</u>
(053)	Company Occupied Real Estate
(054)	Foreclosed Real Estate
(055)	Investment Real Estate
(056)	Real Estate Reduction - Reinsurance
(057)	Real Estate Increase - Reinsurance <u>Schedule BA</u>
(058)	Sch BA Real Estate Excluding Low-Income Housing Tax Credits Investments
(059)	Guaranteed Low-Income Housing Tax Credits Investments Yield Guaranteed State Tax Credit Investments
(060)	Non-Guaranteed and All Other Low-Income Housing Tax Credits Investments Qualifying and Other Tax Credit Investments
(061)	Sch BA Real Estate Reduction - Reinsurance
(062)	Sch BA Real Estate Increase - Reinsurance

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

_____	X	0.1575	=	_____
_____	X	0.2100	=	_____
_____	X	0.2100	=	_____ †
_____	X	0.2100	=	_____
_____	X	0.1575	=	_____
_____	X	0.1575	=	_____
_____	X	0.1575	=	_____
_____	X	0.2100	=	_____ †
_____	X	0.2100	=	_____
_____	X	0.1575	=	_____
_____	X	0.1575	=	_____
_____	X	0.2100	=	_____
_____	X	0.2100	=	_____ †
_____	X	0.2100	=	_____
_____	X	0.2100	=	_____
_____	X	0.0000	=	_____
_____	X	0.0000	=	_____
_____	X	0.2100	=	_____ †
_____	X	0.2100	=	_____



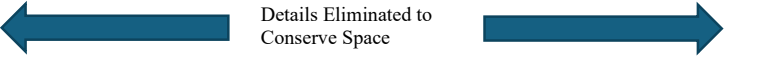
† Denotes lines that are deducted from the total rather than added.

Company Name

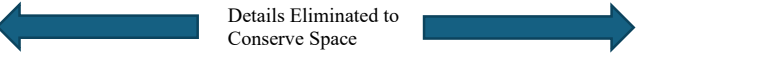
Confidential when Completed

NAIC Company Code

CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL



	<u>Source</u>	(1) RBC Requirement
(32) Synthetic GIC's (C-1o)	LR006 Separate Accounts Column (3) Line (8)	_____
(33) Surplus in Non-Guaranteed Separate Accounts	LR006 Separate Accounts Column (3) Line (13)	_____
(34) Real Estate (gross of encumbrances)	LR007 Real Estate Column (3) Line (13)	_____
(35) Schedule BA Real Estate (gross of encumbrances)	LR007 Real Estate Column (3) Line (25)	_____
(36) Other Long-Term Assets	LR008 Other Long-Term Assets Column (5) Line (57) + LR018 Off-Balance Sheet Collateral Column (3) Line (17) + Line (18)	_____
(37) Schedule BA Mortgages	LR009 Schedule BA Mortgages Column (6) Line (24)	_____
(38) Concentration Factor	LR010 Asset Concentration Factor Column (6) Line (61) (62) Grand Total Page	_____
(39) Miscellaneous	LR012 Miscellaneous Assets Column (2) Line (21)	_____
(40) Replication Transactions and Mandatory Convertible Securities	LR013 Replication (Synthetic Asset) Transactions and Mandatory Convertible Securities Column (7) Line (9999999)	_____
(41) Reinsurance	LR016 Reinsurance Column (4) Line (17)	_____
(42) Total (C-1o) - Pre-Tax	Sum of Lines (22) through (41)	_____
(43) (C-1o) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (110)	_____
(44) Net (C-1o) - Post-Tax	Line (42) - Line (43)	=====
<u>Insurance Risk (C-2)</u>		
(45) Individual and Industrial Life Insurance	LR025 Life Insurance Column (2) Line (5)	_____
(46) Group and Credit Life Insurance and FEG/SGLI	LR025 Life Insurance Column (2) Line (12)	_____
(46b) Longevity Risk	LR025-A Longevity Risk Column (2) Line (5)	_____
(47) Total Health Insurance	LR024 Health Claim Reserves Column (4) Line (18)	_____
(48) Premium Stabilization Reserve Credit	LR026 Premium Stabilization Reserves Column (2) Line (10)	_____
(49) Total (C-2) - Pre-Tax	L(47) + L(48) + Greatest of [Guardrail Factor * (L(45)+L(46)), Guardrail Factor * L(46b), Square Root of [(L(45) + L(46)) ² + L(46b) ² + 2 * (Correlation Factor) * (L(45) + L(46)) * L(46b)]]	_____
(50) (C-2) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (141)	_____
(51) Net (C-2) - Post-Tax	Line (49) - Line (50)	=====
<u>Interest Rate Risk (C-3a)</u>		
(52) Total Interest Rate Risk - Pre-Tax	LR027 Interest Rate Risk Column (3) Line (36)	_____
(53) (C-3a) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (142)	_____
(54) Net (C-3a) - Post-Tax	Line (52) - Line (53)	=====
<u>Health Credit Risk (C-3b)</u>		
(55) Total Health Credit Risk - Pre-Tax	LR028 Health Credit Risk Column (2) Line (7)	_____
(56) (C-3b) Tax Effect	LR030 Calculation of Tax Effect for Life and Fraternal Risk-Based Capital Column (2) Line (143)	_____
(57) Net (C-3b) - Post-Tax	Line (55) - Line (56)	=====



