Date: 1/23/23

Virtual Meeting

LIFE RISK-BASED CAPITAL (E) WORKING GROUP
Thursday, January 26, 2023
12:00 – 1:00 p.m. ET / 11:00 a.m. – 12:00 p.m. CT / 10:00 – 11:00 a.m. MT / 9:00 – 10:00 a.m. PT

ROLL CALL

Philip Barlow, Chair	District of Columbia	William Leung	Missouri
Sheila Travis	Alabama	Michael Muldoon	Nebraska
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
Fred Andersen	Minnesota		

NAIC Support Staff: Dave Fleming

AGENDA

1. Discuss the American Academy of Actuaries' (Academy) C2 Mortality Work Group's Proposal for Life C-2 Structural and Instruction Updates and a New Financial Statement Note—*Philip Barlow (DC)* Attachment 1

2. Discuss Proposed Revisions to CM6 and CM7 Mortgage RBC — *Philip Barlow (DC)* Attachments 2-5

3. Discuss Proposed Removal of Dual Trend Test Presentation— *Philip Barlow (DC)* Attachment 6

4. Discuss Any Other Matters Brought Before the Working Group—*Philip Barlow (DC)*

5. Adjournment

AMERICAN ACADEMY *of* ACTUARIES

January 12, 2023

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

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

Dear Philip,

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

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

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

Sincerely,

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

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

American Academy of Actuaries

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

Capital Adequacy (E) Task Force

RBC Proposal Form

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

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

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

[ ] Health RBC Blanks [ ] Property/Casualty RBC Blanks [X] Life and Fraternal RBC Instructions
[ ] Health RBC Instructions [ ] Property/Casualty RBC Instructions [X] Life and Fraternal RBC Blanks
[X] OTHER _Notes to Financial Statements___________________________

DESCRIPTION OF CHANGE(S)

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

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

REASON OR JUSTIFICATION FOR CHANGE **

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

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

Additional Staff Comments:

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

Proposed 2023 Update 1

LIFE INSURANCE

Attachment 1

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

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

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

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

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

Proposed 2023 Update 1
PREMIUM STABILIZATION RESERVES

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

Proposed 2023 Update 1

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

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

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

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

Company Name | Confidential when Completed | NAIC Company Code

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

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

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

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

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

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

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

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

Attachment 1

Company Name | Confidential when Completed | NAIC Company Code

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

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

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

Company Name | Confidential when Completed | NAIC Company Code

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

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

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

Proposed 2023 Update 1

Company Name | Confidential when Completed | NAIC Company Code

CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

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

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

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

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

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

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

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

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

PROPOSED 2023 UPDATE 1

LIFE INSURANCE

LR025

Basis of Factors

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

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

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

Specific Instructions for Application of the Formula

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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NOTE 37 Life Insurance Net Amount at Risk by Product Characteristics

Refer to LR025 of the RBC instructions for category definitions

A. INDIVIDUAL & INDUSTRIAL LIFE

Line Definitions

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

Table A1

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

Table A2

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

Table A3

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

Table A4

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

B. GROUP & CREDIT LIFE EXCLUDING FEGLI/SGLI

Line Definitions

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

Table B1

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

Table B2

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

Table B3

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

Table B4

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

Table B5

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

Attachment 1

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

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

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

LIFE INSURANCE (Clean Version)

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

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

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PREMIUM STABILIZATION RESERVES

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

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Proposed 2023 Update 2

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

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

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

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

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

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

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

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

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

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

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

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

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Proposed 2023 Update 2

CALCULATION OF AUTHORIZED CONTROL LEVEL RISK-BASED CAPITAL

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

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

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

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

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

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

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PROPOSED 2023 UPDATE 2

LIFE INSURANCE

LR025

Basis of Factors

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

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

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

Specific Instructions for Application of the Formula

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risk

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

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

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

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

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

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

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

November 16, 2022

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

Dear Mr. Barlow,

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

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

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

American Council of Life Insurers | 101 Constitution Ave, NW, Suite 700 | Washington, DC 20001-2133

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

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

Source: MBA Life Company Loan Performance Database

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

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

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

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

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

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

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

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

Sincerely,

MMonahan

Mike Monahan, American Council of Life Insurers
Mortgage Bankers Association

cc: Dave Fleming, NAIC Senior Insurance Reporting Analyst

Paul S. Graham III
SVP, Policy Development

MORTGAGE BANKERS ASSOCIATION
Mike Flood
SVP, CMF Policy & Member Engagement

July 8. 2022

Philip A. Barlow, FSA, MAAA

Chair, Life Risk-Based Capital (E) Working Group
National Association of Insurance Commissioners
1100 Walnut Street, Suite 1500
Kansas City, MO 64106-2197

Re: Proposed revisions to CM6 and CM7 mortgage RBC factors and formula

Dear Mr. Barlow:

The Mortgage Bankers Associations (MBA)[1] and the American Council of Life Insurers (ACLI)[2], on behalf of our respective member insurers, respectfully submit the attached proposal to the Life Risk-Based Capital Working Group of the National Association of Insurance Commissioners (NAIC).

The proposal would harmonize the RBC factors for CM6 and CM7 mortgage with the RBC factors for Schedule A and Schedule BA real estate investments, as recently adjusted. It also would harmonize the formulas used to apply RBC factors to performing and non-performing mortgages, by eliminating the adjustments for write-downs currently currently included in the non-performing mortgages formula.

We look forward to working with you on this request. Please feel free to contact Mike Monahan at mikemonahan@acli.com, 202-624-2324, or Grant Carlson at gcarlson@mba.org or 202-557-2765, for any additional information.

Sincerely,

Mike Flood

Paul Graham

Attachment: CM6-CM7 proposal and mark-up

cc: Dave Fleming, NAIC Senior Insurance Reporting Analyst

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[1] The ***Mortgage Bankers Association (MBA)*** is the national association representing the real estate finance industry, an industry that employs more than 390,000 people in virtually every community in the country. Its membership of over 2,000 companies includes all elements of real estate finance: mortgage companies, mortgage brokers, commercial banks, credit unions, thrifts, REITs, Wall Street conduits, life insurance companies, and others in the mortgage lending field. For additional information, visit MBA's website: www.mba.org.

[2] The ***American Council of Life Insurers (ACLI)*** is the leading trade association driving public policy and advocacy on behalf of the life insurance industry. 90 million American families rely on the life insurance industry for financial protection and retirement security. ACLI's member companies are dedicated to protecting consumers' financial wellbeing through life insurance, annuities, retirement plans, long-term care insurance, disability income insurance, reinsurance, and dental, vision and other supplemental benefits. ACLI's 280 member companies represent 94 percent of industry assets in the United States. Learn more at www.acli.com

Capital Adequacy (E) Task Force

RBC Proposal Form

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

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

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

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

DESCRIPTION OF CHANGE(S)

This proposal would make the following two related changes.

1. Align the CM6 and CM7 Life RBC factors for non-performing commercial and farm mortgages with the RBC factors for Schedule A and Schedule BA investments in real estate as those factors were adjusted in 2021; and
2. Adopt the same formula for calculating RBC amounts for non-performing and performing residential, commercial and farm mortgages.