Capital Adequacy (E) Task Force

RBC Proposal Form

- | | | |
|-------------------------------------------------------------------------------|------------------------------------------------------------|-----------------------------------------------------------------------------|
| <input type="checkbox"/> Capital Adequacy (E) Task Force | <input type="checkbox"/> Health RBC (E) Working Group | <input checked="" type="checkbox"/> Life RBC (E) Working Group |
| <input type="checkbox"/> Catastrophe Risk (E) Subgroup | <input type="checkbox"/> P/C RBC (E) Working Group | <input type="checkbox"/> Longevity Risk (A/E) Subgroup |
| <input type="checkbox"/> Variable Annuities Capital. & Reserve (E/A) Subgroup | <input type="checkbox"/> Economic Scenarios (E/A) Subgroup | <input type="checkbox"/> RBC Investment Risk & Evaluation (E) Working Group |

<p style="text-align: right;">DATE: <u>10/7/2024</u></p> <p>CONTACT PERSON: <u>Maggie Chang</u></p> <p>TELEPHONE: <u>816-783-8976</u></p> <p>EMAIL ADDRESS: <u>mchang@naic.org</u></p> <p>ON BEHALF OF: <u>Life Risk-Based Capital (E) Working Group</u></p> <p>NAME: <u>Philip Barlow, Chair</u></p> <p>TITLE: <u>Associate Commissioner of Insurance</u></p> <p>AFFILIATION: <u>District of Columbia</u></p> <p>ADDRESS: <u>1050 First Street, NE Suite 801</u> <u>Washington, DC 20002</u></p>	<p style="text-align: center;">FOR NAIC USE ONLY</p> <hr/> <p>Agenda Item # <u>2024-24-L</u> Year <u>2025</u></p> <hr/> <p style="text-align: center;">DISPOSITION</p> <p>ADOPTED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p>EXPOSED:</p> <p><input type="checkbox"/> TASK FORCE (TF) _____</p> <p><input type="checkbox"/> WORKING GROUP (WG) _____</p> <p><input type="checkbox"/> SUBGROUP (SG) _____</p> <p>REJECTED:</p> <p><input type="checkbox"/> TF <input type="checkbox"/> WG <input type="checkbox"/> SG _____</p> <p>OTHER:</p> <p><input type="checkbox"/> DEFERRED TO _____</p> <p><input type="checkbox"/> REFERRED TO OTHER NAIC GROUP _____</p> <p><input type="checkbox"/> (SPECIFY) _____</p>
---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

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

- | | | |
|--------------------------------------------------|-------------------------------------------------------------|-------------------------------------------------------------------------|
| <input type="checkbox"/> Health RBC Blanks | <input type="checkbox"/> Property/Casualty RBC Blanks | <input checked="" type="checkbox"/> Life and Fraternal RBC Blanks |
| <input type="checkbox"/> Health RBC Instructions | <input type="checkbox"/> Property/Casualty RBC Instructions | <input checked="" type="checkbox"/> Life and Fraternal RBC Instructions |
| <input type="checkbox"/> Health RBC Formula | <input type="checkbox"/> Property/Casualty RBC Formula | <input type="checkbox"/> Life and Fraternal RBC Formula |
| <input type="checkbox"/> OTHER _____ | | |

DESCRIPTION/REASON OR JUSTIFICATION OF CHANGE(S)

This proposal incorporates changes adopted by the NAIC Blanks (E) Working Group, namely #2023-06BWG MOD, #2023-07BWG MOD, and #2023-12BWG MOD. These changes are resulted from adoption of principle-based bond definition by Statutory Accounting Principles (E) Working Group.

In addition, certain editorial changes are proposed herein to provide clarifying edits to Life and Fraternal RBC instructions and/or Blanks. These clarifying edits are not necessarily related to the principle-based bond definition project. **All changes are proposed for 2025 RBC filings.**

Additional Staff Comments:

Rationale for the key proposed clarifying edits are as follows:

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

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

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

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

**** This section must be completed on all forms.**

Revised 2-2023

Detail Eliminated to Conserve Space

BONDS

LR002

Basis of Factors

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

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

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

*Specific Instructions for Application of the Formula*Lines (1) through (7)

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

Line (8)

The total should equal long-term bonds and other fixed-income instruments reported on Page 2, Column 3, Line 1 plus Schedule DL Part 1, Column 6, Line ~~200999999 250999999~~ of the annual statement.

Lines (9) through (15)

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

Line (16)

The total should equal short-term bonds reported on Schedule DA, Part 1, **Column 6** Line ~~050999999 250999999~~ plus Schedule DL Part 1, Column 6, Line 950999999 plus **Schedule E, Part 2, Column 7, Line 050999999 LR012 Miscellaneous Assets Column (1) Line (2.2)**.