REASON OR JUSTIFICATION FOR CHANGE **

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

Historical alignment and the 2021 change

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

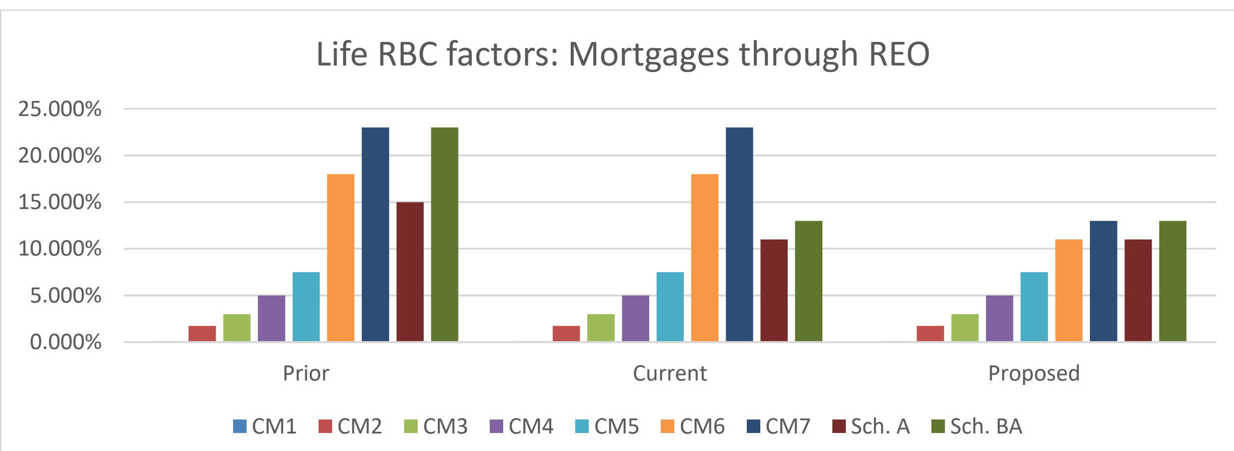
That alignment made sense as a matter of risk because the worst-case path for a non-performing mortgage loan results in the asset becoming a real estate equity investment on the insurer's balance sheet. In 2021, however, the factor assigned to Schedule A real estate investments dropped from 15% to 11%,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

The proposal

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

Impacts

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



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

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

The current state: non-performing mortgages

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

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

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

The current state: performing mortgages

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

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

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

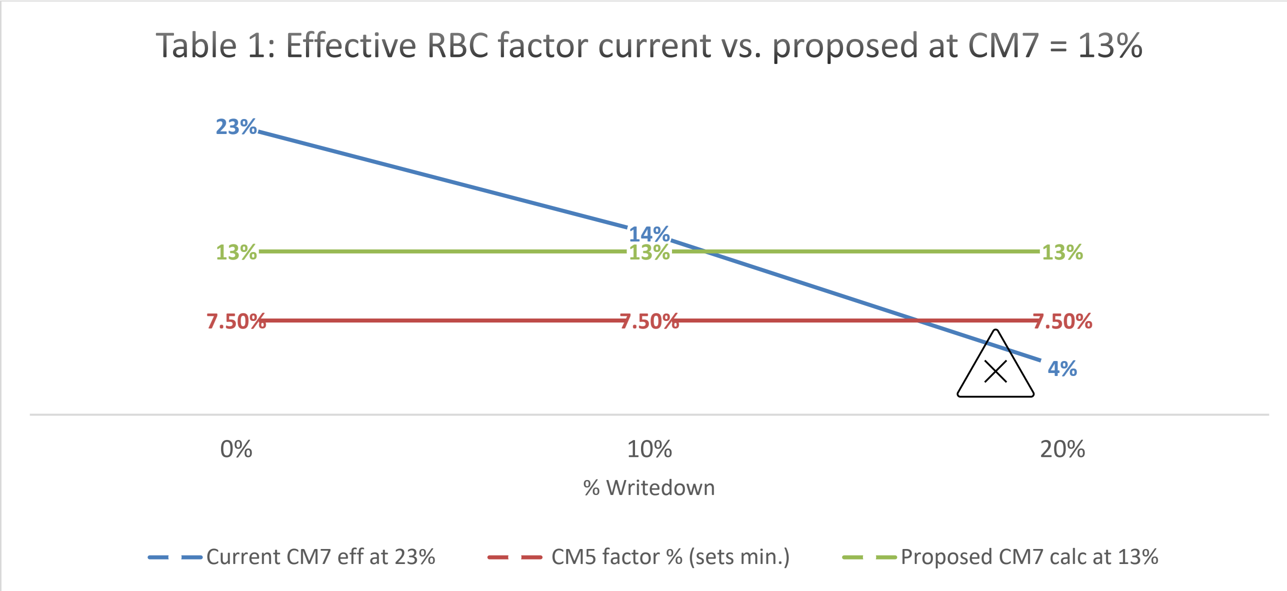
The proposal

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

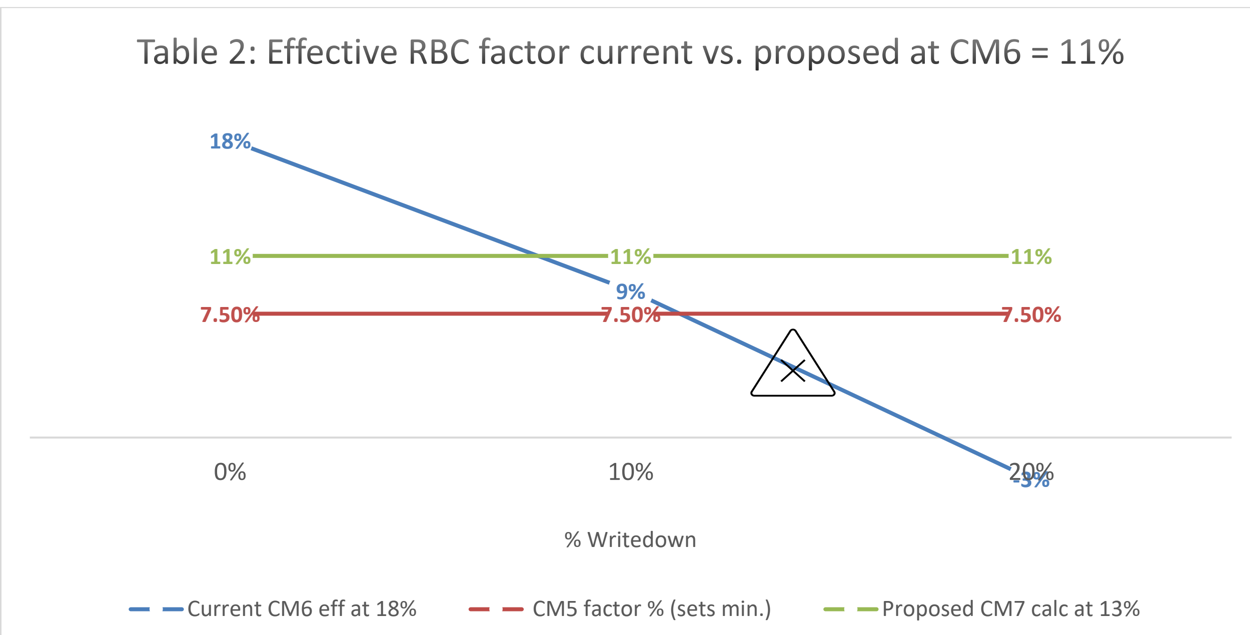
Impacts

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

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



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



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

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

Notes to the mark-up:

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

Additional Staff Comments:

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

MORTGAGES
LR004

Basis of Factors

Mortgages in Good Standing

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

Mortgages 90 Days Overdue, Not in Process of Foreclosure

The category pre-tax factor for commercial and farm mortgages of ~~18~~ 11 percent is based on ~~data taken from the Society of Actuaries "Commercial Mortgage Credit Risk Study."~~ the 11 percent factor for real estate investments reported on Schedule A. For insured and guaranteed or residential mortgages, factors are set at twice the level for those "in good standing" to reflect the increased likelihood of default losses.

Mortgages in Process of Foreclosure

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

Due and Unpaid Taxes on Overdue Mortgages and Mortgages in Foreclosure

The factor for due and unpaid taxes on overdue mortgages and mortgages in foreclosure is 100 percent.

Specific Instructions for Application of the Formula

Column (1)

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

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

Column (2)

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

<u>Column (3)</u>
Column (3) is calculated as the net of Column (1) less Column (2).

<u>Column (4)</u>
No longer used. Place "XXX" in any blanks for this column.