Line (22)

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

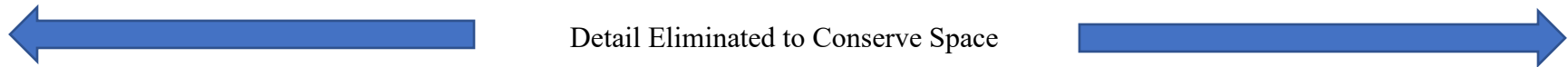
Line (24)

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

Line (25)

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

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



UNAFFILIATED PREFERRED AND COMMON STOCK

LR005

*Basis of Factors*Unaffiliated Preferred Stock

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

Unaffiliated Common Stock

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

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

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

*Specific Instructions for Application of the Formula*Lines (1) through (6)

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

Line (7)

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

Line (13)

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

Line (14)

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

Line (16)

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

Line (17)

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

Lines (19) and (20)

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



Detail Eliminated to Conserve Space



OTHER LONG-TERM ASSETS

LR008

Basis of Factors

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

*Specific Instructions for Application of the Formula*Line (49.1)

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

Line (49.2)

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

Line (50)

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

Line (58)

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

SCHEDULE BA MORTGAGES

LR009

Basis of Factors

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

For Unaffiliated Mortgages, Line ~~1199999~~ and 2399999, the factors used are the same as for commercial mortgages and are defined in Figure 9. Risk categories and factors are determined as follows:

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

Specific Instructions for Application of the Formula

Column (1)

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

Column (2)

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

Column (3)

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

Column (4)

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

Column (5)

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

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

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

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

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

For Line (6), the pre-tax factor is 0.0300.
For Line (7), the pre-tax factor is 0.0090.
For Line (8), the pre-tax factor is 0.0175.
For Line (9), the pre-tax factor is 0.0300.
For Line (10), the pre-tax factor is 0.0500.
For Line (11), the pre-tax factor is 0.0750.
For Line (13), the pre-tax factor is 0.0027.
For Lines (14) through (15), the pre-tax factor is 0.1100.
For Line (17), the pre-tax factor is 0.0054.
For Lines (18) through (19), the pre-tax factor is 0.1300.

Column (6)

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

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



Detail Eliminated to Conserve Space



ASSET CONCENTRATION FACTOR

LR010

Basis of Factors

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

Specific Instructions for Application of the Formula

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

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

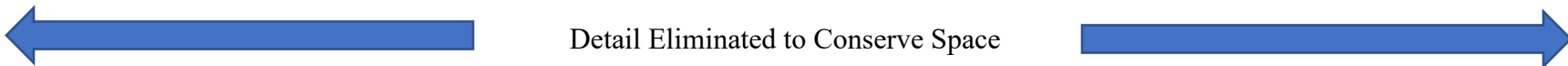
In determining the assets subject to the concentration factor for both C-1s and C-1cs, the ceding company should exclude any asset whose performance inures primarily (>50%) to one reinsurer under modified coinsurance or funds withheld arrangements. The reinsurer should include 100% of such asset. Any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

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

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

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

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



Detail Eliminated to Conserve Space

COMMON STOCK CONCENTRATION FACTOR

LR011

Basis of Factors

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

Specific Instructions for Application of the Formula

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

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

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

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

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

MISCELLANEOUS ASSETS

LR012

Basis of Factors

Lines (1) through (3.3)

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

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

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

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

Lines (4) through (7)

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

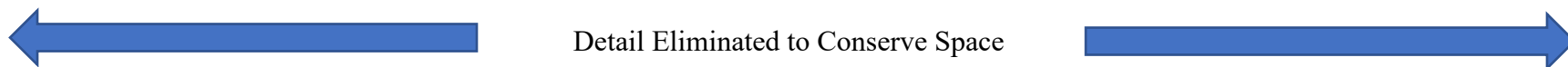
Receivables for securities are subject to factors periodically updated by the NAIC, based on a weighted average calculation of bonds, common and preferred stock receivables.

Lines (8) through (16)

The collateral from Schedule DB Part D Section 1 Column 4 Line 0999999999 should be reported in Lines (8) and (9). The split between Lines (8) and (9) will be that Line (8) will include collateral not on the balance sheet and will be subject to an RBC charge of 0.39%, while Line (9) will include collateral held on the balance sheet and subject to an RBC charge as an admitted asset. Amounts reported in line (9) will be assessed RBC based on their characteristics as an asset elsewhere in the RBC instructions.

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

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



OFF-BALANCE SHEET AND OTHER ITEMS

LR017

Line (2)

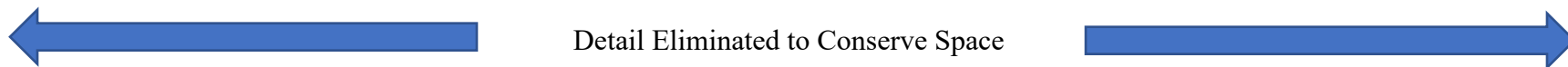
Collateral from all other securities lending programs should be reported General Interrogatories, Part 1, Line 25.05 and included in Line (2).