<u>Column (5)</u>
For Lines (1) and (3), the pre-tax factor is equal to 0.0014
For Lines (2), the pre-tax factor is equal to 0.0068
For Lines (4) and (10), the pre-tax factor is equal to 0.0090
For Lines (5) and (11), the pre-tax factor is equal to 0.0175
For Lines (6) and (12), the pre-tax factor is equal to 0.0300
For Lines (7) and (13), the pre-tax factor is equal to 0.0500
For Lines (8) and (14), the pre-tax factor is equal to 0.0750
For Lines (16) and (20), the pre-tax factor is equal to 0.1100
For Lines (17) and (19), the pre-tax factor is equal to 0.0027
For Lines (18), the pre-tax factor is equal to 0.0140
For Lines (21) and (25), the pre-tax factor is equal to 0.1300
For Lines (22) and (24), the pre-tax factor is equal to 0.0054
For Lines (23), the pre-tax factor is equal to 0.0270
For Lines (26) and (27), the pre-tax factor is 1.0.

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

(Figure 1)

The mortgage factors are used in conjunction with the mortgage worksheet (Figures 2) to calculate the RBC Requirement for each individual mortgage. The following factors are used for each category of mortgages:

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

(Figure 2)

Mortgage Worksheet (**c**ompany developed)

Mark-up reflecting CM6-CM7 mortgage proposal (July 8, 2022)

Commercial Mortgages and Farm Mortgages

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1. Loans on owner occupied properties

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

2. Borrower does not provide the annual operating statement

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

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

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

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

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

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

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

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

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

Note 8: Definitions of each type of Farm Mortgage:

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

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

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

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

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

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

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

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

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

(Figure 3)

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

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

(Figure 4)

For Hotels and Specialty Commercial**:**

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

(Figure 5)

Farm Mortgages (Agricultural Loans)**:**

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

Mark-up reflecting CM6-CM7 mortgage proposal (July 8, 2022)

SCHEDULE BA MORTGAGES

LR009

Basis of Factors

For Affiliated Mortgages**,** Line **12999999**, the factors used are the same as for commercial mortgages and are defined in Figure 9. Risk categories and factors are determined using a company generated worksheet (Figure 10).

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

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

Specific Instructions for Application of the Formula

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

<u>Column (2)</u>
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.

<u>Column (3)</u>
Column (3) is calculated as the net of Column (1) less Column (2).

<u>Column (4)</u>
No longer used. Place "XXX" in any blanks for this column.
<u>Column (5)</u>
For Line (1), the pre-tax factor is 0.0014.
For Line (2), the average factor column is calculated as Column (6) divided by Column (3).
For Line (3), the pre-tax factor is 0.0090.
For Line (4), the pre-tax factor is 0.0175.
For Line (5), the pre-tax factor is 0.0300.
For Line (6), the pre-tax factor is 0.0090.

Mark-up reflecting CM6-CM7 mortgage proposal (July 8, 2022)

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

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

For Line (2), summary amounts are entered for Column (6) based on calculations done on an individual mortgage basis as determined in the company developed worksheet Figure (10)..

(Figure 9)

The mortgage factors are used in conjunction with the mortgage worksheet (Figure 10) to calculate the RBC Requirement for each individual mortgage in an affiliated structure and in an unaffiliated structure where there are covenants. Residential Mortgages and Commercial Mortgages Insured or Guaranteed are classified as Category CM1. The following factors are used for each category of mortgages:

	Schedule BA Mortgage Factors		
LR009 Line Number		Factor	
(3)	Unaffiliated – defeased with government securities	0.0090	
(4)	Unaffiliated investments comprised primarily of Senior Debt	0.0175	
(5)	Unaffiliated – all other unaffiliated mortgages	0.0300	
(6)	Affiliated Mortgages and Unaffiliated Mortgages with Covenants – Category CM1	0.0090	
(7)	Affiliated Mortgages and Unaffiliated Mortgages with Covenants – Category CM2	0.0175	
(8)	Affiliated Mortgages and Unaffiliated Mortgages with Covenants – Category CM3	0.0300	
(9)	Affiliated Mortgages and Unaffiliated Mortgages with Covenants – Category CM4	0.0500	
(10)	Affiliated Mortgages and Unaffiliated Mortgages with Covenants – Category CM5	0.0750	

Mark-up reflecting CM6-CM7 mortgage proposal (July 8, 2022)

(12)	90 Days Past Due - Insured or Guaranteed	0.0027	
(13)	90 Days Past Due (CM6)- Unaffiliated with Covenants	0.1100	
(14)	90 Days Past Due (CM 6)– Affiliated	0.1100	
(16)	In Process of Foreclosure - Insured or Guaranteed	0.0054	
(17)	In Process of Foreclosure (CM7)- Unaffiliated with Covenants	0.1300	
(18)	In Process of Foreclosure (CM7)– Affiliated	0.1300	

(Figure 10)

Mortgage Worksheet (**c**ompany developed)
–Commercial Mortgages and Farm Mortgages

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

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

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

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

Mark-up reflecting CM6-CM7 mortgage proposal (July 8, 2022)

(26)	(27)			(30)	Loan Interest? (31)	(32)	(33)

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

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

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

Column			Description / Explanation of Item
#	Heading		
			Price Index current is the value on 9/30 of the current year for the National Council of Real Estate Investor Fiduciaries Price Index for the United States.
(1)	Name / ID	Input	Identify each mortgage included as in good standing**.**
(2)	Date of Origination	Input	Enter the year and month that the loan was originated. If the loan has been restructured, extended, or otherwise re-written, enter that new date.
(3)	Maturity Date	Input	Enter earlier of maturity of the loan, or the date the lender can call the loan.
(4)	Property Type	Input	Enter 1 for mortgages with an Office, Industrial, Retail or multifamily property as collateral. Enter 2 for mortgages with a Hotel and Specialty Commercial as property type. For properties that are multiple use, use the property type with the greatest square footage in the property. Enter 3 for Farm Loans.
(5)	Farm Sub-type	Input	Sub-category – If Property Type=3 (Farm Loans), then you must enter a Sub Category: 1=Timber, 2=Farm and Ranch, 3=Agribusiness Single Purpose, 4=Agribusiness All Other**.** (See Note 8)
(6)	Postal Code	Input	Enter zip code of property for US properties. If multiple properties or zip codes, enter multiple codes. If foreign, enter postal code. If not available, N/A**.**
(7)	Book / Adjusted Carrying Value	Input	Enter the value that the loan is carried at on the company ledger.
(8)	Statutory Writedowns	Input	Enter the value of any writedowns taken on this loan due to permanent impairment.
(9)	Involuntary Reserve	Input	Enter the amount of any involuntary reserve amount. Involuntary reserves are reserves that are held as an offset to a particular asset that is clearly a troubled asset and are included on Page 3 Line 25 of the Annual Statement.

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

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

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

standards. The most recent annual period is determined as follows:

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

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

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

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

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

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

1. Loans on owner occupied properties

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

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

2. Borrower does not provide the annual operating statement

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

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

Note 4: Construction loans

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

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

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

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

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

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

Note 7: Non-senior financing

a. The company should first calculate DSC and LTV for non-senior financing using the standardized debt service and aggregate LTV of all financing pari passu and senior to the position held by the company.

b. The non-senior piece should then be assigned to the next riskier RBC category. For example, if the DSC and LTV metrics determined in (a) indicate a category of CM2, the non-senior piece would be assigned to category CM3. However, it would not be required to assign a riskier category than CM5 if the loan is not at least 90-days delinquent or in foreclosure.

Note 8: Definitions of each type of Farm Mortgage:

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

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

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

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

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

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

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

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

(Figure 11)

Mark-up reflecting CM6-CM7 mortgage proposal (July 8, 2022)

For Office, Industrial, Retail and Multi-family

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

(Figure 12)

For Hotels and Specialty Commercial

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

(Figure 13)

For Farm Loans:

	<u>Timber</u>	<u>Farm & Ranch</u>	<u>Agribusiness</u> <u>Single Purpose</u>	<u>Agribusiness</u> <u>All Other</u>

Mark-up reflecting CM6-CM7 mortgage proposal (July 8, 2022)

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

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

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

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

~~(0000001) If 3.0 had been selected for LR035 Trend Test Line (18) as the state of domicile level, the Line (6) level of action above would have been:~~

~~(0000002) If 2.5 had been selected for LR035 Trend Test Line (18) as the state of domicile level, the Line (6) level of action above would have been:~~

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

TREND TEST

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

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

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

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