Lines (3) through (14)

Noncontrolled assets are the amount of all assets not exclusively under the control of the company, or assets that have been sold or transferred subject to a put option contract currently in force. For Line (12.1) and (13) include assets pledged as collateral reported in the General Interrogatories Part 1 Line ~~26.30 25.30~~ and ~~26.31 25.31~~ other than assets related to the Federal Reserve’s Term Asset Loan Facility (TALF). For Line (12.2), include all collateral pledged, both cash and securities, to derivative counterparties and/or central clearinghouses for initial margin and variation margin. In addition, include securities collateral pledged as initial margin for futures. Line (12.2) should agree to Schedule DB Part D Section 2 Column 7, Line 0199999999. Line (12.3) should equal Line (12.1) minus Line (12.2). For Line (13) column 2 include excess assets held by a FHLB but not associated with a FHLB advance (i.e. assets above the required collateral amount and therefore available to be recalled by the insurer). For Line (13) column 2 also include an amount equal to the lessor of Statement Value of FHLB liabilities subject to C3P1 Cash Flow Testing or 5% of total net admitted assets. For Line (13) column (4), the Factor will be manually input. In most instances, the Factor will be based on the NAIC ratings category equivalent to an unsecured debt obligation of the FHLB. A higher factor applies if FHLB funded advance liabilities associated with funding agreement activities exceed 5% of total net admitted assets. If the higher factor is applicable, the Factor for column 4 is calculated as a blended factor prorated such that collateral in column 3 supporting FHLB funding agreement liabilities in excess of the limit is subject to the factor for an NAIC 2 corporate bond (Line 14 Column 4). All other collateral in column 3 is subject to the factor based on the NAIC ratings category equivalent to an unsecured debt obligation of the FHLB.

Lines (16) through (23)

The off-balance sheet exposure for derivative instruments reported on Schedule DB, Part D, Section 1, Column ~~13 12~~, Lines 0199999999 through 0899999999. Off-balance sheet exposure is reported for aggregate exchange traded derivatives, OTC – bilateral derivatives aggregated by counterparty brought into each individual NAIC designation 1-6, and aggregated centrally cleared derivatives. ~~Starting For~~ 2015, derivative balances subject to central clearing are to be included in Line (16) regardless of the category they are included in for Schedule DB, Part D, Section 1.



CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL LR031

Basis of Factors

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

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

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

Operational Risk:

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

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



Detail Eliminated to Conserve Space



CALCULATION OF TOTAL ADJUSTED CAPITAL

(Including Total Adjusted Capital Tax Sensitivity Test)

LR033

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

Basis of Factors

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

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

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

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

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

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

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

the principal amount of the capital and surplus notes the insurer has outstanding.

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

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

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

Specific Instructions for Application of the Formula

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



Detail Eliminated to Conserve Space



AFFILIATED/SUBSIDIARY STOCKS

LR042, LR043 and LR044

Basis of Factors

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

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

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

The total of all reported affiliate/subsidiary stock should equal the amounts reported on Schedule D, Part 2, Section 1, Line 4409999999 plus Schedule D, Part 2, Section 2, Line 5979999999 and should also equal Schedule D, Part 6, Section 1, Line 09999999 plus Line 1899999.

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

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

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

Insurance Affiliate/Subsidiaries that are Subject to RBC

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

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

For purposes of Subsidiary Risk all references to Total Risk-Based Capital After Covariance of the affiliate/subsidiary means:

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

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

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

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

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

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

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

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

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



Detail Eliminated to Conserve Space



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

The risk-based capital for a publicly traded insurance affiliate/subsidiary held at market value after any “discount,” is calculated in two parts. First, calculate and report the risk-based capital of the affiliate/subsidiary according to the relevant instructions above for Insurance Affiliates/Subsidiaries that are Subject to a RBC-look-through Calculation. Second, calculate the additional risk-based capital charge as 34.6% pre-tax of any excess of the market (statement) value over the book value of the affiliate/subsidiary. The result of the second calculation will be added to the C-10 component.

Report information regarding any publicly traded insurance affiliate/subsidiary held at market value. The reported market value of common stock should be the same as shown Schedule D, Part 2, Section 2, Column **7 8**, Line 5919999999 plus Line 5929999999. The market value of preferred stock should be the same as shown in Schedule D, Part 2, Section 1, Column **8 10**, line 4319999999 plus 4329999999. The reported book value of common stock should be the same as shown in Schedule D, Part 2, Section 2, Column **5 6**, Line 5919999999 plus Line 5929999999. The reported book value of preferred stock should be the same as Schedule D, Part 2, Section 1, Column **6 8**, Line 4319999999 plus 4329999999.

APPENDIX A 3— EXAMPLE USED FOR AFFILIATED/SUBSIDIARY STOCKS

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

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



Detail Eliminated to Conserve Space



MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS

LR045, LR046, LR047 and LR048



Detail Eliminated to Conserve Space

*Specific Instructions for Application of the Formula***MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS**

Reinsurance Ceded - Bonds C-1o

LR045

Column 4

Enter by reinsurer, the amount of C-1o RBC the insurance company has ceded that is attributable to bonds. The “total” should equal the total amount of the reduction in C-1o RBC shown on Line (19) of page LR002 Bonds.

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS

Reinsurance Assumed - Bonds C-1o

LR046

Column 4

Enter by ceding company, the amount of C-1o RBC the insurance company has assumed that is attributable to bonds. The “total” should equal the total amount of the increase in C-1o RBC shown on Line (20) of page LR002 Bonds.

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS

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

LR047

Column 4

Enter by reinsurer, the amount of C-0, C-1o And C-1cs RBC the company has ceded that is attributable to all assets except bonds. The “total” should equal the total amount of the reduction of C-0, C-1o And C-1cs RBC attributable to all assets except bonds for MODCO and funds withheld agreements. **Specifically, LR047 Column (4), Line (999999) should equal the sum of LR002 Column (2) Line (19), LR004 Column (6) Line (29), LR005 Column (5) Line (8) and (19), LR006 Column (3) Line (5), LR007 Column (3) Line (11) and (23), LR008 Column (5) Line (9), Line (19), Line (29), Line (39), Line (45) and Line (55), LR009 Column (6) Line (22), LR012 Column (2) Line (19) and LR017 Column (5) Line (28).**

MODCO OR FUNDS WITHHELD REINSURANCE AGREEMENTS

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

LR048

Column 4

Enter by ceding company, the amount of C-0, C-1o And C-1cs RBC the insurance company has assumed that is attributable to all assets except bonds. The “total” should equal the total amount of the increase in C-0, C-1o And C-1cs RBC attributable to all assets except bonds for MODCO and funds withheld agreements. **Specifically, LR048 Column (4), Line (999999) should equal the sum of LR002 Column (2) Line (20), LR004 Column (6) Line (30), LR005 Column (5) Line (9) and (20), LR006 Column (3) Line (6), LR007 Column (3) Line (12) and (24), LR008 Column (5) Line (10), Line (20), Line (30), Line (40), Line (46) and Line (56), LR009 Column (6) Line (23), LR012 Column (2) Line (20) and LR017 Column (5) Line (29).**



Detail Eliminated to Conserve Space



BONDS

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

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Short Term and Cash Equivalent Bonds				
(9)	Exempt Obligations	AVR Default Component Column 1 Line 18 + Schedule E, Part 2, Column 7, Line 001999999	X	0.0000
(10.1)	NAIC Designation Category 1.A	AVR Default Component Column 1 Line 19.1 + Schedule E, Part 2, Footnote L000001A, Amount 1 - Schedule E, Part 2, Column 7, Line 001999999	X	0.00158
(10.2)	NAIC Designation Category 1.B	AVR Default Component Column 1 Line 19.2 + Schedule E, Part 2, Footnote L000001A, Amount 2	X	0.00271
(10.3)	NAIC Designation Category 1.C	AVR Default Component Column 1 Line 19.3 + Schedule E, Part 2, Footnote L000001A, Amount 3	X	0.00419
(10.4)	NAIC Designation Category 1.D	AVR Default Component Column 1 Line 19.4 + Schedule E, Part 2, Footnote L000001A, Amount 4	X	0.00523
(10.5)	NAIC Designation Category 1.E	AVR Default Component Column 1 Line 19.5 + Schedule E, Part 2, Footnote L000001A, Amount 5	X	0.00657
(10.6)	NAIC Designation Category 1.F	AVR Default Component Column 1 Line 19.6 + Schedule E, Part 2, Footnote L000001A, Amount 6	X	0.00816
(10.7)	NAIC Designation Category 1.G	AVR Default Component Column 1 Line 19.7 + Schedule E, Part 2, Footnote L000001A, Amount 7	X	0.01016
(10.8)	Subtotal NAIC 1	Sum of Lines (10.1) through (10.7)		
(11.1)	NAIC Designation Category 2.A	AVR Default Component Column 1 Line 20.1 + Schedule E, Part 2, Footnote L000001B, Amount 1	X	0.01261
(11.2)	NAIC Designation Category 2.B	AVR Default Component Column 1 Line 20.2 + Schedule E, Part 2, Footnote L000001B, Amount 2	X	0.01523
(11.3)	NAIC Designation Category 2.C	AVR Default Component Column 1 Line 20.3 + Schedule E, Part 2, Footnote L000001B, Amount 3	X	0.02168
(11.4)	Subtotal NAIC 2	Sum of Lines (11.1) through (11.3)		
(12.1)	NAIC Designation Category 3.A	AVR Default Component Column 1 Line 21.1 + Schedule E, Part 2, Footnote L000001C, Amount 1	X	0.03151
(12.2)	NAIC Designation Category 3.B	AVR Default Component Column 1 Line 21.2 + Schedule E, Part 2, Footnote L000001C, Amount 2	X	0.04537
(12.3)	NAIC Designation Category 3.C	AVR Default Component Column 1 Line 21.3 + Schedule E, Part 2, Footnote L000001C, Amount 3	X	0.06017
(12.4)	Subtotal NAIC 3	Sum of Lines (12.1) through (12.3)		
(13.1)	NAIC Designation Category 4.A	AVR Default Component Column 1 Line 22.1 + Schedule E, Part 2, Footnote L000001D, Amount 1	X	0.07386
(13.2)	NAIC Designation Category 4.B	AVR Default Component Column 1 Line 22.2 + Schedule E, Part 2, Footnote L000001D, Amount 2	X	0.09535
(13.3)	NAIC Designation Category 4.C	AVR Default Component Column 1 Line 22.3 + Schedule E, Part 2, Footnote L000001D, Amount 3	X	0.12428
(13.4)	Subtotal NAIC 4	Sum of Lines (13.1) through (13.3)		
(14.1)	NAIC Designation Category 5.A	AVR Default Component Column 1 Line 23.1 + Schedule E, Part 2, Footnote L000001E, Amount 1	X	0.16942
(14.2)	NAIC Designation Category 5.B	AVR Default Component Column 1 Line 23.2 + Schedule E, Part 2, Footnote L000001E, Amount 2	X	0.23798
(14.3)	NAIC Designation Category 5.C	AVR Default Component Column 1 Line 23.3 + Schedule E, Part 2, Footnote L000001E, Amount 3	X	0.30000
(14.4)	Subtotal NAIC 5	Sum of Lines (14.1) through (14.3)		
(15)	NAIC 6	AVR Default Component Column 1 Line 24 + Schedule E, Part 2, Footnote L000001F, Amount 1	X	0.30000
(16)	Total Short-Term and Cash Equivalent Bonds	Sum of Lines (9) + (10.8) + (11.4) + (12.4) + (13.4) + (14.4) + (15)		
		(Column (1) should equal Schedule DA Part 1 Column 6 7 Line 0509999999 2509999999 + Schedule DL Part 1 Column 6 Line 9509999999 + Schedule E Part 2 Column 7 Line 0509999999 LR012-Miscellaneous Assets Column (1) Line (2.2))		
(17)	Total Long-Term and Short-Term Bonds (pre-MODCO/Funds Withheld)	Line (8) + (16)		
(18)	Credit for Hedging	LR014 Hedged Asset Bond Schedule Column 13 Line (0399999)		
(19)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	LR045 Modco or Funds Withheld Reinsurance Ceded - Bonds C-1o Column (4) Line (9999999)		
(20)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	LR046 Modco or Funds Withheld Reinsurance Assumed - Bonds C-1o Column (4) Line (9999999)		
(21)	Total Long-Term and Short-Term Bonds (including MODCO/Funds Withheld and Credit for Hedging adjustments.)	Lines (17) - (18) - (19) + (20)		
(22)	Non-exempt U.S. Government Agency Bonds	Schedule D Part 1 Section 1 and Section 2 and Schedule DA Part 1, in part	X	0.00158
(23)	Bonds Subject to Size Factor	Line (21) - Line (1) - Line (9) - Line (22)		
(24)	Number of Issuers	Company Records		
(25)	Size Factor for Bonds			
(26)	Bonds Subject to Size Factor after the Size Factor is Applied	Line (23) x Line (25)		
(27)	Total Bonds	Line (22) + Line (26)		

LR002

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UNAFFILIATED PREFERRED AND COMMON STOCK

		(1)	(2)	(3)	(4)	(5)
	<u>Annual Statement Source</u>	<u>Book / Adjusted Carrying Value</u>	<u>Less Affiliated Preferred Stock Without AVR</u>	<u>RBC Subtotal</u>	<u>Factor</u>	<u>RBC Requirement</u>
<u>Unaffiliated Preferred Stock</u>						
(1)	Preferred Stock Asset NAIC 1	AVR Default Component Column 1 Line 10			X 0.0039	=
(2)	Preferred Stock Asset NAIC 2	AVR Default Component Column 1 Line 11			X 0.0126	=
(3)	Preferred Stock Asset NAIC 3	AVR Default Component Column 1 Line 12			X 0.0446	=
(4)	Preferred Stock Asset NAIC 4	AVR Default Component Column 1 Line 13			X 0.0970	=
(5)	Preferred Stock Asset NAIC 5	AVR Default Component Column 1 Line 14			X 0.2231	=
(6)	Preferred Stock Asset NAIC 6	AVR Default Component Column 1 Line 15			X 0.300	=
(7)	Total Unaffiliated Preferred Stock (pre-MODCO/Funds Withheld)	Sum of Lines (1) through (6)				
(Column (1) should equal Page 2 Column 3 Line 2.1 less Asset Valuation Reserve Default Component Column 1 Line 16.)						
(Column (2) should equal Schedule D Summary by Country Column 1 Line 22 48 less Asset Valuation Reserve Default Component Column 1 Line 16.)						
(8)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)				
(9)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)				
(10)	Total Unaffiliated Preferred Stock (including MODCO/Funds Withheld.)	Lines (7) - (8) + (9)				
<u>Unaffiliated Common Stock</u>						
(11)	Total Common Stock	Schedule D Summary Column 1 Line 29 25				
(12)	Less Affiliated Common Stock	Schedule D Summary Column 1 Line 28 24-				
(13)	Less Non-Admitted Unaffiliated Common Stock included in Line (11)	Company Records				
(14)	Less Federal Home Loan Bank Common Stock	AVR Equity Component Column 1 Line 3			X 0.011	=
(15)	Less Unaffiliated Private Common Stock	AVR Equity Component Column 1 Line 2			X 0.300	=
(16)	Net Other Unaffiliated Public Common Stock	Lines (11) - (12) - (13) - (14) - (15)			X †	=
(17)	Total Admitted Unaffiliated Common Stock (pre-MODCO/Funds Withheld)	Lines (14) + (15) + (16)				
(Column 1 should equal Schedule D Summary by Country Column 1 Line 29 25 less Line 28 24 less Line (13))						
(18)	Credit for Hedging	LR015 Hedged Asset Common Stock Schedule Column 10 Line (0299999)				
(19)	Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)				
(20)	Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)				
(21)	Total Admitted Unaffiliated Common Stock (including MODCO/Funds Withheld and Credit for Hedging.)	Lines (17) - (18) - (19) + (20)				

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

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

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NAIC Company Code

MISCELLANEOUS ASSETS

	<u>Annual Statement Source</u>	(1) <u>Book / Adjusted</u> <u>Carrying Value</u>	<u>Factor</u>	(2) <u>RBC</u> <u>Requirement</u>
<u>Miscellaneous</u>				
(1) Cash	Page 2 Line 5, inside amount 1		X 0.0039 =	
(2.1) Cash Equivalents	Page 2 Line 5, inside amount 2			
(2.2) Less Cash Equivalent Bonds Already Included with Page LR002 Bonds	Schedule E Part 2 Column 7 Line 0509999999 , in part			
(2.3) Less Exempt Money Market Mutual Funds	Sch E, Part 2, Column 7, L8209999999			
(2.4) Net Cash Equivalents	Line (2.1) - Line (2.2) - Line (2.3)		X 0.0039 =	
(3.1) Short-Term Investments	Page 2 Line 5, inside amount 3			
(3.2) Less Short-Term Bonds	Schedule DA Part 1 Column 6-7 Line 0509999999 2509999999			
(3.3) Net Short-Term Investments	Lines (3.1) - (3.2)		X 0.0039 =	
(4) Premium Notes	Page 2 Line 6 first inside amount		X 0.068 =	
(5) Receivable for Securities	Page 2 Column 3 Line 9		X 0.016 =	
(6.1) Aggregate Write-ins for Invested Assets	Page 2 Column 3 Line 11			
(6.2) Less Derivative Collateral Receivable	Page 2 Column 3 Line 11, Derivatives Collateral Receivable reported as part of total			
(6.3) Net Write-ins for Invested Assets	Line (6.1) - Line (6.2)		X 0.068 =	
(7) Total Miscellaneous Excluding Derivative Instruments	Lines (1) + (2.4) + (3.3) + (4) + (5) + (6.3)			
<u>Derivative Instruments</u>				
(8) Collateral – Off Balance Sheet	Schedule DB Part D Section 1 Column 4 Line 0999999999, in part		X 0.0039 =	
(9) Collateral – On Balance Sheet	Schedule DB Part D Section 1 Column 4 Line 0999999999, in part		X 0.000 =	
(10) Exchange Traded and Centrally Cleared	Asset Valuation Reserve Default Component Column 1 Line 33, in part		X 0.0039 =	
(11) Over the Counter NAIC 1	Asset Valuation Reserve Default Component Column 1 Line 33, in part		X 0.0039 =	
(12) Over the Counter NAIC 2	Asset Valuation Reserve Default Component Column 1 Line 33, in part		X 0.0126 =	
(13) Over the Counter NAIC 3	Asset Valuation Reserve Default Component Column 1 Line 33, in part		X 0.0446 =	
(14) Over the Counter NAIC 4	Asset Valuation Reserve Default Component Column 1 Line 33, in part		X 0.0970 =	
(15) Over the Counter NAIC 5	Asset Valuation Reserve Default Component Column 1 Line 33, in part		X 0.2231 =	
(16) Over the Counter NAIC 6	Asset Valuation Reserve Default Component Column 1 Line 33, in part		X 0.3000 =	
(17) Total Derivative Instruments	Sum of Lines (8) through (16)			
(18) Total Miscellaneous Assets (pre-MODCO/Funds Withheld)	Lines (7) + (17)			
(19) Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)			
(20) Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)			
(21) Total Miscellaneous Assets (including MODCO/Funds Withheld.)	Lines (18) - (19) + (20)			

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NAIC Company Code

OFF-BALANCE SHEET AND OTHER ITEMS

	(1)	(2)	(3)	(4)	(5)	(6)
		Less Noncontrolled Assets Funding Guaranteed Separate Accounts,			RBC	Yes/No
		Synthetic GICs and Certain FHLB Liabilities				
	Annual Statement Source	Statement Value	Subtotal	Factor	Requirement	Response
<u>Noncontrolled Assets</u>						
(1) Loaned to Others - Conforming Securities Lending Program	General Interrogatories Part 1 Line 25.04			X 0.0020	=	
(2) Loaned to Others - Securities Lending Programs - Other	General Interrogatories Part 1 Line 25.05			X 0.0126	=	
(3) Subject to Repurchase Agreements	General Interrogatories Part 1 Line 26.21			X 0.0126	=	
(4) Subject to Reverse Repurchase Agreements	General Interrogatories Part 1 Line 26.22			X 0.0126	=	
(5) Subject to Dollar Repurchase Agreements	General Interrogatories Part 1 Line 26.23			X 0.0126	=	
(6) Subject to Reverse Dollar Repurchase Agreements	General Interrogatories Part 1 Line 26.24			X 0.0126	=	
(7) Placed Under Option Agreements	General Interrogatories Part 1 Line 26.25			X 0.0126	=	
(8) Letter Stock or Other Securities Restricted as to sale - excluding FHLB Capital Stock	General Interrogatories Part 1 Line 26.26			X 0.0126	=	
(9) FHLB Capital Stock	General Interrogatories Part 1 Line 26.27			X 0.0126	=	
(10) On Deposit with States	General Interrogatories Part 1 Line 26.28			X 0.0126	=	
(11) On Deposit with Other Regulatory Bodies	General Interrogatories Part 1 Line 26.29			X 0.0126	=	
(12.1) Pledged as Collateral - excluding Collateral Pledged to an FHLB	General Interrogatories Part 1 Line 26.30			X 0.0126	=	
(12.2) Less Derivative Collateral Pledged	Schedule DB Part D Section 2 Column 7, Line 0199999999			X 0.0039	=	
(12.3) Pledged as Collateral - excluding Collateral Pledged to an FHLB Less Derivatives Collateral Pledged	Line (12.1) - (12.2)			X 0.0126	=	
(13) Pledged as Collateral to FHLB - including Assets Backing Funding Agreements	General Interrogatories Part 1 Line 26.31			X #	=	
(14) Other	General Interrogatories Part 1 Line 26.32			X 0.0126	=	
(15) Total Noncontrolled Assets	Sum of Lines (1) through (11) Plus Lines (12.2) through (14)					Aggre Over-
<u>Derivative Instruments</u>						
(16) Exchange Traded and Centrally Cleared	Schedule DB Part D Section 1 Column 13-12, Line 0999999999, in part			X 0.0039	=	T
(17) Off-Balance Sheet Exposure NAIC 1	Schedule DB Part D Section 1 Column 13-12, Line 0999999999, in part			X 0.0039	=	T
(18) Off-Balance Sheet Exposure NAIC 2	Schedule DB Part D Section 1 Column 13-12, Line 0999999999, in part			X 0.0126	=	T
(19) Off-Balance Sheet Exposure NAIC 3	Schedule DB Part D Section 1 Column 13-12, Line 0999999999, in part			X 0.0446	=	T
(20) Off-Balance Sheet Exposure NAIC 4	Schedule DB Part D Section 1 Column 13-12, Line 0999999999, in part			X 0.0970	=	T
(21) Off-Balance Sheet Exposure NAIC 5	Schedule DB Part D Section 1 Column 13-12, Line 0999999999, in part			X 0.2231	=	T
(22) Off-Balance Sheet Exposure NAIC 6	Schedule DB Part D Section 1 Column 13-12, Line 0999999999, in part			X 0.3000	=	Aggre
(23) Total Derivative Instruments Off-Balance Sheet Exposure	Sum of Lines (16) through (22)					Total
(24) Guarantees for Affiliates	Notes to Financial Statements Number 14A3e1			X 0.0126	=	
(25) Contingent Liabilities	Notes to Financial Statements Number 14A1			X 0.0126	=	
(26) Long Term Leases	Notes to Financial Statements Number 15A2a1			X 0.0000	=	
(27) Total Off-Balance Sheet Items (pre-MODCO/Funds Withheld)	Lines (15) + (23) + (24) + (25) + (26)					
(28) Reduction in RBC for MODCO/Funds Withheld Reinsurance Ceded Agreements	Company Records (enter a pre-tax amount)					
(29) Increase in RBC for MODCO/Funds Withheld Reinsurance Assumed Agreements	Company Records (enter a pre-tax amount)					
(30) Total Off-Balance Sheet Items (including MODCO/Funds Withheld)	Lines (27) - (28) + (29)					
<u>Other Items</u>						
(31) Is the entity responsible for filing the U.S. Federal income tax return for the reporting insurer a regulated insurance company?	"Yes", "No" or "N/A" in Column (6)					
(32) SSAP No. 101 Paragraph 11a Deferred Tax Assets	Notes to Financial Statements Item 9A2(a)			X ‡	=	
(33) SSAP No. 101 Paragraph 11b Deferred Tax Assets	Notes to Financial Statements Item 9A2(b)			X 0.0100	=	
(34) Total Off-Balance Sheet and Other Items	Line (30) + Line (32) + Line (33)					

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

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

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

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



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BUSINESS RISK (CONTINUED)

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

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

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

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CALCULATION OF TOTAL ADJUSTED CAPITAL
(Including Total Adjusted Capital Tax Sensitivity Test)

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

† Including subsidiaries owned by holding companies.

‡ Multiply statement value by percent of ownership.

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

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

CROSSCHECKING FOR AFFILIATED/SUBSIDIARY STOCKS

Affiliated Preferred Stock

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

Affiliated Common Stock

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

- † Column (1) Lines (1) through (8) and (10) through (17) come from Schedule D Part 6 Section 1 Column 6 7 of the annual statement.
- ‡ Column (2) Lines (1) through (8) come from LR044 Details for Affiliated Investments Column (7).
- § Column (2) Lines (10) through (17) come from LR044 Details for Affiliated Investments Column (5).

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